



CONNECTICUT Policy and Management

FY 2024-25 MUNICIPAL AUDIT QUESTIONNAIRE

❖ This Questionnaire is required to be submitted to OPM with the audit reports of municipalities and audited agencies (as defined under Section 7-391 of the Connecticut General Statutes).

Name of Auditee Town of Scotland, Connecticut

Fiscal Period under Audit Year Ended June 30, 2025

Mahoney Sabol & Company, LLP

(Audit Firm Name)

Mahoney Sabol & Company, LLP

(Signature)

January 30, 2026

(Date)

This Questionnaire was reviewed with and a copy given to:

Dana Barrow Jr. on January 30, 2026
Name of Municipal Official Date

First Selectman 860.456.7797
Title of Municipal Official Telephone

	<u>YES</u>	<u>NO</u>	<u>NA</u>
1. Did you inform the town, city or Borough clerk of that part of Section 7-394 of the General Statutes which provides that within one week after receiving the audit report he/she shall cause to be published a legal notice in a newspaper having a substantial circulation in the municipality that the report is on file in said clerk's office?	X _____	_____ _____	_____ _____
2. Did you obtain a letter from municipal counsel with respect to unpaid or pending judgments and as to any other legal proceeding affecting the municipality's finances?	X _____	_____ _____	_____ _____
3. Were financial statements and/or books and records of the entity made available within a reasonable time after the close of the fiscal year?	X _____	_____ _____	_____ _____
4. Did the entity issue tax anticipation notes (TANs) or revenue anticipation notes (RANs) during the fiscal year?	_____ _____	X _____	_____ _____
5. Was a separate management letter issued in addition to the Internal Control Report? If so, it must be submitted to the Office of Policy and Management with the audit report.	_____ _____	X _____	_____ _____
6. Were municipal officials (including the chief elected or executive official and governing body of the municipal entity) made aware of findings and recommendations resulting from the audit?	X _____	_____ _____	_____ _____
7. Did you clearly identify in the report each repeated audit finding and identify the fiscal year in which the finding initially occurred?	X _____	_____ _____	_____ _____
8. Were there any audit findings repeated from both of the two most prior fiscal year ended audits? (FY2023 and FY2024)?	X _____	_____ _____	_____ _____
9. Were municipal officials made aware of section 2(c) of P.A. 23-197 for a public meeting to be held when the OPM Secretary makes certain findings based upon the review of the audit report?	X _____	_____ _____	_____ _____
10. Federal Single Audit Act as Amended, 1996; Uniform Guidance for Federal Awards (Title 2 of CFR, 12/26/13)			
(a) Did you conduct a Single Audit of Federal Financial Assistance expended by the entity for FY 2024-25?	_____ _____	X _____	_____ _____
(b) Is a copy of the Single Audit included in the reporting package submitted?	_____ _____	_____ _____	X _____

YES NO NA

11. State Single Audit (SSA) Act as amended by P.A. 24-132;
Regulations to the SSA Act

- (a) Did you conduct a Single Audit of state financial assistance expended by the entity for FY 2024-25 or a program-specific audit of the entity's sole state program?

 X
- (b) Is a copy of the State Single Audit or program-specific audit included in the reporting package submitted?

 X
- (c) If applicable, did officials prepare a Corrective Action Plan (CAP) in sufficient time for inclusion in the audit report package [C.G.S. Sec.4-233(d)] to be filed with OPM as the cognizant state agency?

 X
- (d) Did you upload the corrective action plan with the audit report package on OPM's Electronic Audit Reporting System?

 X

TOWN OF SCOTLAND, CONNECTICUT

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2025**

TOWN OF SCOTLAND, CONNECTICUT
FINANCIAL STATEMENTS
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TOWN OF SCOTLAND, CONNECTICUT
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Scotland, 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 Scotland, Connecticut, (the Town) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the 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 Scotland, Connecticut, 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the information on pages 48 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual fund financial statements and 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 fund financial statements and 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 January 30, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
January 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

Management of the Town of Scotland, Connecticut, (the Town) offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,791,496 (net position). Of this amount, \$946,468 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$110,825 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,432,997, an increase of \$119,647 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$458,958, which represents 7.1% of the Town's fiscal year 2026 General Fund budgetary expenditure appropriation. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 0.9 months of the Town's budgeted expenditures for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: general government, public safety, public works, culture and recreation, and education. The Town has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are considered governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Reserve Fund, both of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 19 through 47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules that can be found on pages 48 through 72 of this report.

