
TOWN OF CANAAN, CT

Annual Financial Statements

For the Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
The Town of Canaan, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Canaan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Canaan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Canaan, as of June 30, 2025, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Canaan 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 of Canaan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, 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 of Canaan'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 of Canaan'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 the pension and OPEB schedules on pages 4-10 and 47-49 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 of Canaan's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 combining and individual nonmajor fund financial statements and other supplemental schedules are 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 18, 2026, on our consideration of the Town of Canaan's internal control over financial reporting and on our test 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 the Town of Canaan's 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 of Canaan's internal control over financial reporting and compliance.



King, King & Associates, CPAs
Winsted, CT
March 18, 2026

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

As management of the Town of Canaan, CT, we offer readers of the Town of Canaan, CT's financial statements this narrative overview and analysis of the financial activities of the Town of Canaan, CT for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Canaan, CT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,501,521 (*net position*). Of this amount, \$2,393,680 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Net Position of \$20,803 was restricted for Special Revenue Fund purposes. The beginning net position was adjusted by \$118,938 for the implementation of GASB 101, *Compensated Absences*, See Note 13. The remaining net position balance of \$3,087,038 is invested in capital assets.
- The government's total net position increased by \$238,002.
- The Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$2,688,667 an increase of \$153,968 from the prior fiscal year. Of this amount, \$857,415 is available for spending at the government's discretion with town approval (*unassigned fund balance*) and \$219,000 has been assigned for subsequent year's appropriations. Additional amounts of \$31,304 have been set for Cemetery Maintenance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$857,415 or 14% percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Canaan, CT's basic financial statements. The Town of Canaan, CT's basic financial statements are comprised of 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 readers with a broad overview of the Town of Canaan, CT's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government'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 vacation leave).

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

Both of the government-wide financial statements distinguish functions of the Town of Canaan, CT that are principally supported by tax revenues, grants 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 town has no business-type activities. The governmental activities of the Town of Canaan, CT include general government, public safety, public works, health and welfare, culture and recreation, sanitation, and education.

The government-wide financial statements can be found on pages 11-12 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 of Canaan, CT, 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 of Canaan, CT, can be divided into two categories: governmental funds and fiduciary 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 financial statements focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a near or short-term view of the Town's finances that may be useful in evaluating the Town's near-term financing requirements. *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 of Canaan, CT maintains twenty-nine (29) 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 which is considered a major funds. The remaining twenty-eight funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town of Canaan, CT adopts an annual appropriated budget for its General Fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town of Canaan. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains one pension trust fund, three private-purpose funds, and two custodial.

The basic fiduciary fund financial statements can be found on pages 18-19 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 20-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Canaan, CT, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$5,501,521 at the close of the most recent fiscal year.

SUMMARY STATEMENT OF NET POSITION

	Governmental Activities		
	2025	2024	Variance
Current and Other Assets	\$ 3,089,298	\$ 2,875,990	\$ 213,308
Capital Assets	4,340,859	4,392,764	(51,905)
Total Assets	\$ 7,430,157	\$ 7,268,754	\$ 161,403
Deferred Outflows of Resources	17,455	25,555	(8,100)
Current Liabilities	\$ 297,538	\$ 272,689	\$ 24,849
Long-term Liabilities	1,597,212	1,608,740	(11,528)
Total Liabilities	1,894,750	1,881,429	13,321
Deferred Inflows of Resources	51,341	30,423	20,918
Net Position:			
Net Investment in			
Capital Assets	3,087,038	3,006,443	80,595
Restricted	20,803	23,477	(2,674)
Unrestricted	2,393,680	2,352,537	41,143
Total Net Position	\$ 5,501,521	\$ 5,382,457	\$ 119,064

A portion of the Town of Canaan, CT's net position fifty-six (56%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges) less any related debt used to acquire those assets that is still outstanding. The Town of Canaan, CT uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Of the Town of Canaan, CT's remaining net position, \$20,803 is restricted for special revenue fund purposes, and \$2,393,860 or forty-four (44%) of fund balance is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

The unrestricted net position of \$2,393,680 increased by \$41,143 compared to reported last year's of \$2,352,537. At the end of the current fiscal year, the Town of Canaan, CT is able to report positive balances in all categories of net position for the government as a whole.

	Governmental Activities		
	2025	2024	Variance
REVENUES			
<i>General Revenues:</i>			
Property Taxes	\$ 5,329,919	\$ 4,999,758	\$ 330,161
Unrestricted Grants	151,361	189,599	(38,238)
Investment Income	45,296	62,431	(17,135)
Other Income	82,491	43,566	38,925
<i>Program Revenues:</i>			
Charges for Services	121,239	197,065	(75,826)
Operating Grants and Contributions	805,098	696,573	108,525
Capital Grants and Contributions	-	-	-
Total Revenues	6,535,404	6,188,992	346,412
EXPENSES			
<i>Governmental Activities:</i>			
General Government	705,824	682,099	23,725
Public Safety	170,066	167,502	2,564
Public Works	720,233	711,981	8,252
Sanitation	174,644	148,961	25,683
Health and Welfare	206,475	177,558	28,917
Culture and Recreation	131,199	134,730	(3,531)
Education	4,155,985	3,916,251	239,734
Interest Expense	32,976	37,146	(4,170)
Total Expenses	6,297,402	5,976,228	321,174
Change in Net Position	238,002	212,764	25,238
Beginning Net Position	5,382,457	5,169,693	
Adjustment/Restatement	(118,938)	-	
Ending Net Position	\$ 5,501,521	\$ 5,382,457	

Governmental activities: Governmental activities increased the Town of Canaan, CT's net position by \$238,002. Governmental activities revenues totaled \$6,535,404 for fiscal year 2025, an increase of \$346,412 from the prior fiscal year. The most significant factors contributing to this increase is the increase in tax revenues, allocated TRB and education pass-through grants.

Key elements of this increase are as follows:

Eighty-two percent (82%) of the revenues of the Town were derived from property taxes, followed by twelve percent (12%) intergovernmental operating grants, two percent (2%) charge for services, two percent (2%) unrestricted grants, and two percent (2%) other income and investment income.

Major revenue factors included:

- Property Tax Collections were greater than the amount budgeted
- Conveyance Tax and Building Permits were greater than the amount budgeted

Major expense factors include:

- Cost savings in most departments due to the diligence of department heads and employees
- Cost savings in the education budget

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds: The focus of the Town of Canaan, CT'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 of Canaan, CT's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Canaan, CT's governmental funds reported combined ending fund balances of \$2,688,667 an increase of \$153,968 in comparison with the prior fiscal year. Thirty-two percent (32%) of this total constitutes unassigned fund balance and is available for spending at the government's discretion.

At the end of the current fiscal year, the Town of Canaan, CT is able to report positive balances in all categories of fund balance for the government as a whole.

General Fund: The General Fund is the chief operating fund of the Town of Canaan, CT. At the end of the current fiscal year, the total fund balance of the General Fund was \$1,639,498 of which \$219,000 was assigned for the next fiscal year, \$31,304 was assigned to Cemetery Maintenance, \$32,406 was committed to Post-Employment Retirement Benefits, \$180,000 was committed to Capital Projects, \$29,999 was committed to Educational Expenses and \$289,374 was committed to the Length of Service Award Plan. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the amount assigned for future periods to total fund expenditures. Unassigned fund balance and the amount assigned for future periods represents seventeen percent (17%) of total General Fund expenditures and transfers out for the fiscal year ending June 30, 2025.

During the current fiscal year, the fund balance of the Town of Canaan, CT's General Fund increased by \$101,278. Key factors in this increase are as follows:

- The original budget included a budgeted use of fund balance totaling \$149,049; however, due to better than anticipated revenues and controlled spending in various departments none was utilized.
- Cost savings in most of the town's departments.

General Fund Budgetary Highlights

- The original General Fund budget provided for the use of \$149,049 of fund balance to finance approved expenditure appropriations not financed by projected revenue. Additional appropriations were made for Legal (\$5,500), Town Clerk (\$300), Social Services and Recreation (\$2,000), Fire Commission (\$10,000), and Ambulance Reserve (\$26,427). The amended budgeted use of surplus was \$193,276; however, due to better than anticipated revenues and controlled spending in various departments none was utilized.
- An additional \$29,999, representing the prior year's unspent education funds, was transferred to the Board of Education's Non-lapsing account

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

On a budgetary basis, General Fund revenues for the fiscal year were \$141,977 greater than budgetary projections due to greater than anticipated tax collections, conveyance taxes, grants and other revenues. Budgetary expenditures were \$129,308 less than budgeted amounts due to cost savings in General Government, Public Safety, Public Works, Culture & Recreation, and Education Expenses, which include tuition paid to Regional One School District.

The final amended General fund budget provided for the use of fund balance of \$193,276. As a result of the positive budgetary variances, none was utilized and an additional \$48,010 was able to be returned to fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Town of Canaan, CT's investment in capital assets, net of accumulated depreciation, is \$4,340,859. This investment in capital assets includes land, building and improvements, furniture, vehicles, equipment, and infrastructure assets (roads, culverts and bridges).

Additional information on the Town's capital assets can be found in Note 6 on page 31 of this report.

Major capital asset events during the current fiscal year included the following:

- New roof at L. H. Kellogg School
- Planning costs for Cobble Road Bridge replacement
- Paving Music Mountain Road

CAPITAL ASSETS
(Net of Depreciation)

	<u>2025</u>	<u>2024</u>
Land and Non-Depreciable Assets	\$ 485,867	\$ 474,367
Buildings and Improvements	1,914,362	1,943,491
Infrastructure	1,534,980	1,510,141
Machinery and Equipment	405,650	464,765
Total	<u>\$ 4,340,859</u>	<u>\$ 4,392,764</u>

Long-term Liabilities: The Town has the following obligations:

LONG-TERM LIABILITIES

	<u>2025</u>	<u>2024</u>
Bonds	\$ 1,253,821	\$ 1,386,321
Total OPEB Liability	147,555	153,291
Compensated Absences	195,836	188,066
Total	<u>\$ 1,597,212</u>	<u>\$ 1,727,678</u>

TOWN OF CANAAN, CT
Management's Discussion and Analysis
June 30, 2025

The Town issued general obligation bonds totaling \$2,300,000 on July 1, 2014, to finance the design and construction of the Falls Village Volunteer Emergency Services Center, requiring annual principal payments of \$115,000. General obligation bonds totaling \$350,000 were issued on August 1, 2015, to finance the Lee H. Kellogg School Roof and Amesville Bridge requiring annual payments of \$17,500 plus interest. The total balance was \$1,253,821 at year-end. Beginning compensated absences were restated due to the implementation of GASB 101, *Compensated Absences*, see Note 13 on page 45. Additional information on the Town of Canaan, CT's long-term debt can be found in Note 7 on pages 31 - 33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors affecting the Town of Canaan, CT, including those that were considered in preparing the Town's General Fund budget for the 2025-2026 fiscal year, and those that will affect future budgets are as follows:

- State grant funding is expected to remain constant.
- The education appropriations to Regional School District No. 1 are expected to remain constant for fiscal year 2025-2026.
- All ARPA funds have been committed.
- The Town was awarded a STEAP Grant. The Town match of 20% will be paid from Reserve Funds and an \$180,000 appropriation from the General Fund which was approved at a Town Meeting.
- The Town has assigned \$219,000 of General Fund fund balance to be used in the 2026 budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Canaan, CT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Selectmen, Town of Canaan, and P.O. Box 47, Falls Village, CT 06031.

