

TOWN OF KIRKWOOD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Kirkwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 government's accounting policies are described below.

The Town was required to adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The Town has not presented these financial statements in accordance with the requirements of GASB No. 45.

A. FINANCIAL REPORTING ENTITY

The Town of Kirkwood, which was established in 1859, is governed by Town Law and other general laws of the State of New York and various Town ordinances and local laws. The Town Board, consisting of the Supervisor and four council persons, is the legislative body responsible for overall operations. The Supervisor serves as chief executive officer and chief fiscal officer.

The Town provides the following services as authorized by its charter: public safety, transportation (highways and streets), home and community services, culture and recreation, public improvements, planning and zoning, and general administration.

Special services such as lighting, water and sewer are provided in certain areas of the Town designated as special tax districts.

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. The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB 14, 39, AND 61 including legal standing, fiscal dependency, and financial accountability.

1. Included in the Reporting Entity

The financial statements of the Town consist only of the funds and account groups of the Town. The Town has no oversight responsibility for any other governmental entity, since no other entities are considered to be controlled by, or dependent on, the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

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B. FUND ACCOUNTING

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Town records its transactions in the fund types described below.

1. Fund Categories

a. Governmental Funds

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental fund is upon determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Town's governmental fund types.

General Fund - The principal operating fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes other than debt service or capital projects. The following special revenue funds are utilized: Highway Fund, Fire Protection Fund, Lighting Fund, Sewer Fund, and Water Fund.

Capital Projects Funds - Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds.

Debt Service Fund – Used to account for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

b. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the local government in a trustee or custodial capacity with revised criteria effective 1/1/2019.

Agency Funds - used to account for money (and/or property) received and held in a purely custodial capacity of trustee, custodian, or agent. Under recently issued GASB Statement No. 84 titled *Fiduciary Activities*, Agency Fund assets associated with payroll withholdings and those assets held in a trustee capacity are no longer reported in the Agency Fund. Rather, such

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asset balances as of 12/31/2021 are included in the General Fund.

2. Supplemental Schedules – Account Groups

Supplemental Schedules are used to establish accounting control and accountability for non-current government assets and liabilities. The two schedules are not "funds." They are concerned with the measurement of financial position and not results of operations.

Schedule of Non-current Government Assets - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes, except those accounted for in proprietary funds.

Schedule of Non-current Government Liabilities - used to account for all long-term debt except that accounted for in proprietary funds.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures and the related assets, deferred outflows, liabilities, and deferred inflows are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. revenues or expenditures.

The preparation of financial statements in conformity with generally accepted accounting principles often utilizes certain estimated data. Future results can be different from the estimates used accordingly.

1. Modified Accrual Basis

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after the reporting period.

Material revenues that are accrued include sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made and the resources are available.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses and inventory-type

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items are recognized at the time of purchase.

- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when payment is due.
- d. Pension costs and other post-employment benefits (health insurance) are recognized when payment is due.

2. Supplemental Schedules

Non-current Government assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received.

Non-current Government liabilities are recorded at the par value of the principal amount: no liability is recorded for interest payable to maturity.

D. FUND BALANCES

In fiscal 2011, the Town implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 changed the classification of fund balances to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently nonspendable in the current period, either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Town Board is the

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decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that 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 the fund balance.

Appropriated Fund Balance – consists of amounts appropriated for the ensuing year’s budget.

Unappropriated Fund Balance – consists of residual amounts of assigned fund balance not included in the appropriated fund balance for all funds other than the general fund.

Unassigned represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.

The Town has not adopted a fund balance policy.

E. COMPENSATED ABSENCES

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported in the general long-term debt account group.

The monetary value of accumulated, unused vacation time as of December 31, 2025, which amounted to \$30,820, is reported in the Statement of Non-Current Governmental Liabilities, referred to as the General Long-Term Debt Account Group (W). In accordance with the provisions of GASB No. 16, as amended, the value of non-vesting, accumulated sick leave (as is the case here) is not a true liability because its use is contingent upon a future event (sickness) that is beyond the control of both the Town and its employees. Therefore, GASB prohibits the accrual/recognition of a liability for non-vesting accumulated sick leave.