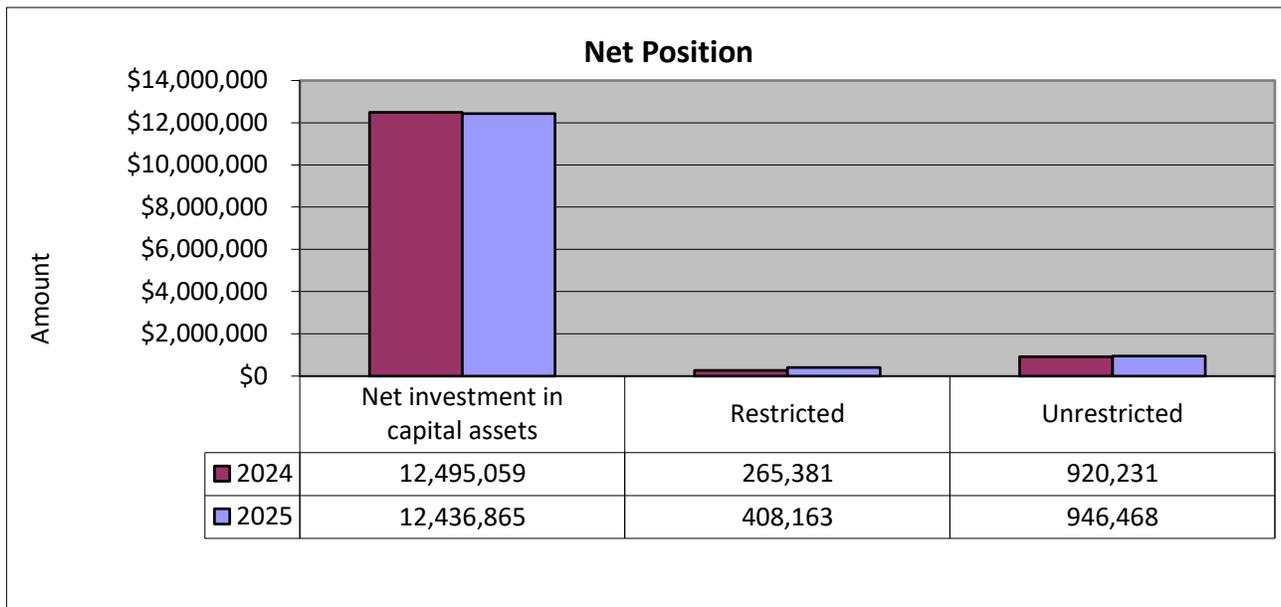
TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Net position of the Town totaled \$13,791,496 and \$13,680,671 as of June 30, 2025 and 2024, respectively, and are summarized as follows. As disclosed in Note 13 to the financial statements, the Town implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The net position of the Town as of June 30, 2024 has been restated for the implementation of this statement.

	2025	2024 As restated	\$ Change	% Change
Current and other assets	\$ 2,004,304	\$ 1,717,769	\$ 286,535	16.7%
Capital assets	13,077,471	13,407,362	(329,891)	-2.5%
Total assets	<u>15,081,775</u>	<u>15,125,131</u>	<u>(43,356)</u>	-0.3%
Other liabilities	458,009	265,485	192,524	72.5%
Long-term liabilities	832,270	1,178,975	(346,705)	-29.4%
Total liabilities	<u>1,290,279</u>	<u>1,444,460</u>	<u>(154,181)</u>	-10.7%
Net Position:				
Net investment in capital assets	12,436,865	12,495,059	(58,194)	-0.5%
Restricted	408,163	265,381	142,782	53.8%
Unrestricted	946,468	920,231	26,237	2.9%
Total net position	<u>\$ 13,791,496</u>	<u>\$ 13,680,671</u>	<u>\$ 110,825</u>	0.8%



TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*

As of June 30, 2025, 90.2% of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents 3.0% of the Town's net position. These amounts are subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position increased by \$110,825 in comparison to the prior year.

Changes in Net Position

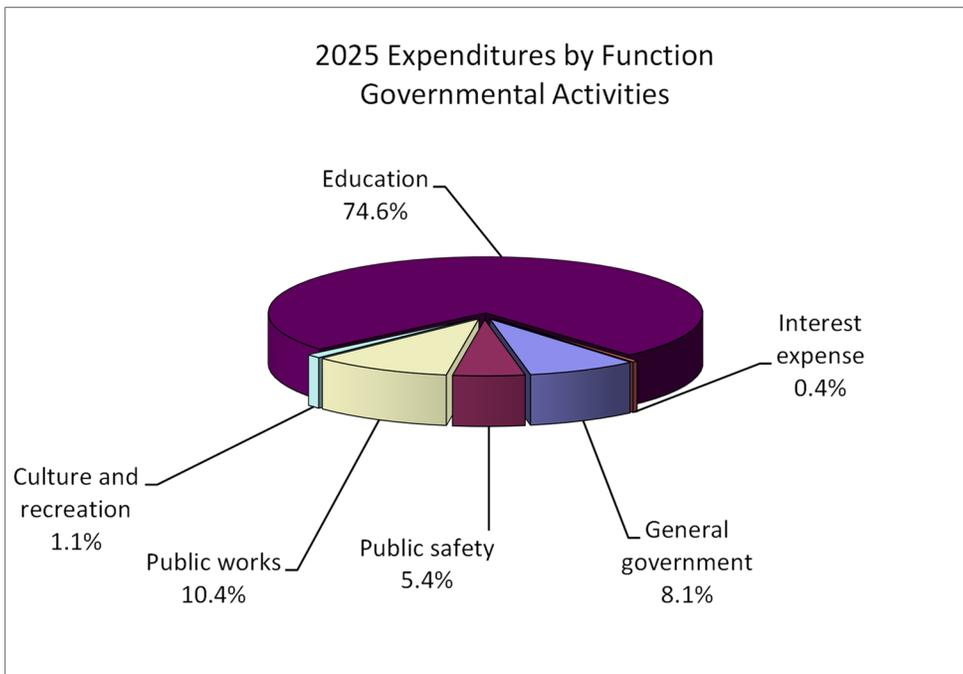
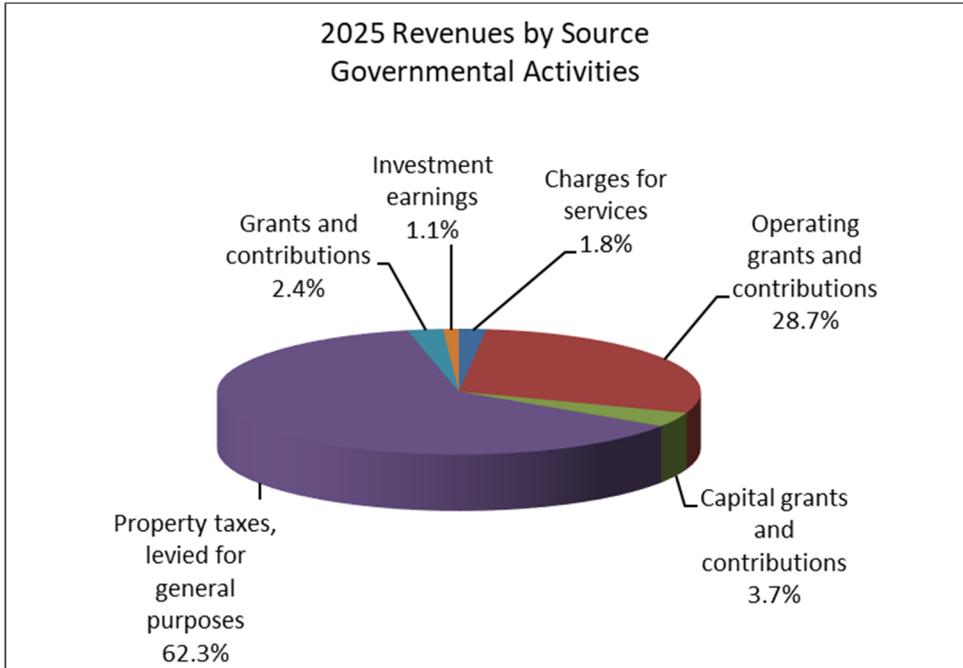
Changes in net position for the years ended June 30, 2025 and 2024 are as follows. As disclosed in Note 13 to the financial statements, the Town implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The statement of activities of the Town for the year ended June 30, 2024 has not been restated for the implementation of this statement.