TOWN OF CANAAN, CT

Statement of Net Position

June 30, 2025

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 2,452,347
Investments	539,061
Property Taxes Receivable (Net)	59,019
Interest Receivable	12,471
Lease Payments Receivable	26,400
<i>Noncurrent Assets:</i>	
Nondepreciable Capital Assets	485,867
Capital Assets, Net of Depreciation	<u>3,854,992</u>
Total Assets	<u>7,430,157</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - OPEB	<u>17,455</u>
 LIABILITIES:	
<i>Current Liabilities:</i>	
Accounts Payable	283,277
Unearned Revenue	14,261
<i>Noncurrent Liabilities:</i>	
Due Within One Year	173,372
Due in More Than One Year	<u>1,423,840</u>
Total Liabilities	<u>1,894,750</u>
 DEFERRED INFLOWS OF RESOURCES	
Lease Related	26,400
Deferred Inflows - OPEB	<u>24,941</u>
Total Deferred Inflows of Resources	<u>51,341</u>
 NET POSITION	
Net Investment in Capital Assets	3,087,038
Restricted for Special Revenue Fund Purposes	20,803
Unrestricted	<u>2,393,680</u>
Total Net Position	<u>\$ 5,501,521</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 705,824	\$ 94,760	\$ 9,110	\$ -	\$ (601,954)
Public Safety	170,066	-	-	-	(170,066)
Public Works	720,233	-	194,986	-	(525,247)
Health & Welfare	206,475	-	-	-	(206,475)
Sanitation	174,644	16,616	-	-	(158,028)
Education	4,155,985	-	587,046	-	(3,568,939)
Culture & Recreation	131,199	9,863	13,956	-	(107,380)
Interest	32,976	-	-	-	(32,976)
Total Governmental Activities	<u>\$ 6,297,402</u>	<u>\$ 121,239</u>	<u>\$ 805,098</u>	<u>\$ -</u>	<u>(5,371,065)</u>
General revenues:					
					5,329,919
					151,361
					82,491
					45,296
					<u>5,609,067</u>
					Change in net position
					238,002
					Net Position - Beginning
					5,382,457
					Adjustment/Restatement
					(118,938)
					Net Position - Beginning as Adjusted
					5,263,519
					Net Position - Ending
					<u>\$ 5,501,521</u>

See accountant's report

TOWN OF CANAAN, CT

Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,424,356	\$ 1,027,991	\$ 2,452,347
Investments	536,991	2,070	539,061
Taxes Receivable, Net	59,019	-	59,019
Interest & Lien Fees Receivable	12,471	-	12,471
Lease Receivable	26,400	-	26,400
Interfund Receivables	-	27,736	27,736
Total Assets	\$ 2,059,237	\$ 1,057,797	\$ 3,117,034
LIABILITIES			
Accounts Payable	\$ 282,635	\$ 642	\$ 283,277
Unearned Revenue	7,584	6,677	14,261
Interfund Payables	26,427	1,309	27,736
Total Liabilities	316,646	8,628	325,274
Deferred Inflows of Resources			
Unavailable Revenues:			
Property Taxes and Interest	76,693	-	76,693
Leases	26,400	-	26,400
Total Deferred Inflows of Resources	103,093	-	103,093
FUND BALANCES			
Restricted for:			
Special Revenue Fund Purposes	-	20,803	20,803
Committed to:			
Length of Service Awards Program	289,374	-	289,374
Capital Projects	180,000	1,028,366	1,208,366
OPEB Obligations (Note 10)	32,406	-	32,406
Non-Lapsing Educational Fund	29,999	-	29,999
Assigned to:			
Cemetery Maintenance	31,304	-	31,304
Subsequent Year's Budget	219,000	-	219,000
Unassigned	857,415	-	857,415
Total Fund Balances	1,639,498	1,049,169	2,688,667
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,059,237	\$ 1,057,797	\$ 3,117,034

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Fund balances reported in governmental funds Balance Sheet	\$ 2,688,667
Amounts reported for governmental activities in the government-wide Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
<i>Capital Assets</i>	9,165,419
<i>Accumulated Depreciation</i>	(4,824,560)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
<i>Property taxes, interest and liens receivable greater than 60 days</i>	76,693
Certain changes related to pensions are deferred and amortized over time	
<i>Deferred Inflows - OPEB</i>	(24,941)
<i>Deferred Outflows - OPEB</i>	17,455
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.	
<i>Bonds Payable</i>	(1,253,821)
<i>Compensated Absences</i>	(195,836)
<i>OPEB Liability</i>	<u>(147,555)</u>
Net position of governmental activities	<u>\$ 5,501,521</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2025

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 5,315,828	\$ -	\$ 5,315,828
Intergovernmental	874,641	25,835	900,476
Charges for Services	119,952	1,287	121,239
Other Income	82,491	-	82,491
Investment Income	<u>38,859</u>	<u>6,437</u>	<u>45,296</u>
Total Revenues	<u>6,431,771</u>	<u>33,559</u>	<u>6,465,330</u>
Expenditures			
Current:			
General Government	771,143	5,603	776,746
Public Safety	163,708	5,043	168,751
Public Works	574,767	14,709	589,476
Health & Welfare	192,346	6,395	198,741
Sanitation	174,644	-	174,644
Culture & Recreation	94,937	1,960	96,897
Education	4,016,195	20,656	4,036,851
Debt Service	165,476	-	165,476
Capital Outlay	-	<u>103,780</u>	<u>103,780</u>
Total Expenditures	<u>6,153,216</u>	<u>158,146</u>	<u>6,311,362</u>
Excess/(Deficiency) of Revenues Over Expenditures	278,555	(124,587)	153,968
Other Financing Sources/(Uses)			
Transfers In	-	177,277	177,277
Transfers Out	<u>(177,277)</u>	<u>-</u>	<u>(177,277)</u>
Total Other Financing Sources/(Uses)	<u>(177,277)</u>	<u>177,277</u>	<u>-</u>
Net Change in Fund Balances	101,278	52,690	153,968
Fund Balances - Beginning	<u>1,538,220</u>	<u>996,479</u>	<u>2,534,699</u>
Fund Balances - Ending	<u>\$ 1,639,498</u>	<u>\$ 1,049,169</u>	<u>\$ 2,688,667</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances-total governmental funds \$ 153,968

Amounts reported for governmental activities in the statement of activities are different because:

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

<i>Capital Outlay</i>	193,900
<i>Depreciation Expense</i>	(245,805)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Bond Principal Payments</i>	132,500
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Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

<i>Adjustment for OPEB Obligation</i>	5,736
<i>Compensated Absences</i>	(7,770)
<i>Net Amortization of Pension Inflows and Outflows</i>	(8,618)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are accrued in the government-wide financial statements.

<i>Property Taxes and Interest Collected Accrual Basis Change</i>	<u>14,091</u>
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Change in net position of governmental activities \$ 238,002

TOWN OF CANAAN, CT
 Budgetary Comparison Statement
 General Fund
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Over (Under)
	Original	Final Adjusted		
Revenues				
Property Taxes	\$ 5,241,933	\$ 5,241,933	\$ 5,315,828	\$ 73,895
Intergovernmental	466,084	483,584	487,599	4,015
Investment Income	12,000	12,000	11,299	(701)
Departmental	77,575	77,575	109,951	32,376
Other Revenue	52,900	58,900	91,292	32,392
Total Revenues	<u>5,850,492</u>	<u>5,873,992</u>	<u>6,015,969</u>	<u>141,977</u>
Expenditures				
Current:				
General Government	761,642	790,942	752,541	(38,401)
Public Safety	179,525	189,525	178,708	(10,817)
Public Works	604,710	604,710	574,767	(29,943)
Health and Welfare	191,716	192,716	191,842	(874)
Culture and Recreation	105,404	106,404	94,927	(11,477)
Sanitation	168,329	168,329	174,644	6,315
Education	3,670,855	3,670,855	3,629,153	(41,702)
Debt Service	167,885	167,885	165,476	(2,409)
Total Expenditures	<u>5,850,066</u>	<u>5,891,366</u>	<u>5,762,058</u>	<u>(129,308)</u>
Excess/(Deficiency) of Revenues Over Expenditures	426	(17,374)	253,911	271,285
Other Financing Sources/(Uses)				
Use of Fund Balance to Finance Budget	149,049	193,276	-	(193,276)
Use of Fund Balance for BOE Nonlapsing	-	29,999	-	(29,999)
Transfer of Prior Year BOE Surplus to Nonlapsing	-	(29,999)	(29,999)	-
Transfers In	-	-	-	-
Transfers Out	(149,475)	(175,902)	(175,902)	-
Total Other Financing Sources/(Uses)	<u>(426)</u>	<u>17,374</u>	<u>(205,901)</u>	<u>(223,275)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,010</u>	<u>\$ 48,010</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Pension Trust Fund	Private-Purpose Trust Funds	Custodial Funds	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ 37,939	\$ 3,187	\$ 41,126
Investments - Mutual Funds	1,271,337	-	-	1,271,337
Contributions Receivable	40,170	-	-	40,170
Total Assets	<u>\$ 1,311,507</u>	<u>\$ 37,939</u>	<u>\$ 3,187</u>	<u>\$ 1,352,633</u>
Deferred Outflows of Resources	-	-	-	-
Liabilities				
Due to Others	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Deferred Inflows of Resources	-	-	-	-
Net Position				
Restricted for Donor's Intentions	-	37,939	-	37,939
Restricted for Individuals & Organizations	-	-	3,187	3,187
Restricted for Pensions	1,311,507	-	-	1,311,507
Total Net Position	<u>\$ 1,311,507</u>	<u>\$ 37,939</u>	<u>\$ 3,187</u>	<u>\$ 1,352,633</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN, CT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension Trust Fund	Private-Purpose Trust Funds	Custodial Funds	Total
Additions				
Contributions				
Town	\$ 40,145	\$ -	\$ -	\$ 40,145
Employees	27,980	-	-	27,980
Foundation Grants	-	4,250	-	4,250
Private Donations	-	14,051	-	14,051
Events & Activities	-	-	1,719	1,719
Investment Income				
Interest and Dividends	-	87	-	87
Net Increase in Fair Value of Investments	185,301	-	-	185,301
Total Additions	<u>253,426</u>	<u>18,388</u>	<u>1,719</u>	<u>273,533</u>
Deductions				
Financial Assistance	-	8,788	-	8,788
Events & Activities	-	-	2,087	2,087
Total Deductions	<u>-</u>	<u>8,788</u>	<u>2,087</u>	<u>10,875</u>
Change in Net Position	253,426	9,600	(368)	262,658
Net Position - Beginning	<u>1,058,081</u>	<u>28,339</u>	<u>3,555</u>	<u>1,089,975</u>
Net Position - Ending	<u>\$ 1,311,507</u>	<u>\$ 37,939</u>	<u>\$ 3,187</u>	<u>\$ 1,352,633</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF CANAAN
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Canaan, Connecticut (the Town) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Reporting Entity

The Town of Canaan, CT (the "Town") was incorporated in 1739. It operates under a Board of Selectmen, Town Meeting, Board of Finance form of government and provides a full range of services including public safety, public works, sanitation, health and welfare, culture and recreation, education, and general administrative services to its residents.