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2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. BUDGETARY POLICIES

1. Budget Policies - The budget policies are as follows: No later than September 30, the Budget Officer submits a Tentative Budget to the Town Clerk for the fiscal year commencing the following January 1. The Tentative Budget includes proposed expenditures and the proposed means of financing for all operating funds.
2. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Town Board adopts the budget.
3. All modifications to the budget must be approved by the Town Board.
4. Budgets are adopted annually on a basis consistent with generally accepted accounting principles applied at the governmental fund level.
5. Appropriations in all budgeted funds lapse at the end of the fiscal year.

B. PROPERTY TAXES

The Broome County Legislature prepares the tax levy in late December of each year and jointly bills the County's and Town's share of the tax levy. Real property taxes are levied annually no later than January 1 and become a lien at that date. The Town has entered into an agreement with the County to have the County's Real Property Tax Services Department collect taxes. Taxes were collected during the period of January 2, 2025 to March 31, 2025. Broome County assumes enforcement responsibility for all taxes levied by the Town. Unpaid Town and special district taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are re-levied as County taxes in the subsequent year.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2 percent or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

C. DEFICIT FUND BALANCES

As of December 31, 2025, there was one fund with a negative fund balance.

H Fund: Capital Projects	(\$53,194)
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3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

1. Cash 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 the 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 deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal depository insurance, by collateral held by the Town's custodial bank in the Town's name, by qualified line of credit agreements, or by qualified investments.

Balances at December 31, 2025 consist of:

Demand Deposits	\$2,367,623
Money Market Savings	5,969,816
	\$8,337,439

2. Restricted Cash Assets

The Town's General, Highway, Water Districts and Sewer Districts funds all reported restricted cash assets on their respective balance sheets as of December 31, 2025. Restricted cash assets represent moneys in legally established capital or equipment reserves, all established pursuant to the provisions of General Municipal Law, Section 6-c. The moneys in these reserves are restricted to the use for the purpose for which the reserve was established.

The following are General Reserve fund balances at 12/31/2025:

Tennis Court Repair	\$23,495
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The following are Reserve for Judgements and Claims balances at 12/31/2025:

Liability and Casualty Reserve	\$241,670
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The following are Capital Reserve balances at 12/31/2025:

Park Development	\$ 51,900
Town Building & Grounds	239,294

	<u>\$ 291,194</u>

The following are Assigned Reserve balances at 12/31/2025:

Sewer Capital Improvement	\$ 118,733
Sewer Repair Reserve	354,901
Highway Equipment Reserve	441,629
Highway Road Improvement Reserve	751,451
Water Repair Reserve	256,566
Water Capital Improvement	49,993

	<u>\$1,973,273</u>

The following are bonded debt reserve fund balances at 12/31/2025:

Bell School Sewer Debt	\$ 1,886
Colesville Road Sewer Debt	5,268
Road Project Debt	267,016

	<u>\$ 274,170</u>

3. Property, Plant and Equipment

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the Schedule of Non-current Government Assets. Contributed fixed assets are recorded at fair market value at the date received.

4. Lease of Property

The Town (as lessor) currently leases a building utilized by the United States Postal Service. The lease, which expires 1/31/2031, calls for annual rent of \$12,311 for 2026.

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B. LIABILITIES

1. Pension Obligations

Plan Description - Employees' Retirement System (ERS)

The Town participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York 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 System is included in the State's financial report as a pension trust fund. This report, including information with regard to benefits provided, may be found at www.osc.state.ny/retire/publications/index.php or obtained in writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy -

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent 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. For ERS, 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.

The annual contribution is due by February 1, but may be paid at a discounted rate if payment is made by December 15. The Town has elected to pay its annual contribution in December to take advantage of the discount. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

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<u>Year</u>	<u>ERS</u>
2025	\$148,319
2024	\$124,032
2023	\$107,858

GASB issued a series of pension-related accounting and financial reporting pronouncements, starting with Statement No. 68 *Accounting and Financial Reporting for Pensions* in 2012. While Statement No. 68 and related pronouncements do not change the Town's accounting treatment for pensions, they do require substantial additional pension-related note disclosures, including the Systems' actuarial assumptions, long-term expected rate of return on pension plan investments, sensitivity of the discount rate used to calculate the Town's proportionate share of its net pension liability, and other supplemental information.