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 136,970	\$ 159,612	\$ (22,642)	-14.2%
Operating grants and contributions	2,157,331	2,220,615	(63,284)	-2.8%
Capital grants and contributions	279,194	294,257	(15,063)	-5.1%
General revenues:				
Property taxes, levied for general purposes	4,680,855	4,612,974	67,881	1.5%
Grants and contributions	178,442	204,873	(26,431)	-12.9%
Investment earnings	79,968	72,479	7,489	10.3%
Total revenues	<u>7,512,760</u>	<u>7,564,810</u>	<u>(52,050)</u>	<u>-0.7%</u>
Expenses				
General government	602,787	558,294	44,493	8.0%
Public safety	395,122	356,058	39,064	11.0%
Public works	767,938	700,803	67,135	9.6%
Culture and recreation	81,419	69,544	11,875	17.1%
Education	5,525,353	5,482,857	42,496	0.8%
Interest expense	29,316	38,527	(9,211)	-23.9%
Total expenses	<u>7,401,935</u>	<u>7,206,083</u>	<u>195,852</u>	<u>2.7%</u>
Change in net position	<u>\$ 110,825</u>	<u>\$ 358,727</u>	<u>\$ (247,902)</u>	<u>69.1%</u>

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*



TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Governmental activities increased the Town's net position by \$110,825. The Town derives the majority of its revenues from local taxes (62.3% of total revenues) and operating grants and contributions (28.7% of total revenues) to fund public education (74.6% of total expenses).

Revenues decreased by \$52,050 or 0.7% compared to the prior year. Expenses increased by \$195,852 or 2.7% compared to the prior year. Overall, there were no significant changes in the Town's major revenue sources. Expenditures by function also remained relatively stable, with no individual function experiencing a significant increase or decrease compared to the prior year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,432,997, an increase of \$119,647 in comparison with the prior year.

General Fund

At the close of the current fiscal year, unassigned fund balance for the General Fund was \$458,958, which represents 7.1% of the Town's fiscal year 2026 General Fund budgetary expenditure appropriation. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 0.9 months of the Town's budgeted expenditures for the General Fund. The fund balance of the Town's General Fund decreased by \$44,477 during the current fiscal year.

Capital Reserve Fund

The fund balance of the Capital Reserve Funds increased by \$15,824 from \$295,421 as of June 30, 2024 to \$311,245 as of June 30, 2025. Of the \$311,245 in fund balance, \$228,266 is committed for general purposes and \$82,979 is committed for educational purposes. Significant capital outlays during the current year primarily related to repairs and maintenance as well as engineering costs associated with a planned HVAC project at the Town's elementary school.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's original and final budgets contemplated the use of fund balance in the amount of \$158,263 to balance revenues and expenditures. The actual net change in fund balance on a budgetary basis was a decrease of \$71,483, resulting in an overall favorable budgetary variance of \$86,780. Revenues were \$3,800 more than budgeted and expenditures were \$82,980 less than budgeted. The School District reported a budgetary surplus of \$23,793, which was subsequently authorized to be transferred to the Board of Education's Reserve for Educational Expenditures Fund.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