Accounting principles generally accepted in the United States of America require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided by the GASB have been considered and there are no entities which should be presented as component units of the Town.

Related Organizations

The Town is a member of Regional School District No. 1 (the "District"), which is located in Falls Village, Connecticut. The District provides educational services along with Regional and Pupil Services within its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town in the current fiscal year totaled \$1,417,263. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District's outstanding bonds. The District is governed by an elected Board of Education and issues publicly available financial reports.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF CANAAN
Notes to the Financial Statements

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Fiduciary Fund Types

Private-Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organization, or other governments.

Pension Trust Funds are used to account for the accumulation of resources to be used for retirement benefits.

Custodial Funds account for monies held as a custodian for outside groups and agencies.

Measurement focus, basis of accounting, and financial statements presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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. Exceptions to this general rule include voluntary non-exchange transactions when all eligibility requirements have been met. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include compensated absences, pension obligations, and claims and judgments that are recorded only when payment is due.

Property taxes levied, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as governmental fund revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when program eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town, or specifically identified.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

TOWN OF CANAAN
Notes to the Financial Statements

The pension trust funds, private purpose trust funds, and custodial funds, are reported using the economic resources measurement focus and the accrual basis of accounting.

Estimates

The preparation of 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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Cash and Cash Equivalents - The deposit of public funds is controlled by the Connecticut General Statutes. The Town maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Cash and cash equivalents are stated at cost, which approximates market value. The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months from the original date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, obligations of any U.S. or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. The pension and other trust funds may also invest in stocks or bonds, or other securities selected by the trustee. Investments are stated at fair value, primarily utilizing quoted market prices, with the exception of certificates of deposit (cost), and money market funds (amortized cost).

The Town's investments consist of governmental fund certificates of deposit and a UBS investment account set aside for the Length of Service Awards Program (LOSAP). Other investments are stated at Fair Value, primarily utilizing quoted market prices, as provided by the Custodian. Certificates of Deposit are reported at cost.

Fair Value of Financial Instruments - In accordance with GASB 72, the town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active.
- c. Observable inputs other than quoted prices for the assets or liability.
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

TOWN OF CANAAN
Notes to the Financial Statements

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Leases Receivable – The Town's lease receivable is the amount expected to be received during the lease terms. The amounts have not been discounted as the discount amount is considered immaterial. A corresponding deferred inflow of resources is also recorded, and the inflow of resources will be recorded on a straight-line basis over the term of the leases.

Advances to and from other funds - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Taxes - In accordance with Connecticut General Statutes, property taxes are assessed as of October 1, levied on the following July 1, and are due in two installments, July 1, and January 1. Motor vehicle taxes are due in one installment on July 1, and supplemental motor vehicle taxes are due in full January 1. The Town has established an allowance for estimated uncollectible property taxes in the amount of \$16,000. Taxes not paid on or before the first day of the month next succeeding the month in which they became due and payable, or if not due and payable on the first day of the month, on or before the same date of the next succeeding month corresponding to that day of the month on which they all become due and payable, are considered delinquent. Continuing liens are filed within two years of the original due date. An allowance based on historical collection experience is provided for uncollectible taxes. Property taxes, interest, and lien fees receivable that are not considered available to liquidate general fund liabilities of the current period are reported as a deferred inflow of resources on the governmental fund balance sheet, and accordingly, are not recognized as revenue in the fund financial statements during the current fiscal period.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. As permitted under GASB 34, the Town has prospectively capitalized its governmental activities infrastructure assets in the statement of net position beginning July 1, 2003. The Town's governmental activities infrastructure assets acquired before July 1, 2003, have not been capitalized and are not reported as capital assets in the government-wide financial statements.

TOWN OF CANAAN
Notes to the Financial Statements

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	15-50
Infrastructure	40-60
Water system assets	30-50
Equipment	4-60

Capital asset acquisitions are reported as expenditures and no depreciation is taken in the governmental fund financial statements.

Compensated absences – Employees accumulate, by prescribed formula, vacation and sick days for subsequent use or for payment upon termination or retirement. The liability for compensated absences reported in the government-wide financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in the governmental funds only for amounts expected to be paid with available resources, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, including equipment financing, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services.

Total Other Post-Employment Benefits (OPEB) Liability – The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period.

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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town reports Deferred OPEB Expense in this category. Deferred OPEB Expense results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense on a systemic and rational basis.

TOWN OF CANAAN
Notes to the Financial Statements

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred leases in the government-wide statement of net position and in the governmental funds balance sheet. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Also, within the government-wide statement of net position the Town reports as deferred inflows amounts representing the net difference between expected and actual results, changes in assumptions and projected and actual earnings of its OPEB plan. These amounts are deferred and included in OPEB expense on a systemic and rational basis. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and interest. These amounts are deferred and recognized as an inflow of resources in the period during which the amounts become available.

Retirement plan accounting-

Pension Trust Funds- In the pension trust funds employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due pursuant to legal requirements of the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds- In the governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding Policy- The Town funds its contributions in accordance with the terms of each plan.

Fund equity and net position- In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the Town, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for certain expenses, the Town expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

TOWN OF CANAAN
Notes to the Financial Statements

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable Fund Balance – Indicates amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including inventory, prepaid expenditures, and permanent fund principal.

Restricted Fund Balance – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Finance and Town Meeting in accordance with provisions of the Connecticut General Statutes.

Assigned Fund Balance – Indicates amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by formal action of Town officials.

Unassigned Fund Balance – Represents the remaining fund balance after amounts are set aside for all other classifications.

The Town has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, the Town generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts. The Town has a policy to maintain a General Fund Balance above 12.5% of annual General Fund expenditures.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing budgetary data reflected in the financial statements:

Governmental Funds- Department heads, officers, and agencies of the Town file estimates of expenditures to be made and revenues to be collected in the upcoming year to the Board of Finance. These estimates, as revised by the Board of Finance, are recommended as the annual operating budget for adoption at the Town meeting in May. Upon the adoption of the budget, the Board of Finance is authorized to transfer appropriated amounts between departments, and to authorize additional departmental appropriations totaling less than \$20,000. Town meeting approval is required whenever additional appropriations for a department exceed \$20,000 in the aggregate. The legal level of control at which expenditures may not exceed appropriations is at the departmental level. Appropriations for capital projects do not lapse until completion of the applicable projects. Annual General Fund unexpended appropriations lapse at fiscal year-end. The Town does not have legally adopted annual budgets for its special revenue funds, and capital project funds, because budgetary control is alternatively achieved by constraints imposed by intergovernmental grant agreements, or Connecticut General Statutes.

TOWN OF CANAAN
Notes to the Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is frequently employed by governmental units as an extension of formal budgetary integration in the governmental funds. The Town is not utilizing encumbrance accounting.

The Town prepares its annual budget on a basis of accounting (“budgetary basis”) which differs in some respects from the United States Generally Accepted Accounting Principles basis (“GAAP basis”) of accounting.

Budgetary/GAAP Reconciliation

A reconciliation of General Fund operations as presented in accordance with the GAAP basis of accounting, to the amounts presented on the budgetary basis, is as follows:

	Revenues	Expenditures	Other Financing Sources/(Uses)	Change
Budgetary Basis	\$ 6,015,969	\$ 5,762,058	\$ (205,901)	\$ 48,010
Fund Balance Assignments	1,533	4,014	2,125	(356)
Teachers Retirement Fund On-Behalf Payments	318,006	318,006	-	-
Net LoSAP Contributions and Expense	27,227	3,602	-	23,625
Grant Revenue Passed to Region One School District	69,036	69,036	-	-
Interfund Transfers Appropriated from Dept. Budgets	-	(3,500)	(3,500)	-
Transfer to BOE Non-lapsing	-	-	29,999	29,999
GAAP Basis	<u>\$ 6,431,771</u>	<u>\$ 6,153,216</u>	<u>\$ (177,277)</u>	<u>\$ 101,278</u>

Excess of Expenditures over Appropriations

For the year ended June 30, 2025, the following department expenditures exceeded appropriations in the General Fund.

Sanitation \$6,315

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposits of public funds are controlled by the Connecticut General Statutes.

Deposits and Investments

The Town deposits its public funds in conformance with Connecticut General Statutes (Section 7-402), and actively manages its deposits in such a manner as to ensure that substantially all deposits are at all times either insured by Federal Depository insurance or secured with collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

	Governmental Funds	Fiduciary Funds	Total
Cash and Cash Equivalents	<u>\$ 2,452,347</u>	<u>\$ 41,126</u>	<u>\$ 2,493,473</u>

TOWN OF CANAAN
Notes to the Financial Statements

Custodial Credit Risk – Deposits. This is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town has obtained pledge agreements from two of its three banks in amounts greater than those required by Connecticut General Statutes. The following is a summary of cash & cash equivalents at June 30, 2025.

Cash and Cash Equivalents	\$ 2,493,473
Plus: Investments (CDs)	<u>249,687</u>
	<u>\$ 2,743,160</u>

On June 30, 2025, Town bank deposits had a book balance of \$2,743,160 and a bank balance of \$2,863,871, including certificates of deposits classified as investments, which were insured by Federal Depository insurance. Of the bank balance, the Federal Depository Insurance Corporation insured \$1,581,969. The remaining balances of Town deposits were exposed to custodial credit risk as follows: \$700,863 was collateralized under security agreements protecting the Town's interest in collateral held by bank trust departments or agents but not in the Town's name, and \$581,039 was uninsured and uncollateralized.

Credit Risk – Generally, credit risk is defined as the risk that an issuer of a debt type investment will not fulfill its obligation to the holder. The Town has no credit risk policy beyond that of the Connecticut General Statutes.