The Town believes that the value expected by including these additional pension-related disclosures will not exceed the effort involved or the clarity intended. As such, this was deemed impracticable to implement and report at this time.

Given the above, and based upon the information generated and provided by the Systems, the Town has a net pension liability of \$329,898 for its proportionate share of the Systems' net pension liability/(asset) as of December 31, 2025. This net pension liability was measured by the Systems as of March 31, 2025, and the Systems' total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension liability/(asset) was based on a projection of the Town's long-term share of contributions to the Systems' relative to the projected contributions of all participating members, actuarially determined. Per the Systems, the Town's Employer Allocation Percentage was 0.0019241%.

As directed by the NYS OSC, the Town's net pension liability/(asset) of \$329,898 is reflected in the W schedule, Non-Current Government Liabilities.

2. Other Post-Employment Benefits (OPEB)

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees and their surviving spouses. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year, or for most retirees an annual allowance capped at \$2,400. The Town recognizes the cost of providing benefits by recording its share of insurance premiums or allowances as an expenditure in the year paid.

During the year, approximately \$357,875 was paid on behalf of 16 active employees and 33 retirees and eligible spouses, and recorded as an expenditure in

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the General, Highway and Special District Funds. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

3. Short-Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the capital projects funds. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires BAN's issued for capital purposes to be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Town had no short-term debt outstanding at December 31, 2025.

4. Long-Term Debt

- a. Statutory Installment Bonds - At 12/31/2025 the Town had no statutory installment bonds outstanding.
- b. Serial Bonds - The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the General Long-Term Debt Account Group. The provision to be made in future budgets for capital indebtedness represents the amount authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.
- c. Other Long-Term Debt - Included as long-term debt, the local government had the following non-current liability:

Compensated Absences of \$30,820 represents the value of the earned and unused portion of the liability for vacation pay.
- d. Summary of Long-Term Debt - The following is a summary of long-term liabilities outstanding at 12/31/2025:

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Compensated Absences	30,820
Sewer District No. 3, Serial Bond	115,000
Sewer District No. 4, Serial Bond	615,000
Public Improvement, Serial Bond	470,000
	<u>\$1,230,820</u>

e. The following is a summary of changes in long-term liabilities for the period ending 12/31/2025:

Payable 1/1/2025	\$1,345,000
Additions	0
Amount Paid	(145,000)
	<u>\$1,200,000</u>

The future maturities of long-term debt outstanding at 12/31/2025 may be summarized as follows:

<u>Year Ending</u>	<u>Bond Principal</u>
12/31/2026	155,000
12/31/2027	155,000
12/31/2028	155,000
12/31/2029	160,000
12/31/2030	45,000
12/31/2031	45,000
12/31/2032	45,000
12/31/2033	50,000
12/31/2034	50,000
12/31/2035	50,000
12/31/2036	55,000
12/31/2037	55,000
12/31/2038	50,000
12/31/2039	45,000
12/31/2040	50,000
12/31/2041	35,000
	<u>\$ 1,200,000</u>

4. BUDGET ADJUSTMENTS

During 2025 budget adjustments were adopted by Board resolution, primarily related to utilizing available resources to cover additional contractual and equipment expenditures.

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5. CONTINGENCIES AND SUBSEQUENT EVENTS

The Town has evaluated events and transactions that occurred between December 31, 2025 and February 26, 2026, which is the date the Annual Financial Report was finalized for submission, for possible disclosure and recognition in the financial reporting document. As of this date, per the Town Attorney, the following contingencies should be included with these notes:

- (1) Frito Lay vs. Town of Kirkwood: This is a challenge to the tax assessment of a manufacturing plant. The Town's current total full value of the property is \$5,541,880. The petitioner is asserting that the full value should be \$2,500,000. Thus, potential exposure is an overvaluation of \$3,041,880. There are two years of assessments being challenged.
- (2) Millennium Pipeline vs. Town of Kirkwood: This is a challenge to the assessment of a pipeline. It involves two properties. Property #1: The Town's current full value is \$8,710,267. The petitioner is asserting a value of \$871,027. The potential exposure is an overvaluation of \$7,839,240. Property #2: The Town's current full value is \$5,396,748. The petitioner is asserting a value of \$539,675. The potential exposure is an overvaluation of \$4,857,073.