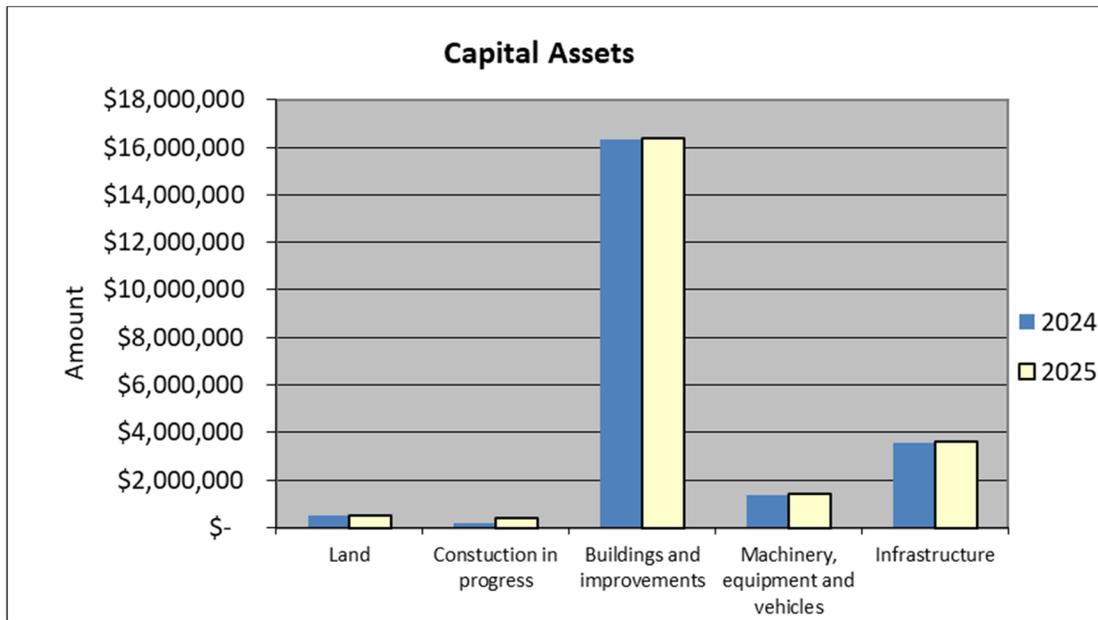
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2025 and 2024 totaled \$13,077,471 and \$13,407,362, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$329,891 or 2.5%. This decrease consisted of capital asset additions of \$342,773 offset by current year depreciation expense of \$672,664. Major capital asset events during the current fiscal year related to architectural and engineering costs relating to a planned town hall renovation project and a planned HVAC project at the Town's elementary school.

The following table is a two year comparison of the investment in capital assets:

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 521,510	\$ 521,510	\$ -	0.0%
Constuction in progress	377,678	200,845	176,833	88.0%
Buildings and improvements	16,352,393	16,309,796	42,597	0.3%
Machinery, equipment and vehicles	1,419,739	1,346,396	73,343	5.4%
Infrastructure	3,598,187	3,548,187	50,000	1.4%
Accumulated depreciation	(9,192,036)	(8,519,372)	(672,664)	7.9%
Totals	<u>\$ 13,077,471</u>	<u>\$ 13,407,362</u>	<u>\$ (329,891)</u>	-2.5%



Additional information on the Town's capital assets can be found in Note 4 of this report.

TOWN OF SCOTLAND, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

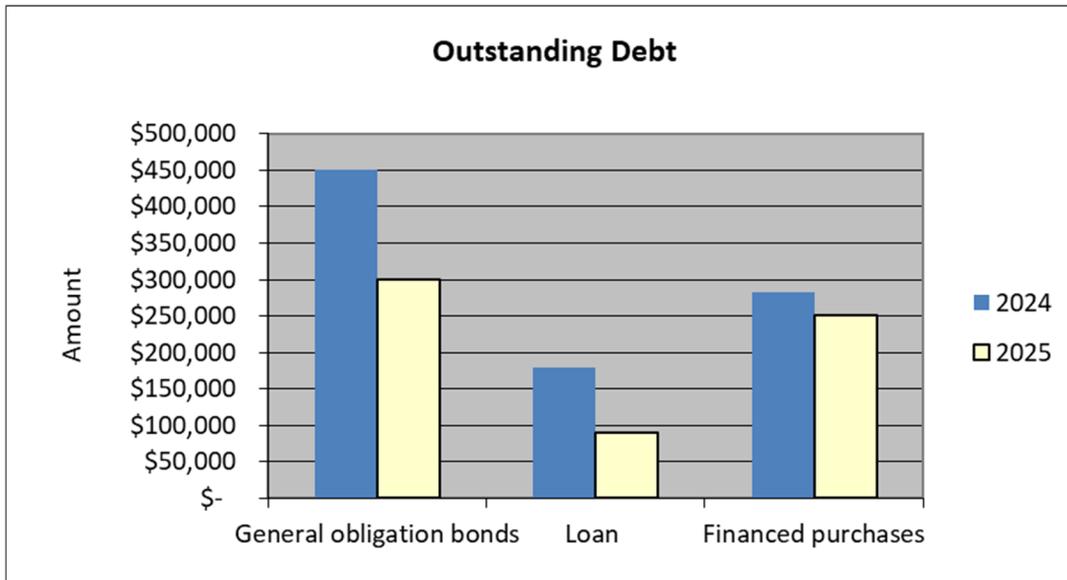
Long-term Debt

At the end of the current fiscal year, the Town's long-term debt consists of a general obligation bond, a loan from a bank, and a financed purchase arrangement.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding debt.