Nationally recognized organizations assign ratings to various types of debt type instruments. The Town's mutual fund investments consist primarily of equity mutual funds for which no credit risk disclosure is required.

Custodial Credit Risk - Investments – This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The manner by which the Town addresses custodial credit risk associated with certificates of deposit is described in the previous sections of this footnote. The Town does not have a formal policy for custodial credit risk associated with other types of cash equivalents and investments; however, the Town's pension plan mutual fund investments are not directly exposed to custodial credit risk.

Interest Rate Risk – The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The table presents information about the exposure of the Town's investments to this risk using the segmented time distribution model. As of June 30, 2025, the Town had the following investments:

TOWN OF CANAAN
Notes to the Financial Statements

	Reported Value	Maturity Not Applicable	Investment Maturities	
			Less Than 1 yr.	1-5 yrs.
Governmental Funds:				
General Fund - certificates of deposit	\$ 247,617	\$ -	\$ 217,990	\$ 29,627
Training Fund CD	2,070	-	-	2,070
FVVFD LOSAP	289,374	289,374	-	-
Total governmental funds	<u>\$ 539,061</u>	<u>\$ 289,374</u>	<u>\$ 217,990</u>	<u>\$ 31,697</u>
Fiduciary Funds:				
Town pension plan - mutual funds	\$ 1,271,337	\$ 1,271,337	\$ -	\$ -
Total Fiduciary Funds	<u>\$ 1,271,337</u>	<u>\$ 1,271,337</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements

The following is a summary of assets measured at fair value.

	June 30, 2025	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash & Money Equivalents	\$ 20,660	\$ 20,660	\$ -	\$ -
Mutual Funds	1,423,477	1,423,477	-	-
Fixed Income and Bond Funds	116,574	116,574	-	-
	<u>\$ 1,560,711</u>	<u>\$ 1,560,711</u>	<u>\$ -</u>	<u>\$ -</u>
Add Certificates of Deposit not included above	<u>249,687</u>			
Total Investments Reported at Fair Value	<u>\$ 1,810,398</u>			

NOTE 4 – RECEIVABLES

Town Receivable balances at June 30, 2025, are as follows:

	General Fund	Pension Trust Fund	Total
Receivables:			
Property Taxes	\$ 69,019	\$ -	\$ 69,019
Interest, Liens, and Fees	18,471	-	18,471
Intergovernmental	-	-	-
Leases Receivable	26,400	-	26,400
Pension Contributions	-	40,170	40,170
Gross Receivables	<u>113,890</u>	<u>40,170</u>	<u>154,060</u>
Less Allowance for Collection Losses	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
Net Total Receivables	<u>\$ 97,890</u>	<u>\$ 40,170</u>	<u>\$ 138,060</u>

TOWN OF CANAAN
Notes to the Financial Statements

Advance property tax collections, and governmental grant funds received but not earned in accordance with the terms of grant agreements, are reports as unearned revenue in the liabilities section of both the governmental activities column of the statement of net position, and in the governmental funds balance sheet.

To reflect that a portion of property taxes, interest, and lien fees receivable at June 30, 2025, are not considered available to liquidate general fund liabilities of the current period, the governmental funds balance sheet reports property tax revenue, unavailable for expenditure in the current fiscal year of \$76,693 as a deferred inflow of resources.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The outstanding balances between funds result mainly from the time lag between the dates that: 1) inter-fund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2025, the outstanding balances between funds were:

<u>Payable Fund</u>	Receivable Fund		
	Non-Major Funds		
	<u>Kellogg School</u>	<u>Ambulance</u>	<u>Totals</u>
	<u>Capital</u>	<u>Reserve</u>	
General Fund	\$ -	\$ 26,427	\$ 26,427
Non-Major Salt Shed Reserve	1,309	-	1,309
	\$ 1,309	\$ 26,427	\$ 27,736

Fund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) to account for unrestricted revenues from the General Fund used to finance various programs accounted for in other funds in accordance with budget authorizations. Interfund Transfers during the year ended June 30, 2025 were as follows:

<u>Transfers In:</u>	Transfers Out:		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Non-Major Funds	\$ 177,277	\$ -	\$ 177,277
	\$ 177,277	\$ -	\$ 177,277

TOWN OF CANAAN
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 379,825	\$ -	\$ -	\$ 379,825
Construction in Progress	94,542	11,500	-	106,042
Total capital assets, not being depreciated	<u>474,367</u>	<u>11,500</u>	<u>-</u>	<u>485,867</u>
Capital assets, being depreciated:				
Buildings & Improvements	4,934,972	82,900	-	5,017,872
Infrastructure	1,907,583	99,500	-	2,007,083
Furniture, Equipment and Vehicles	1,654,597	-	-	1,654,597
Total capital assets, being depreciated	<u>8,497,152</u>	<u>182,400</u>	<u>-</u>	<u>8,679,552</u>
Less accumulated depreciation for:				
Buildings & Improvements	2,991,481	112,029	-	3,103,510
Infrastructure	397,442	74,661	-	472,103
Furniture, Equipment and Vehicles	1,189,832	59,115	-	1,248,947
Total accumulated depreciation	<u>4,578,755</u>	<u>245,805</u>	<u>-</u>	<u>4,824,560</u>
Total capital assets, being depreciated, net	<u>3,968,766</u>	<u>(63,405)</u>	<u>-</u>	<u>3,854,992</u>
Governmental activities capital assets, net	<u>\$ 4,392,764</u>	<u>\$ (51,905)</u>	<u>\$ -</u>	<u>\$ 4,340,859</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 24,846
Public Safety	1,315
Public Works	120,842
Health and Welfare	7,734
Culture and Recreation	34,302
Education	56,766
	<u>\$ 245,805</u>

NOTE 7 – LONG-TERM LIABILITIES

Governmental Activities

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bond (School Roof)	\$ 134,864	\$ -	\$ (17,500)	\$ 117,364	\$ 17,500
General Obligation Bond	1,251,457	-	(115,000)	1,136,457	115,000
Total OPEB Liability	153,291	-	(5,736)	147,555	-
Compensated Absences	188,066	7,770	-	195,836	40,872
Total	<u>\$ 1,727,678</u>	<u>\$ 7,770</u>	<u>\$ (138,236)</u>	<u>\$ 1,597,212</u>	<u>\$ 173,372</u>

TOWN OF CANAAN
Notes to the Financial Statements

The beginning balance of the compensated absences has been restated for the implementation of GASB 101, *Compensated Absences*. See Note 13. The change in the liabilities for compensated absences is presented net of increases and decreases. Long-term liabilities are generally liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. Bonds payable are secured by the general revenue raising powers of the Town.

General Obligation Bond Issue

On July 1, 2014, the Town issued general obligation bonds totaling \$2,300,000 to finance the design and construction of a Falls Village Volunteer Emergency Services Center. Annual debt service requirements of the bonds are \$115,000 commencing July 1, 2015, and maturing July 1, 2034. The bonds originally provided for an initial interest rate of 3.565%, with adjustment to the Treasury Rate plus the Treasury Rate margin on July 1, 2021, July 1, 2027, and July 1, 2032. The debt was refinanced in April 2021 at a fixed rate of 2.4% through July 1, 2026, and 1.87% above the five-year treasury rate thereafter. General obligation bonds were issued on August 20, 2015 to finance the Lee H Kellogg School roof and Amesville Bridge projects. Annual debt service requirements are \$17,500 commencing August 1, 2016, and maturing August 1, 2035, with interest originally calculated at 3.61% payable semi-annually. The debt was refinanced in April 2021 at a fixed rate of 2.88% through maturity. The Amesville Bridge was completed in fiscal year ending 2024, and the balance of the associated debt was repaid.

At June 30, 2025, the Town was indebted under the following general obligation bonds:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Original Issue</u>	<u>Balance June 30, 2025</u>
Amesville Bridge & School Roof	8/2016	8/2035	2.88%	\$ 350,000	\$ 117,364
Emergency Services Building	7/2014	7/2034	2.40%	2,300,000	1,136,457
				Total	<u><u>\$ 1,253,821</u></u>

Authorized Unissued Bonds

The Town had no authorized and unissued bonds as of June 30, 2025.

The annual debt service requirements of the Town's bonded indebtedness are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 132,500	\$ 35,547
2027	132,500	31,815
2028	132,500	28,083
2029	132,500	24,351
2030	132,500	20,619
2031-2035	<u>591,321</u>	<u>48,744</u>
	<u><u>\$ 1,253,821</u></u>	<u><u>\$ 189,159</u></u>

TOWN OF CANAAN
Notes to the Financial Statements

Compensated Absences

Employees may accumulate unused vacation, sick and personal leave in accordance with policies and employee agreements. A liability has been recorded in the Governmental Activities financial statements for amounts that have been earned that are more likely than not to be used as time off or paid. The liability is based on estimates of the amount of vacation, sick and personal leave that employees will use in future years. Actual leave usage could differ from those estimates, and those differences could be material to the financial statements.

Termination Benefits

The collective bargaining agreement between the Canaan Board of Education (BOE) and the Lee H. Kellogg Faculty Association (LHKFA) provides a severance benefit to members of LHKFA who have been employed by the BOE for at least twenty years. Eligible members receive fifteen percent (15%) of their basic salary upon retirement. In addition, the BOE has offered one-time benefit packages to individual employees. At June 30, 2025, there was no liability for severance benefits earned by eligible individuals reflected in the government-wide statement of net position.

Overlapping Debt

Canaan is a member of the Regional School District No. 1, along with the Towns of Cornwall, Kent, North Canaan, Salisbury, and Sharon. Canaan's scheduled payment to the School District is a pro rata share of 7.96%, which is based upon student enrollment. The Town's portion of the bond principal for Regional School District No. 1 is as follows:

	Principal
Bonds Outstanding	\$8,574,000
Town's Pro Rata %	7.96%
Town's Share	\$ 682,362

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Defined Contribution Plan

Plan Description - The Town provides retirement benefits through a single-employer defined contribution pension plan, the Town of Canaan Retirement Plan (the "plan"), for all eligible employees and elected officials, except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers' Retirement System. The plan, which does not issue stand-alone financial statements, is considered to be part of the Town's financial reporting entity and is included in the Town's financial statements as a Pension Trust fund.

Plan benefits, and contribution requirements, are established by the plan, which may be amended by the Town. At June 30, 2025, the net position available for benefits was \$1,311,507. Vested benefits totaled \$1,301,401.

Plan Membership - At June 30, 2025, there were eleven active participants who have met the minimum service requirement under the plan.

TOWN OF CANAAN
Notes to the Financial Statements

Benefits Provided - To be eligible, participants must be twenty-one years old and have completed twelve months of service working at least 1,000 hours. Eligible participants may make voluntary contributions to the plan in accordance with Section 457 of the Internal Revenue Code, which are fully vested. Town contributions to the plan are equal to 100% of employee contributions up to two percent compensation, plus 200% of employee contributions between 2% and 3%. Participants direct the investment of contributed funds, and are fully vested after six years of service, at which time their account balances are available for distribution.