No new long-term debt was issued by the Town during the year ended June 30, 2025. The overall decrease in long-term debt was due to scheduled debt service repayments. The following table is a two year comparison of long-term debt:

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 300,000	\$ 450,000	\$ (150,000)	-33.3%
Loan	90,000	180,000	(90,000)	-50.0%
Financed purchases	250,606	282,303	(31,697)	-11.2%
Totals	<u>\$ 640,606</u>	<u>\$ 912,303</u>	<u>\$ (271,697)</u>	-29.8%



Additional information on the Town's long-term debt can be found in Note 7 of this report.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- Inflationary trends in the region are comparable to national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on-behalf of certain taxpayers.
 - The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive. The Town's budget for such grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Building Department, the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2026. The Town's fiscal year 2026 approved budget contemplates budgetary expenditure appropriations in the amount of \$6,447,144. The fiscal year 2026 budget contemplates the use of fund balance in the amount of \$93,943 to reduce the overall impact on the Town's mill rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman or Town Treasurer, Town of Scotland, 9 Devotion Road, Scotland, Connecticut 06264.

BASIC FINANCIAL STATEMENTS

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,634,515
Investments	111,969
Receivables:	
Property taxes and interest, net	115,279
Grants and contracts	61,186
Other	58,041
Prepays	23,314
Capital assets:	
Non-depreciable	899,188
Depreciable, net	12,178,283
Total assets	15,081,775
LIABILITIES	
Accounts payable	160,018
Salaries and benefits payable	127,722
Accrued interest payable	1,981
Unearned revenue	168,288
Noncurrent liabilities:	
Due within one year	287,662
Due in more than one year	544,608
Total liabilities	1,290,279
NET POSITION	
Net investment in capital assets	12,436,865
Restricted for:	
Permanent funds:	
Nonexpendable	181,719
Expendable	35,074
Programs	191,370
Unrestricted	946,468
Total net position	\$ 13,791,496

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

TOWN OF SCOTLAND, CONNECTICUT
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
Primary Government					
Governmental activities:					
General government	\$ 602,787	\$ 55,026	\$ 17,077	\$ 126,495	\$ (404,189)
Public safety	395,122	1,232	-	-	(393,890)
Public works	767,938	10,175	7,681	152,699	(597,383)
Culture and recreation	81,419	14,953	19,183	-	(47,283)
Education	5,525,353	55,584	2,113,390	-	(3,356,379)
Interest expense	29,316	-	-	-	(29,316)
Total governmental activities	<u>\$ 7,401,935</u>	<u>\$ 136,970</u>	<u>\$ 2,157,331</u>	<u>\$ 279,194</u>	<u>(4,828,440)</u>
General revenues:					
					4,680,855
					178,442
					79,968
					<u>4,939,265</u>
					110,825
					<u>13,680,671</u>
					<u>\$ 13,791,496</u>

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

TOWN OF SCOTLAND, CONNECTICUT

BALANCE SHEET -
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	<u>General Fund</u>	<u>Capital Reserve Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 907,700	\$ 396,581	\$ 330,234	\$ 1,634,515
Investments	-	-	111,969	111,969
Receivables:				
Property taxes, net	91,747	-	-	91,747
Interest on property taxes, net	23,532	-	-	23,532
Grants and contracts	-	-	61,186	61,186
Other	58,041	-	-	58,041
Prepays	23,314	-	-	23,314
Due from other funds	37,665	-	21,533	59,198
Total assets	<u>\$ 1,141,999</u>	<u>\$ 396,581</u>	<u>\$ 524,922</u>	<u>\$ 2,063,502</u>
LIABILITIES				
Accounts payable	\$ 78,454	\$ 29,675	\$ 51,889	\$ 160,018
Salaries and benefits payable	119,904	-	7,818	127,722
Due to other funds	21,533	25,050	12,615	59,198
Unearned revenue	130,838	30,611	6,839	168,288
Total liabilities	<u>350,729</u>	<u>85,336</u>	<u>79,161</u>	<u>515,226</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>115,279</u>	<u>-</u>	<u>-</u>	<u>115,279</u>
FUND BALANCES				
Nonspendable	23,314	-	181,719	205,033
Restricted	-	-	226,444	226,444
Committed	71,942	311,245	37,598	420,785
Assigned	121,777	-	-	121,777
Unassigned	458,958	-	-	458,958
Total fund balances	<u>675,991</u>	<u>311,245</u>	<u>445,761</u>	<u>1,432,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,141,999</u>	<u>\$ 396,581</u>	<u>\$ 524,922</u>	<u>\$ 2,063,502</u>

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

TOWN OF SCOTLAND, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

Total fund balances for governmental funds		\$ 1,432,997
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Land	\$ 521,510	
Construction in progress	377,678	
Buildings and improvements	16,352,393	
Machinery, equipment and vehicles	1,419,739	
Infrastructure	3,598,187	
Less: accumulated depreciation and amortization	<u>(9,192,036)</u>	
Total capital assets, net		13,077,471
Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
		115,279
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:		
Long-term debt:		
General obligation bonds	(300,000)	
Loan	(90,000)	
Financed purchases	(250,606)	
Other long-term liabilities:		
Accrued interest	(1,981)	
Compensated absences	(146,885)	
Total OPEB liability	<u>(44,779)</u>	
Total long-term liabilities		<u>(834,251)</u>
Net position of governmental activities		<u><u>\$ 13,791,496</u></u>

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

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Reserve Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,707,696	\$ -	\$ -	\$ 4,707,696
Intergovernmental	1,856,717	-	676,439	2,533,156
Charges for services	65,961	-	50,369	116,330
Investment income	44,443	15,644	19,881	79,968
Other	16,111	-	17,946	34,057
Total revenues	<u>6,690,928</u>	<u>15,644</u>	<u>764,635</u>	<u>7,471,207</u>
EXPENDITURES				
Current:				
General government	554,237	-	517	554,754
Public safety	333,329	-	764	334,093
Public works	508,458	-	9,377	517,835
Culture and recreation	63,543	-	17,876	81,419
Education	4,772,121	-	437,699	5,209,820
Debt service:				
Principal payments	271,697	-	-	271,697
Interest and fiscal charges	30,520	-	-	30,520
Capital outlays	51,500	124,589	175,333	351,422
Total expenditures	<u>6,585,405</u>	<u>124,589</u>	<u>641,566</u>	<u>7,351,560</u>
Excess (deficiency) of revenues over expenditures	105,523	(108,945)	123,069	119,647
OTHER FINANCING SOURCES (USES)				
Transfers in	-	150,000	50,366	200,366
Transfers out	(150,000)	(25,231)	(25,135)	(200,366)
Total other financing sources (uses)	<u>(150,000)</u>	<u>124,769</u>	<u>25,231</u>	<u>-</u>
Net changes in fund balances	(44,477)	15,824	148,300	119,647
Fund balances - beginning	<u>720,468</u>	<u>295,421</u>	<u>297,461</u>	<u>1,313,350</u>
Fund balances - ending	<u>\$ 675,991</u>	<u>\$ 311,245</u>	<u>\$ 445,761</u>	<u>\$ 1,432,997</u>

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

TOWN OF SCOTLAND, CONNECTICUT
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 for governmental funds \$ 119,647

Total change in net position reported for governmental activities in the statement of activities is 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. The amount by which capital additions exceeded depreciation in the current period is as follows:

Expenditures for capital assets	\$	342,774	
Depreciation expense		(672,664)	
Net adjustment		(329,890)	(329,890)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Principal repayments:			
General obligation bonds		150,000	
Loan		90,000	
Financed purchases		31,697	271,697

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The net effect of such items is as follows:

Accrued interest		1,205	
Termination benefits		(3,448)	
Total OPEB liability		78,455	76,212

Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as deferred inflows of resources in the governmental funds. This amount represents the change in unavailable revenue. (26,841)

Change in net position of governmental activities \$ 110,825

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Scotland, Connecticut, was settled in 1700 and was incorporated and separated from the Town of Windham in 1857 and covers 18.69 square miles located in Windham County. The Town operates under a Board of Selectmen and Town Meeting form of government. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes. The Town provides general government, public safety, public works, culture and recreation, and education services. The Town's school system services grades Pre-K through six.

The legislative power of the Town is vested with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Selectmen is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and 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. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

Related Organizations

The Town is a member of Regional School District No. 11 (the District), which is located in Chaplin, Connecticut. Member towns of the District include the Towns of Chaplin, Hampton and Scotland. The District provides educational services for the grade 7 through 12 populations within its member towns. The activities of the District are primarily supported by assessments made to member towns. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District's outstanding debt (*see Note 7*). The District is governed by an elected Board of Education and issues publicly available financial reports.

The Town contracts for fire protection and emergency ambulance services from the Scotland Volunteer Fire Department, Inc. (the Department), a legally separate 501(c)(3) nonprofit corporation. The Town funds a significant portion of the Department's operating and capital activities. The Department is governed by an elected Board and issues publicly available financial reports.

Jointly Governed Organizations

The Town is a member of the Northeastern Connecticut Council of Governments (the Council), which provides certain member initiated regional programs and services. The Town's First Selectman serves on the Council's Board of Directors. The Council issues publicly available financial reports.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

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

The Town reports the following major governmental funds:

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

Capital Reserve Funds - These funds are used to account for revenues and expenditures related to capital asset construction and or purchases.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus and Basis of Accounting *(Continued)*

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and post-employment 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received.

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

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are reported at cost or amortized cost. Investments in certain external investment pools that meet specific criteria for measuring its investments at amortized cost are reported at amortized cost. All other investments in external investment pools and investments with maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Donor-restricted Endowments

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Town is required to retain as a fund of perpetual duration. No deficiencies existed in donor-restricted endowment funds as of June 30, 2025. The amount of net appreciation of donor-restricted endowments available for expenditure totaled \$35,074 as of June 30, 2025.

Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. The cost of inventories is recorded as an expenditure/expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Leases (as Lessor)

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

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Interest is charged on delinquent amounts at a statutory rate of 1.5% per month. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$2,000 and \$1,000, respectively, as of June 30, 2025.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Capital Assets

Capital assets are tangible and intangible assets, including land, property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), which are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 for all capital assets with the exception of land purchases which are capitalized regardless of amount.