Contributions - The Town contributed \$40,145 to plan participant accounts during the fiscal year, while employees contributed \$27,980. There were no distributions to participants during the fiscal year. The Town's outstanding liability to the plan at fiscal year-end was \$40,170.

Summary of Significant Accounting Policies

Basis of Accounting – The pension trust funds' financial statements are prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Valuation of Investments – fair value, primarily using quoted market prices.

Connecticut State Teacher's Retirement System

Plan Description: Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (the "System"). The System is a cost sharing multiple-employer pension plan administered by the Connecticut State Teachers' Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions: The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of salary). In addition, amounts derived from the accumulation of the 6% contributions made prior to July 1, 1989, and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective January 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement preceded normal retirement date.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

TOWN OF CANAAN
Notes to the Financial Statements

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service-related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15% nor more than 50%. In addition, disability benefits under this Plan (without regard for cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A Plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefits as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions: Per Connecticut General Studies Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended, and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

Employer (School Districts): School District employers are not required to make contributions to the plan, and contributions are required only from employees and the State.

Employees: Participants are required to contribute 7% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2025, the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$66,321. The covered payroll for the Town for the year ending June 30, 2025, was approximately \$947,442.

Administrative Expenses: Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2025 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>3,181,685</u>
Total	\$	<u>3,181,685</u>

TOWN OF CANAAN
Notes to the Financial Statements

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2025, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2025, the Town recognized benefits expense and contribution revenue of \$313,615 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$364,946 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50 Percent
Salary increases, including inflation	3.00-6.50 Percent
Investment rate of return	6.90 Percent net of pension plan investment expense, including inflation.

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Future cost-of-living increases for members who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as provided by the State of Connecticut's Treasurer's Office are summarized in the following table:

TOWN OF CANAAN
Notes to the Financial Statements

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.00%	6.80%
Public Credit	2.00%	2.90%
Core Fixed Income	13.00%	0.40%
Liquidity Fund	1.00%	-0.40%
Risk Mitigation	5.00%	0.10%
Private Equity	15.00%	11.20%
Private Credit	10.00%	6.10%
Real Estate	10.00%	6.20%
Infrastructure and Natural Resources	7.00%	7.70%

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The Town’s proportionate share of the net pension liability is \$0 and therefore the change in the discount rate would only impact the amount recorded by the State of Connecticut.

VOLUNTEER SERVICE INCENTIVE PROGRAM

General Information about the Plan

Plan Description - The Town provides retirement benefits for members of the Falls Village Volunteer Fire Department (FVVFD) through the Town of Canaan – Falls Village Volunteer Fire Department, Inc. Service Award Program (the “program”). The program is administered by a committee consisting of representatives of the Town and the FVVFD. The program, which does not issue stand-alone financial statements, is considered to be part of the Town’s financial reporting entity and is included in the General Fund. The assets are not accumulated in a trust. At June 30, 2025, the net position available for benefits was \$289,374.

At December 31, 2024, the date of the last annual program report, there were thirty-seven plan participants of which nineteen were entitled to vested program benefits. To be eligible, members of the FVVFD must be at least eighteen years old and have earned sixty-five points under a system prescribed by the FVVFD. The Town’s annual contribution to the program is based upon availability of funds and is allocated equally to participants that earned a year of service credit. Participants become fully vested after five years of service. The normal retirement age for receiving benefits is sixty-two, at which time participants are eligible for lump sum distributions of account balances. Participants may also apply for early disability distributions under certain circumstances as prescribed by the United States Social Security Administration. During the fiscal year, the Town contributed \$15,000 to the program and \$14,818 in benefits were paid from the fund in retirement benefits to participants. Administration expenses of the plan were \$3,784.

TOWN OF CANAAN
Notes to the Financial Statements

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Town OPEB

Summary of Significant Accounting Policies – For purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of Canaan and additions to/ deductions from the Town’s fiduciary net position have been determined on the same bases as they are reported by the Town. For this purpose, the Town recognizes benefit payments when due and payable in accordance with the benefit terms.

Plan Description - The Town of Canaan Retiree Health Insurance Program provides post-employment health insurance coverage for Department of Public Works employees who attain age sixty-two and who have completed at least twenty-five years of continuous full-time service through a single-employer defined benefit plan. The Town does not issue stand-alone financial statements. No assets are accumulated in a trust as the plan is self-funded by the Town. Assets totaling \$32,406 are committed by the Town.

Benefits Provided - The plan provides for Town-financed individual health insurance coverage for eligible retirees on the same basis as is provided for full-time Town employees. On February 10, 2014, the plan was amended to cease coverage at such time as eligible retirees first become eligible for Medicare. The plan also provides funding of fifty percent of the cost of spousal health insurance costs or family coverage. The plan continues to provide supplemental Medicare coverage to one surviving spouse who was receiving plan benefits prior to the plan amendment. Bi-annual actuarial valuations are made to re-determine the annual required contributions (“ARC”). Data from the Town’s latest actuarial valuation, made July 1, 2023 has been updated by the Town’s actuary to reflect the effect of the plan amendment. The contribution requirements of plan members and the Town are established and may be amended by the Town.

Employees covered by benefit terms - At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet received benefit payments	-
Active Employees	<u>4</u>
Total	<u><u>5</u></u>

Contributions - The Town funds post-employment benefits on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with the benefits, which would require the reporting of a trust fund in accordance with GASB guidelines; however, the Town is committing funds for future benefit costs via annual General Fund appropriations. The Town’s funding and payment of postemployment benefits are accounted for in the General Fund. There are no requirements for employees to contribute.

Total OPEB Liability – The Town’s OPEB Liability is based on the July 1, 2023 valuation with a measurement date of June 30, 2025. The total OPEB liability, the Fiduciary Net Position, the Net OPEB Liability and Deferred (Outflows)/Inflows of resources are based on calculations as of the Valuation Date projected to the end of the fiscal year.

TOWN OF CANAAN
Notes to the Financial Statements

Actuarial assumptions – The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Payroll Growth Rate	2.5% annually
Participant Salary Increases	3.5% annually
Investment rate of return	Self-funded by the town
Healthcare Cost Trend Rates	Rate was reset to 6.0% downgrading down .5% per annum to an ultimate rate of 4.5% in years 2028 and later
 Mortality	 RPH-2014 Total Dataset Headcount-Weighted Fully Generational Mortality Table using Projection Scale MP-2021

Discount Rate – The discount rate used to measure the total OPEB liability was 5.2% from the Bond Buyer’s 20 Index. The projection of cash flows used to determine the discount rate assumed the town will cover payments for current active and inactive employees on a Pay-as-you-go basis.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability, calculated using the discount rate of 5.2% as well as what the Town’s OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.2%) or 1-percentage-point higher (6.2%) than the current rate:

	<u>1% Decrease Discount Rate</u> 4.2%	<u>Current Discount Rate</u> 5.2%	<u>1% Increase Discount Rate</u> 6.2%
Total OPEB liability as of June 30, 2025	\$155,423	\$147,555	\$140,097

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability to the town, as well as what the cost liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease 5.0% Decreasing to 3.5%</u>	<u>Healthcare Cost Trend Rates 6.0% Decreasing to 4.5%</u>	<u>1% Increase 7.0% Decreasing to 5.5%</u>
\$134,255	\$147,555	\$162,855

TOWN OF CANAAN
Notes to the Financial Statements

	<u>Total OPEB Liability</u>
Balance at June 30, 2024	\$ 150,928
Changes for the year:	
Service Cost	6,499
Interest	6,072
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions and other Inputs	(10,063)
Benefit Payments, including Refunds of Member Contributions	(5,881)
Net Investment Income	-
Other	-
Net Changes	<u>(3,373)</u>
Balance at June 30, 2025	<u>\$ 147,555</u>

OPEB Expense - For the year ended June 30, 2025, the Town recognized OPEB expense of \$6,633.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Loss) Gain	\$ 10,916	\$ (10,481)
Changes of Assumptions	6,539	(14,460)
Investment Gain or Loss	-	-
Total	<u>\$ 17,455</u>	<u>\$ (24,941)</u>

Amounts received as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows for the year ending June 30, 2025:

Year ended June 30,		\$ (3,452)
	2026	(2,316)
	2027	329
	2028	(496)
	2029	(1,274)
	2030	(277)
	Thereafter	<u>(7,486)</u>
		<u>\$ (7,486)</u>

TOWN OF CANAAN
Notes to the Financial Statements

Connecticut Teacher's Retirement System - OPEB

Plan Description - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System—a cost sharing multi-employer pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with their former employer. A subsidy of up to \$220 per month for a retired member plus an additional \$220 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute. A subsidy amount of \$440 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$440 per month towards coverage under a local school district plan. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the Plan sponsored by the TRS. If they elect to remain on the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the TRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Contributions - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the Town was \$4,391.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

TOWN OF CANAAN
Notes to the Financial Statements

Administrative Expenses -. Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r if the Connecticut General Statutes.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement Date	3.93%
Prior Measurement Date	3.65%

The projected fiduciary net position is projected to be depleted in 2027.

Single equivalent interest rate

Measurement Date	3.93%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.64%, net of OPEB plan investment expense, Including price inflation

Healthcare cost trend rates:

Medicare	Known increases until calendar year 2024, then General trend decreasing to an ultimate rate of 4.5% by 2031.
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Mortality rates were based on the PubT-2010 Health Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Long-Term Rate of Return - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in the evaluation of the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

TOWN OF CANAAN
Notes to the Financial Statements

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

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	1.26%	1.10%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		3.75%	

Discount Rate - The discount rate used to measure the total OPEB liability was 3.93%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2024.

In addition to the actuarial methods and assumptions of the June 30, 2024 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Initial Healthcare Cost Trend Rate	4.125%	5.125%	6.125%
Ultimate Healthcare Cost Trend Rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 535,717	\$ 652,673	\$ 811,685

TOWN OF CANAAN
Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB liability	\$ 794,908	\$ 652,673	\$ 541,571

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2025 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>652,673</u>
Total	<u>\$ 652,673</u>

The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. At June 30, 2025, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2025, the Town recognized OPEB expense and revenue of \$4,391 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$9,043 for OPEB expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks. Coverage has not been significantly reduced and settled claims have not exceeded commercial coverage in any of the last three fiscal years.

The Town obtains its worker compensation and employer liability coverage as a member of Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Connecticut General Statutes. CIRMA is to be self-sustaining through members' premiums but purchases reinsurance for its protection at various levels for all lines of coverage provided. Members may be subject to supplemental assessment in the event of deficiencies.