As the Town constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Other tangible and intangible property and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-50
Machinery, equipment and vehicles	3-10
Infrastructure	30-50

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent an acquisition or consumption of net assets that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources until that time. Deferred inflows of resources include unavailable revenues from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

Long-term Debt

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying assets.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Long-term Obligations *(Continued)*

Long-term Debt (Continued)

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the related debt using the effective interest rate method and the debt is reported net of any unamortized premium or discount. In the governmental fund financial statements, premiums and discounts are recognized in the current period.

In the governmental fund financial statements, debt premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Compensated absences represent leave for which employees are entitled to receive payment. This includes cash payments for leave taken, payouts for unused leave upon termination of employment, and noncash settlements. Liabilities for compensated absences, including salary related payments, are reported in the government-wide financial statements for leave that is more likely than not to be used or otherwise paid or settled, and for leave that has been taken but not yet paid or settled. The Town considers benefits earned in the current year to be used before any benefits that have been carried forward from prior years.

Leases (as Lessee)

The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) for a noncancellable lease in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$20,000 or more.

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of the following three components:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related are also included in this component of net position.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position *(Continued)*

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on the use of those assets either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable - Amounts that are either not in spendable form or are legally or contractually required to remain intact.

Restricted - Amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for the specific purposes determined by the approval of a resolution by the Board of Selectmen committing fund balance for the specified purpose. Once approved, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Board of Selectmen approves another resolution removing or revising the limitation.

Assigned - Amounts that are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include Town officials and the Superintendent of Schools. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Balance *(Continued)*

Fund Balance *(Continued)*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. In accordance with the Town's practice, the Town uses restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Internal Activities

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

Use of 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 and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's carrying value of cash deposits as of June 30, 2025 is as follows:

Government-wide statement of net position	\$ 1,634,515
Add: Certificate of deposits considered cash deposits for disclosure purposes	22,053
Less: Cash equivalents considered investments for disclosure purposes	(969,742)
	<u>\$ 686,826</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2025, \$255,507 of the Town's bank balance of \$746,055 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	229,956
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name		25,551
		25,551
	<u>\$</u>	<u>255,507</u>

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

A reconciliation of the Town's investments as of June 30, 2025 is as follows:

Government-wide statement of net position	\$	111,969
Add: Cash equivalents considered investments for disclosure purposes		969,742
Less: Certificate of deposits considered cash deposits for disclosure purposes		(22,053)
	<u>\$</u>	<u>1,059,658</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town limits its exposure to fair value losses arising from changes in interest rates by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Interest Rate Risk *(Continued)*

Information about the exposure of the Town's investments to this risk using the segmented time distribution model is as follows:

<u>Investment type</u>	<u>Valuation Method</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years)</u>	
				<u>Less Than 1</u>	<u>1 to 5</u>
Debt Securities:					
<i>Governmental Activities</i>					
Short-term Investment Fund	Amortized cost	AAA	\$ 969,742	\$ 969,742	\$ -
Corporate bonds	Fair value	BBB	74,904	29,970	44,934
			<u>1,044,646</u>	<u>\$ 999,712</u>	<u>\$ 44,934</u>
Other investments:					
<i>Permanent Funds:</i>					
Mutual funds	Fair value		15,012		
Total			<u>\$ 1,059,658</u>		

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor. The Town's debt securities were rated by S&P Global.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk because they are either not evidenced by securities that exist in physical or book entry form or they are held by a reputable custodian in the name of the Town.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. As of June 30, 2025, none of the Town's investments, in any one issuer that is subject to concentration of credit risk disclosures, exceeded 5.0% or more of the total investments reported by the Town.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - FAIR VALUE MEASUREMENTS

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2025, by level within the fair value hierarchy are presented in the following table.

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate bonds	\$ -	\$ 74,904	\$ -	\$ 74,904
Mutual funds	15,012	-	-	15,012
	<u>\$ 15,012</u>	<u>\$ 74,904</u>	<u>\$ -</u>	89,916
				Investments measured at amortized cost
				<u>969,742</u>
				<u>\$ 1,059,658</u>

Level 2 investments are valued using broker quotes that utilize observable market inputs.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 521,510	\$ -	\$ -	\$ 521,510
Construction in progress	200,845	176,833	-	377,678
Total capital assets, not being depreciated	<u>722,355</u>	<u>176,833</u>	<u>-</u>	<u>899,188</u>
Capital assets, being depreciated:				
Buildings and improvements	16,309,796	42,597	-	16,352,393
Machinery, equipment and vehicles	1,346,396	73,343	-	1,419,739
Infrastructure	3,548,187	50,000	-	3,598,187
Total capital assets, being depreciated	<u>21,204,379</u>	<u>165,940</u>	<u>-</u>	<u>21,370,319</u>
Less accumulated depreciation:				
Buildings and improvements	6,490,902	373,605	-	6,864,507
Machinery, equipment and vehicles	917,041	79,799	-	996,840
Infrastructure	1,111,429	219,260	-	1,330,689
Total accumulated depreciation	<u>8,519,372</u>	<u>672,664</u>	<u>-</u>	<u>9,192,036</u>
Total capital assets, being depreciated, net	<u>12,685,007</u>	<u>(506,724)</u>	<u>-</u>	<u>12,178,283</u>
Governmental activities capital assets, net	<u>\$ 13,407,362</u>	<u>\$ (329,891)</u>	<u>\$ -</u>	<u>\$ 13,077,471</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - CAPITAL ASSETS *(Continued)*