TOWN OF CANAAN
Notes to the Financial Statements

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

NOTE 12 –LEASES

Town as Lessor

The Town owns a building in the town center that is leased to two tenants. Rent payments for one of the spaces is \$600 per month through October 31, 2025. The other tenant leased space at \$1,000 per month through June 30, 2027. A total of \$8,200 of rental income has been recognized for the year ending June 30, 2025. Deferred Lease inflows and Leases Receivable of \$26,400 have been recognized in the Governmental Funds and Government-wide financial statements.

NOTE 13 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Change in Accounting Principle

Effective July 1, 2024, the Town implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, there was an adjustment to increase the beginning Governmental Activities compensated absences liability by \$118,938 and to reduce the beginning Net Position by the same amount.

	Governmental Activities
Net Position/Fund Balance as Reported June 30, 2024	\$ 5,382,457
Change in Accounting Principle - Compensated Absences	<u>(118,938)</u>
July 1, 2024, As Adjusted or Restated	<u>\$ 5,263,519</u>

NOTE 14 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 103 – Financial Reporting Model Improvements** – The objective of this Statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2025.

TOWN OF CANAAN
Notes to the Financial Statements

- **GASB Statement No. 104 – Disclosure of Certain Capital Assets** – The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2025.

TOWN OF CANAAN, CT
State Teacher's Retirement System
Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

Schedule of Proportionate Share of Net Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension associated with Town	3,181,685	3,131,213	3,163,332	3,068,541	3,874,379	3,662,689	2,824,146	2,850,418	3,007,213	2,716,332
Total	\$ 3,181,685	\$ 3,131,213	\$ 3,163,332	\$ 3,068,541	\$ 3,874,379	\$ 3,662,689	\$ 2,824,146	\$ 2,850,418	\$ 3,007,213	\$ 2,716,332
Town's covered-payroll	\$ 947,442	\$ 964,558	\$ 852,607	\$ 777,000	\$ 876,403	\$ 902,504	\$ 884,347	\$ 874,757	\$ 806,484	\$ 843,048
Town's proportionate share of the net pension liability (asset) as a percentage of its covered - payroll.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	62.68%	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percent of pay closed, grading to a level dollar amortization method for the June 30, 2024 valuation
Amortization period	25.9 years
Asset valuation method	4-year smoothed fair value
Inflation	2.50%
Salary increases	3.0-6.5%, including inflation
Investment rate of return	6.9% net of investment related expense

See accountant's report.

TOWN OF CANAAN, CT
State Teacher's Retirement System
Proportionate Share of Net OPEB Liability
June 30, 2025

Schedule of Proportionate Share of Net OPEB Liability

	2025	2024	2023	2022	2021	2020	2019	2018
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB associated with Town	652,673	293,352	277,035	334,312	577,864	571,218	564,576	733,680
Total	\$ 652,673	\$ 293,352	\$ 277,035	\$ 334,312	\$ 577,864	\$ 571,218	\$ 564,576	\$ 733,680
Town's covered-employee payroll	\$ 947,442	\$ 964,558	\$ 852,607	\$ 777,000	\$ 876,403	\$ 902,504	\$ 884,347	\$ 874,757
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered - employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	7.40%	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll over an open period
Amortization Period	30 years
Asset Valuation Method	Market Value of assets
Investment Rate of Return	3.00%, net of investment related expenses including price inflation
Price Inflation	2.50%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF CANAAN, CT
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$ 6,499	\$ 6,613	\$ 6,408	\$ 7,633	\$ 5,107	\$ 4,516	\$ 6,402	\$ 6,522	\$ -
Interest	6,072	5,437	4,757	2,996	2,374	3,672	4,627	4,063	-
Changes in Benefit Terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	900	-	22,184	-	(46,199)	-	-	-
Changes in assumptions and other inputs	(10,063)	2,901	(889)	(11,205)	414	15,888	3,874	(2,970)	-
Benefit Payments	(5,881)	(2,194)	(1,960)	(1,866)	(1,976)	(1,866)	(1,502)	(1,397)	-
Net Changes in Total OPEB Liability	(3,373)	13,657	8,316	19,742	5,919	(23,989)	13,401	6,218	-
Total OPEB Liability - Beginning	\$ 150,928	\$ 137,271	\$ 128,955	\$ 109,213	\$ 103,294	\$ 127,283	\$ 113,882	\$ 107,664	\$ -
Total OPEB Liability - Ending	\$ 147,555	\$ 150,928	\$ 137,271	\$ 128,955	\$ 109,213	\$ 103,294	\$ 127,283	\$ 113,882	\$ 107,664
Covered-Employee Payroll	\$ 261,873	\$ 255,486	\$ 227,826	\$ 222,269	\$ 211,281	\$ 206,128	\$ 204,650	\$ 199,659	
Total OPEB Liability as a percentage of Covered-Employee Payroll	56.35%	59.07%	60.25%	58.02%	51.69%	50.11%	62.20%	57.04%	
Notes to Schedule:									
Plan Changes:	None	None	None	None	None	None	None	None	None
Assumption Changes:									
Discount Rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%
Trend Rate	6.5% initially, grading down to 4.5% in 2028	7.0% initially, grading down to 4.5% in 2028	6.5% initially, grading down to 4.5% in 2026	7.0% initially, grading down to 4.5% in 2026	7.0% initially, grading down to 4.5% in 2025	7.5% initially, grading down to 4.5% in 2025	7.5% initially, grading down to 5.0% in 2023	8.0% initially, grading down to 5.0% in 2023	
Mortality Table	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2014 Headcount-Weighted Fully Generational Table with Scale MP-2021	RPH-2000 Fully Generational Table with scale AA	RPH-2000 Fully Generational Table with scale AA	

TOWN OF CANAAN, CT
Schedule of Budgeted and Actual Revenues
General Fund - Budgetary Basis
For the Year Ended June 30, 2025

	<u>ORIGINAL APPROPRIATIONS</u>	<u>AMENDED APPROPRIATIONS</u>	<u>ACTUAL REVENUES</u>	<u>VARIANCE OVER / (UNDER) BUDGETED</u>
TAXES				
General Property Tax	\$ 5,241,933	\$ 5,241,933	\$ 5,315,828	\$ 73,895
Total Taxes	<u>5,241,933</u>	<u>5,241,933</u>	<u>5,315,828</u>	<u>73,895</u>
INTERGOVERNMENTAL				
Education Equalization	125,752	125,752	125,752	-
Elderly Tax Relief	2,000	2,000	2,023	23
State Owned Property (PILOT)	84,868	84,868	73,967	(10,901)
Pequot/Mohegan Fund	6,202	6,202	6,202	-
LOCIP	27,812	27,812	27,513	(299)
Town Aid for Roads	167,450	167,450	167,473	23
Historic Document Preservation	-	5,500	5,500	-
Telecomm Property Tax	6,000	6,000	8,240	2,240
Micro-Grant	-	10,000	10,000	-
Other Grants	46,000	48,000	60,929	12,929
Total Intergovernmental	<u>466,084</u>	<u>483,584</u>	<u>487,599</u>	<u>4,015</u>
INVESTMENT INCOME	<u>12,000</u>	<u>12,000</u>	<u>11,299</u>	<u>(701)</u>
DEPARTMENTAL				
Conveyance Tax	20,000	20,000	31,709	11,709
Planning and Zoning Fees	1,800	1,800	1,810	10
Building Permits	20,000	20,000	42,570	22,570
Recreation	10,500	10,500	9,863	(637)
Town Clerk Fees	8,550	8,550	6,975	(1,575)
Transfer Station	16,225	16,225	16,616	391
Inland Wetlands Permits	500	500	408	(92)
Total Departmental	<u>77,575</u>	<u>77,575</u>	<u>109,951</u>	<u>32,376</u>
OTHER REVENUES				
Property Rentals	19,200	19,200	8,200	(11,000)
Copier and Fax Fees	1,700	1,700	1,801	101
Miscellaneous Other	32,000	38,000	81,291	43,291
Total Other Revenue	<u>52,900</u>	<u>58,900</u>	<u>91,292</u>	<u>32,392</u>
OTHER SOURCES				
Use of Fund Balance for BOE Nonlapsing	-	29,999	-	(29,999)
Use of Fund Balance	149,049	193,276	-	(193,276)
Total Other Sources	<u>149,049</u>	<u>223,275</u>	<u>-</u>	<u>(223,275)</u>
TOTALS	<u>\$ 5,999,541</u>	<u>\$ 6,097,267</u>	<u>\$ 6,015,969</u>	<u>\$ (81,298)</u>

See accountant's report.

TOWN OF CANAAN, CT
Schedule of Budgeted and Actual Expenditures
General Fund - Budgetary Basis
For the Year Ended June 30, 2025

1 of 2

	ORIGINAL APPROPRIATIONS	AMENDED APPROPRIATIONS	ACTUAL EXPENDITURES	VARIANCE OVER / (UNDER) BUDGETED
GENERAL GOVERNMENT				
Selectmen	\$ 59,178	\$ 69,178	\$ 66,655	\$ (2,523)
Town Hall	60,170	60,170	54,316	(5,854)
Legal	4,602	10,102	10,012	(90)
Board of Assessors	73,004	73,004	68,225	(4,779)
Board of Assessment Appeals	1,500	1,500	1,275	(225)
Board of Finance	39,396	39,396	34,712	(4,684)
Tax Collector	34,968	34,968	34,051	(917)
Treasurer	47,435	47,735	45,150	(2,585)
Town Clerk	53,922	59,422	60,716	1,294
Planning and Zoning	27,341	27,341	24,566	(2,775)
Zoning Board of Appeals	500	500	130	(370)
Registrar of Voters	42,100	50,100	38,240	(11,860)
Insurance	46,360	46,360	38,671	(7,689)
Benefits	238,510	238,510	238,058	(452)
Inland Wetland Commission	2,250	2,250	925	(1,325)
35 Railroad St. Property	3,345	3,345	4,886	1,541
Economic Development	1	1	-	(1)
107 Main St Maintenance	27,060	27,060	31,953	4,893
Totals - General Government	<u>761,642</u>	<u>790,942</u>	<u>752,541</u>	<u>(38,401)</u>
PUBLIC SAFETY				
Street Lights	8,000	8,000	8,146	146
General Public Safety	59,025	59,025	52,081	(6,944)
Fire Commission	112,500	122,500	118,481	(4,019)
Totals - Public Safety	<u>179,525</u>	<u>189,525</u>	<u>178,708</u>	<u>(10,817)</u>
PUBLIC WORKS				
Road Maintenance	576,240	576,240	550,997	(25,243)
Town Garage	28,470	28,470	23,770	(4,700)
Totals - Public Works	<u>604,710</u>	<u>604,710</u>	<u>574,767</u>	<u>(29,943)</u>
HEALTH AND WELFARE				
Non-municipal Public Benefit Activities	75,227	75,227	74,754	(473)
Daycare Grant	10,000	10,000	10,000	-
William Surdam Building	21,576	21,576	21,955	379
Public Health	21,921	21,921	21,921	-
Social Services	59,992	60,992	60,212	(780)
General Assistance	3,000	3,000	3,000	-
Totals - Health and Welfare	<u>191,716</u>	<u>192,716</u>	<u>191,842</u>	<u>(874)</u>
CULTURE AND RECREATION				
Recreation Commission	105,404	106,404	94,927	(11,477)
Totals - Culture and Recreation	<u>105,404</u>	<u>106,404</u>	<u>94,927</u>	<u>(11,477)</u>

See accountant's report.

TOWN OF CANAAN, CT
Schedule of Budgeted and Actual Expenditures
General Fund - Budgetary Basis
For the Year Ended June 30, 2025

	ORIGINAL APPROPRIATIONS	AMENDED APPROPRIATIONS	ACTUAL EXPENDITURES	VARIANCE OVER / (UNDER) BUDGETED
SANITATION				
Waste Management	\$ 168,329	\$ 168,329	\$ 174,644	\$ 6,315
EDUCATION				
Salaries	1,377,775	1,377,775	1,335,639	(42,136)
Benefits	406,150	406,150	394,536	(11,614)
Services	75,404	75,404	76,450	1,046
Property Services	44,400	44,400	51,414	7,014
Purchased Services	208,819	208,819	187,785	(21,034)
Supplies	130,824	130,824	138,158	7,334
Property & Equipment	7,000	7,000	26,361	19,361
Region #1 Tuition	1,417,263	1,417,263	1,417,263	-
Dues and Fees	3,220	3,220	1,547	(1,673)
Totals - Education	<u>3,670,855</u>	<u>3,670,855</u>	<u>3,629,153</u>	<u>(41,702)</u>
DEBT SERVICE				
Principal	132,500	132,500	132,500	-
Interest	35,385	35,385	32,976	(2,409)
Totals - Debt Service	<u>167,885</u>	<u>167,885</u>	<u>165,476</u>	<u>(2,409)</u>
OTHER FINANCING USES				
Transfer of Prior Year BOE Surplus to Nonlapsing	-	29,999	29,999	-
Transfers Out to Other Funds	149,475	175,902	175,902	-
Total Transfers Out	<u>149,475</u>	<u>205,901</u>	<u>205,901</u>	<u>-</u>
TOTAL APPROPRIATIONS AND EXPENDITURES	<u>\$ 5,999,541</u>	<u>\$ 6,097,267</u>	<u>\$ 5,967,959</u>	<u>\$ (129,308)</u>

See accountant's report.

TOWN OF CANAAN, CT
Combining Balance Sheet
General Fund
June 30, 2025

	General Fund	Board of Education Carryover Fund	Eliminations	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,394,357	\$ 29,999	\$ -	\$ 1,424,356
Investments	536,991	-	-	536,991
Taxes Receivable, Net	59,019	-	-	59,019
Interest & Lien Fees Receivable	12,471	-	-	12,471
Lease Receivable	26,400	-	-	26,400
Interfund Receivables	-	-	-	-
Total Assets	<u>\$ 2,029,238</u>	<u>\$ 29,999</u>	<u>\$ -</u>	<u>\$ 2,059,237</u>
LIABILITIES				
Accounts Payable	\$ 282,635	\$ -	\$ -	\$ 282,635
Unearned Revenue	7,584	-	-	7,584
Interfund Payables	26,427	-	-	26,427
Total Liabilities	<u>316,646</u>	<u>-</u>	<u>-</u>	<u>316,646</u>
Deferred Inflows of Resources				
Unavailable Revenues:				
Property Taxes and Interest	76,693	-	-	76,693
Leases	26,400	-	-	26,400
Total Deferred Inflows of Resources	<u>103,093</u>	<u>-</u>	<u>-</u>	<u>103,093</u>
FUND BALANCES				
Committed to:				
Length of Service Awards Program	289,374	-	-	289,374
Capital Projects	180,000	-	-	180,000
OPEB Obligations (Note 10)	32,406	-	-	32,406
Non-Lapsing Educational Fund	-	29,999	-	29,999
Assigned to:				
Cemetery Maintenance	31,304	-	-	31,304
Subsequent Year's Budget	219,000	-	-	219,000
Unassigned	857,415	-	-	857,415
Total Fund Balances	<u>1,609,499</u>	<u>29,999</u>	<u>-</u>	<u>1,639,498</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,029,238</u>	<u>\$ 29,999</u>	<u>\$ -</u>	<u>\$ 2,059,237</u>

See accountant's report.

TOWN OF CANAAN, CT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

General Fund

Year Ended June 30, 2025

	General	Board of Education Carryover Fund	Eliminations	Total
Revenues				
Property Taxes	\$ 5,315,828	\$ -	\$ -	\$ 5,315,828
Intergovernmental	874,641	-	-	874,641
Charges for Services	119,952	-	-	119,952
Other Income	82,491	-	-	82,491
Investment Income	38,859	-	-	38,859
Total Revenues	6,431,771	-	-	6,431,771
Expenditures				
Current:				
General Government	771,143	-	-	771,143
Public Safety	163,708	-	-	163,708
Public Works	574,767	-	-	574,767
Health & Welfare	192,346	-	-	192,346
Sanitation	174,644	-	-	174,644
Culture & Recreation	94,937	-	-	94,937
Education	4,016,195	-	-	4,016,195
Debt Service	165,476	-	-	165,476
Capital Outlay	-	-	-	-
Total Expenditures	6,153,216	-	-	6,153,216
Excess/(Deficiency) of Revenues Over Expenditures	278,555	-	-	278,555
Other Financing Sources/(Uses)				
Transfers In	-	29,999	(29,999)	-
Transfers Out	(207,276)	-	29,999	(177,277)
Total Other Financing Sources/(Uses)	(207,276)	29,999	-	(177,277)
Net Change in Fund Balances	71,279	29,999	-	101,278
Fund Balances - Beginning	1,538,220	-	-	1,538,220
Fund Balances - Ending	\$ 1,609,499	\$ 29,999	\$ -	\$ 1,639,498

See accountant's report.

TOWN OF CANAAN, CT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

SPECIAL REVENUE FUNDS											
	Special Projects Fund	Dog Fund	School Milk Fund	Berzine Fund	Daniel Maynard Fund	Denise Blair Memorial Fund	Kellogg School Student Funds	Recreation Fund	IW Cobble Hill Tower Fund	ARPA Fund	Training Fund
Assets:											
Cash and Cash Equivalents	\$ 8	\$ 8,361	\$ 160	\$ 655	\$ 3,188	\$ 650	\$ 8,143	\$ 5,990	\$ 288	\$ 6,677	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	2,070
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 8	\$ 8,361	\$ 160	\$ 655	\$ 3,188	\$ 650	\$ 8,143	\$ 5,990	\$ 288	\$ 6,677	\$ 2,070
Liabilities and Fund Balances											
Liabilities:											
Accounts Payable	\$ -	\$ 642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-	-	-	-	-	-	6,677	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	642	-	-	-	-	-	-	-	6,677	-
Fund Balances:											
Restricted	-	7,719	160	655	3,188	650	8,143	-	288	-	-
Committed	8	-	-	-	-	-	-	5,990	-	-	2,070
Total Fund Balances	8	7,719	160	655	3,188	650	8,143	5,990	288	-	2,070
Total Liabilities and Fund Balances	\$ 8	\$ 8,361	\$ 160	\$ 655	\$ 3,188	\$ 650	\$ 8,143	\$ 5,990	\$ 288	\$ 6,677	\$ 2,070

See accountant's report.

TOWN OF CANAAN, CT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

	CAPITAL PROJECTS FUNDS									
	Board of Assessors Revaluation Fund	Planning and Zoning Regulations Fund	Ambulance Fund	Truck and Heavy Equipment Fund	107 Main Street Property Fund	Computer Fund	Bulky Waste Fund	Kellogg School Technology Fund	Kellogg School Capital Fund	Pool Fund
Assets:										
Cash and Cash Equivalents	\$ 45,544	\$ 13,935	\$ 53,395	\$ 210,585	\$ 23,521	\$ 5,527	\$ 81,059	\$ 31,995	\$ 8,298	\$ 33,060
Investments	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	26,427	-	-	-	-	-	1,309	-
Total Assets	\$ 45,544	\$ 13,935	\$ 79,822	\$ 210,585	\$ 23,521	\$ 5,527	\$ 81,059	\$ 31,995	\$ 9,607	\$ 33,060
Liabilities and Fund Balances										
Liabilities:										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-
Fund Balances:										
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	45,544	13,935	79,822	210,585	23,521	5,527	81,059	31,995	9,607	33,060
Total Fund Balances	45,544	13,935	79,822	210,585	23,521	5,527	81,059	31,995	9,607	33,060
Total Liabilities and Fund Balances	\$ 45,544	\$ 13,935	\$ 79,822	\$ 210,585	\$ 23,521	\$ 5,527	\$ 81,059	\$ 31,995	\$ 9,607	\$ 33,060

See accountant's report.

TOWN OF CANAAN, CT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	CAPITAL PROJECTS FUNDS							
	Registrars Voting Machine Fund	Painting Fund	Environmental Cleanup Fund	Salt Shed Fund	Bridge Repair Fund	Tree Replacement Reserve	Fire Truck & Equip Reserve	Total
Assets:								
Cash and Cash Equivalents	\$ 11,101	\$ 31,678	\$ 11,421	\$ 117,545	\$ 11,054	\$ 2,431	\$ 301,722	\$ 1,027,991
Investments	-	-	-	-	-	-	-	2,070
Due from Other Funds	-	-	-	-	-	-	-	27,736
Total Assets	\$ 11,101	\$ 31,678	\$ 11,421	\$ 117,545	\$ 11,054	\$ 2,431	\$ 301,722	\$ 1,057,797
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642
Unearned Revenue	-	-	-	-	-	-	-	6,677
Due to Other Funds	-	-	-	1,309	-	-	-	1,309
Total Liabilities	-	-	-	1,309	-	-	-	8,628
Fund Balances:								
Restricted	-	-	-	-	-	-	-	20,803
Committed	11,101	31,678	11,421	116,236	11,054	2,431	301,722	1,028,366
Total Fund Balances	11,101	31,678	11,421	116,236	11,054	2,431	301,722	1,049,169
Total Liabilities and Fund Balances	\$ 11,101	\$ 31,678	\$ 11,421	\$ 117,545	\$ 11,054	\$ 2,431	\$ 301,722	\$ 1,057,797

See accountant's report.

TOWN OF CANAAN, CT
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2025

	SPECIAL REVENUE FUNDS										
	Special Projects Fund	Dog Fund	School Milk Fund	Berzine Fund	Daniel Maynard Fund	Denise Blair Memorial Fund	Kellogg School Student Funds	Recreation Fund	IW Cobble Hill Tower Fund	ARPA Fund	Training Fund
Revenues:											
Operating Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,269	\$ 3,956	\$ -	\$ 3,610	\$ -
Charges for Services	-	1,287	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	3	3	3	-	-	-	-	20
Total Revenues	<u>-</u>	<u>1,287</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>18,269</u>	<u>3,956</u>	<u>-</u>	<u>3,610</u>	<u>20</u>
Expenditures:											
Current:											
General Government	55	-	-	20	-	20	-	-	-	-	-
Public Safety	-	5,043	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	1,960	-	-	-	-
Education	-	-	48	-	-	-	20,608	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	3,610	-
Total Expenditures	<u>55</u>	<u>5,043</u>	<u>48</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>20,608</u>	<u>1,960</u>	<u>-</u>	<u>3,610</u>	<u>-</u>
Excess/(deficiency) of Revenues over Expenditures	(55)	(3,756)	(48)	(17)	3	(17)	(2,339)	1,996	-	-	20
Other Financing Sources/(Uses):											
Transfers In	-	3,500	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(55)	(256)	(48)	(17)	3	(17)	(2,339)	1,996	-	-	20
Beginning Fund Balances	<u>63</u>	<u>7,975</u>	<u>208</u>	<u>672</u>	<u>3,185</u>	<u>667</u>	<u>10,482</u>	<u>3,994</u>	<u>288</u>	<u>-</u>	<u>2,050</u>
Ending Fund Balances	<u>\$ 8</u>	<u>\$ 7,719</u>	<u>\$ 160</u>	<u>\$ 655</u>	<u>\$ 3,188</u>	<u>\$ 650</u>	<u>\$ 8,143</u>	<u>\$ 5,990</u>	<u>\$ 288</u>	<u>\$ -</u>	<u>\$ 2,070</u>

TOWN OF CANAAN, CT
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2025

	CAPITAL PROJECTS									
	Board of Assessors Revaluation Fund	Planning and Zoning Regulations Fund	Ambulance Fund	Truck and Heavy Equipment Fund	107 Main Street Property Fund	Computer Fund	Bulky Waste Fund	Kellogg School Technology Fund	Kellogg School Capital Fund	Pool Fund
Revenues:										
Operating Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-	-	-	-
Investment Income	43	14	47	581	26	5	94	27	264	152
Total Revenues	43	14	47	581	26	5	94	27	264	152
Expenditures:										
Current:										
General Government	-	5,448	-	-	-	-	-	-	-	20
Public Safety	-	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	17,250	-	-	-	82,920	-
Total Expenditures	-	5,448	-	-	17,250	-	-	-	82,920	20
Excess/(deficiency) of Revenues over Expenditures	43	(5,434)	47	581	(17,224)	5	94	27	(82,656)	132
Other Financing Sources/(Uses):										
Transfers In	3,400	2,125	41,427	44,625	6,375	850	5,000	8,500	17,000	4,250
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	3,400	2,125	41,427	44,625	6,375	850	5,000	8,500	17,000	4,250
Net Change in Fund Balances	3,443	(3,309)	41,474	45,206	(10,849)	855	5,094	8,527	(65,656)	4,382
Beginning Fund Balances	42,101	17,244	38,348	165,379	34,370	4,672	75,965	23,468	75,263	28,678
Ending Fund Balances	\$ 45,544	\$ 13,935	\$ 79,822	\$ 210,585	\$ 23,521	\$ 5,527	\$ 81,059	\$ 31,995	\$ 9,607	\$ 33,060

TOWN OF CANAAN, CT
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2025

	CAPITAL PROJECTS FUNDS							Total
	Registrars Voting Machine Fund	Painting Fund	Environmental Cleanup Fund	Salt Shed Fund	Bridge Repair Fund	Tree Replacement Reserve	Fire Truck & Equipment Reserve	
Revenues:								
Operating Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,835
Charges for Services	-	-	-	-	-	-	-	1,287
Investment Income	55	30	17	175	15	16	4,847	6,437
Total Revenues	55	30	17	175	15	16	4,847	33,559
Expenditures:								
Current:								
General Government	20	-	-	-	-	20	-	5,603
Public Safety	-	-	-	-	-	-	-	5,043
Public Works	-	-	-	1,309	13,400	-	-	14,709
Health and Welfare	-	-	6,395	-	-	-	-	6,395
Culture & Recreation	-	-	-	-	-	-	-	1,960
Education	-	-	-	-	-	-	-	20,656
Debt Service	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	103,780
Total Expenditures	20	-	6,395	1,309	13,400	20	-	158,146
Excess/(deficiency) of Revenues over Expenditures	35	30	(6,378)	(1,134)	(13,385)	(4)	4,847	(124,587)
Other Financing Sources/(Uses):								
Transfers In	-	4,250	850	1,700	7,500	425	25,500	177,277
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	4,250	850	1,700	7,500	425	25,500	177,277
Net Change in Fund Balances	35	4,280	(5,528)	566	(5,885)	421	30,347	52,690
Beginning Fund Balances	11,066	27,398	16,949	115,670	16,939	2,010	271,375	996,479
Ending Fund Balances	\$ 11,101	\$ 31,678	\$ 11,421	\$ 116,236	\$ 11,054	\$ 2,431	\$ 301,722	\$ 1,049,169

TOWN OF CANAAN, CT
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Pension Trust Fund	Private Purpose Trust Funds			Total Private Purpose Trust Funds	Custodial Funds		
	Defined Contribution Plan	Fuel Bank Fund	Social Services Fund	Falls Village Scholarship Fund		Senior Center Fund	Friends of Kellogg School Fund	Total Custodial Funds
Assets								
Cash and Cash Equivalents	\$ -	\$ 7,269	\$ 10,624	\$ 20,046	\$ 37,939	\$ 406	\$ 2,781	\$ 3,187
Investments	1,271,337	-	-	-	-	-	-	-
Contributions Receivable	40,170	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,311,507</u>	<u>\$ 7,269</u>	<u>\$ 10,624</u>	<u>\$ 20,046</u>	<u>\$ 37,939</u>	<u>\$ 406</u>	<u>\$ 2,781</u>	<u>\$ 3,187</u>
Liabilities								
Due to Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position								
Reserved for Donor's Intentions	-	7,269	10,624	20,046	37,939	-	-	-
Restricted for Individuals & Organizations	-	-	-	-	-	406	2,781	3,187
Restricted for Pensions	1,311,507	-	-	-	-	-	-	-
Total Net Position	<u>\$ 1,311,507</u>	<u>\$ 7,269</u>	<u>\$ 10,624</u>	<u>\$ 20,046</u>	<u>\$ 37,939</u>	<u>\$ 406</u>	<u>\$ 2,781</u>	<u>\$ 3,187</u>

See accountant's report.

TOWN OF CANAAN, CT
Combining Statement of Revenues, Expenses, and Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension Trust Fund	Private Purpose Trust Funds				Custodial Funds		
	Defined Contribution Plan	Fuel Bank Fund	Social Services Fund	Falls Village Scholarship Fund	Total Private Purpose Trust Funds	Senior Center Fund	Friends of Kellogg School Fund	Total Custodial Funds
Additions								
Contributions:								
Town	\$ 40,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee	27,980	-	-	-	-	-	-	-
Foundation Grants	-	2,750	1,500	-	4,250	-	-	-
Private Donations	-	-	-	14,051	14,051	-	-	-
Events & Activities	-	-	-	-	-	-	1,719	1,719
Investment Income:								
Interest and Dividends	-	35	52	-	87	-	-	-
Net Increase/Decrease in Fair Value of Investments	185,301	-	-	-	-	-	-	-
Total Additions	<u>253,426</u>	<u>2,785</u>	<u>1,552</u>	<u>14,051</u>	<u>18,388</u>	<u>-</u>	<u>1,719</u>	<u>1,719</u>
Deductions								
Financial Assistance	-	1,898	2,500	4,390	8,788	-	-	-
Activities & Fees	-	-	-	-	-	-	2,087	2,087
Total Deductions	<u>-</u>	<u>1,898</u>	<u>2,500</u>	<u>4,390</u>	<u>8,788</u>	<u>-</u>	<u>2,087</u>	<u>2,087</u>
Change in Net Position	253,426	887	(948)	9,661	9,600	-	(368)	(368)
Net Position - Beginning	<u>1,058,081</u>	<u>6,382</u>	<u>11,572</u>	<u>10,385</u>	<u>28,339</u>	<u>406</u>	<u>3,149</u>	<u>3,555</u>
Net Position - Ending	<u>\$ 1,311,507</u>	<u>\$ 7,269</u>	<u>\$ 10,624</u>	<u>\$ 20,046</u>	<u>\$ 37,939</u>	<u>\$ 406</u>	<u>\$ 2,781</u>	<u>\$ 3,187</u>

See accountant's report.

TOWN OF CANAAN, CT
Schedule of Debt Limitation
June 30, 2025

Total Prior-Year Tax Collections - including interest and lien fees
Received by Treasurer \$ 5,096,182

Reimbursement for revenue loss on:

Tax relief for elderly -

Base \$ 5,096,182

Debt limitation:	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
2 1/4 times base	\$ 11,466,410	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	22,932,819	-	-	-
3 3/4 times base	-	-	19,110,683	-	-
3 1/4 times base	-	-	-	16,562,592	-
3 times base	-	-	-	-	15,288,546
Total Debt Limitation	<u>\$ 11,466,410</u>	<u>\$ 22,932,819</u>	<u>\$ 19,110,683</u>	<u>\$ 16,562,592</u>	<u>\$ 15,288,546</u>

Indebtedness:

Town Bonds Payable 1,178,660 75,161 - - -

Overlapping Debt:

Regional School District #1 - 682,362 - - -

Total Indebtedness 1,178,660 757,523 - - -

Debt Limitation in excess of

Outstanding and Authorized Debt \$ 10,287,750 \$ 22,175,297 \$ 19,110,683 \$ 16,562,592 \$ 15,288,546

NOTE: In no case should this total indebtedness exceed seven times the base of \$5,096,182 or \$35,673,274

See accountant's report.



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*

Independent Auditor's Report

Board of Finance
Town of Canaan, Connecticut
107 Main St
Canaan, CT

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Canaan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Canaan's basic financial statements, and have issued our report thereon dated March 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Canaan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Canaan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Canaan'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency or 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.

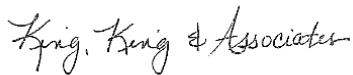
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 a part of obtaining reasonable assurance about whether the Town of Canaan'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 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Canaan's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Canaan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



King, King & Associates, CPAs
Winsted, Connecticut
March 18, 2026