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 47,616
Public safety	61,029
Public works	241,873
Education	322,146
Total depreciation and amortization expense - governmental activities	\$ 672,664

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2025 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Capital Reserve Funds	\$ 25,050
	Nonmajor Governmental Funds	12,615
		37,665
Nonmajor Governmental Funds	General Fund	21,533
Total interfund receivables/payables		\$ 59,198

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds		
Capital Reserve Funds	General Fund	\$ 150,000
Nonmajor Governmental Funds	Capital Reserve Fund	25,231
	Nonmajor Governmental Funds	25,135
		50,366
Total transfers in/out		\$ 200,366

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) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 - LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Changes in the Town's long-term liabilities for the year ended June 30, 2025, are as follows:

	<u>Beginning Balance, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>Long-term debt:</i>					
General obligation bonds payable	\$ 450,000	\$ -	\$ (150,000)	\$ 300,000	\$ 150,000
Loan payable	180,000	-	(90,000)	90,000	90,000
Financed purchases	282,303	-	(31,697)	250,606	32,662
	<u>912,303</u>	<u>-</u>	<u>(271,697)</u>	<u>640,606</u>	<u>272,662</u>
<i>Other long-term liabilities:</i>					
Compensated absences	143,438	3,447	-	146,885	15,000
Total OPEB liability <i>(see Note 9)</i>	<u>123,234</u>	<u>-</u>	<u>(78,455)</u>	<u>44,779</u>	<u>-</u>
Total governmental activities	<u>\$ 1,178,975</u>	<u>\$ 3,447</u>	<u>\$ (350,152)</u>	<u>\$ 832,270</u>	<u>\$ 287,662</u>

Long-term liabilities are typically liquidated in the General Fund. The change in compensated absences has been presented net.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are uncollateralized, direct obligations and are pledged by the full faith and credit of the Town. General obligation bonds outstanding at June 30, 2025, are as follows:

	<u>Issue Year</u>	<u>Original Amount</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
General obligation bonds	5/2007	\$ 2,500,000	5/2027	4.05%-4.90%	<u>\$ 300,000</u>

Loan

The Town has an amount outstanding under a commercial loan with a bank of \$90,000 as of June 30, 2025. The loan is uncollateralized, direct obligation and is pledged by the full faith and credit of the Town. The Town is required to make quarterly principal payments in the amount of \$22,500 with interest payable at a rate of 2.295%. The Town is subject to certain financial and nonfinancial covenants, noncompliance with which may be considered to be an event of default and could provide the bank with the right to demand repayment of amounts outstanding immediately. The Town was in compliance with these covenants for the year ended June 30, 2025.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Financed Purchases

The Town has entered into a financed purchase arrangement for the acquisition of a fire truck. The contract includes a non-appropriation clause and provides the obligor with a security interest in the underlying asset in the event of default. Ownership of the underlying asset is transferred to the Town at the end of the contract. The Town is required to make annual principal and interest payments in the amount of \$40,290 through October 2032, the maturity date.

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the statute. Further, the statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The statute does exclude from the Town's aggregate debt calculation any debt issued (a) in anticipation of taxes; (b) for water, gas, or electricity supply, electric demand response, conservation and load management, distributed generation, renewable energy projects, cable, wire, and pipe subway construction, underground cable, wire, and pipe conduit construction, constructing and operating a municipal community antenna television system, or a combination of such projects; (c) in anticipation of public improvement benefit assessment revenue; (d) in anticipation of state or federal grant funding; (e) for water pollution control projects in order to meet the energy and environmental protection commissioner's abatement order requirements; and debt issued (f) for which funds have been placed in escrow (from the proceeds of refunding bonds, notes, or other obligations or other municipal funds) in an amount sufficient, together with investment earnings, to provide for the payment when due of the principal of and interest on such debt. The Town did not exceed this statutory debt limitation as of June 30, 2025.

Shared Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 11's outstanding bonds. As of June 30, 2025, Regional School District No. 11 had no outstanding debt and no authorized, unissued bonds, for which the Town would be contingently liable.

Long-term Debt Service Requirements

The debt service requirements for Town's long-term debt are as follows:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Loan		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 150,000	\$ 12,375	\$ 90,000	\$ 1,291	\$ 32,662	\$ 7,628
2027	150,000	6,188	-	-	33,656	6,634
2028	-	-	-	-	34,681	5,610
2029	-	-	-	-	35,736	4,554
2030	-	-	-	-	36,824	3,466
2031-2034	-	-	-	-	77,047	3,535
	<u>\$ 300,000</u>	<u>\$ 18,563</u>	<u>\$ 90,000</u>	<u>\$ 1,291</u>	<u>\$ 250,606</u>	<u>\$ 31,427</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Compensated Absences

Employees of the Town’s School District may accumulate unused vacation and sick leave in accordance with Board policies, union contracts, and employment agreements. As of June 30, 2025, accumulated benefits totaled approximately \$848,000, of which \$146,885 has been recorded as a liability for amounts more likely than not to be used or paid. This liability is based on estimates of the amount of vacation and sick leave employees will use in future years. Actual leave usage could differ from those estimates and such differences could be material to the financial statements.

NOTE 8 - PENSION PLAN

The Town accounts for activity relating to one defined benefit pension plan, the Connecticut Teachers’ Retirement System. As of and for the year ended June 30, 2025, the plan had the following balances reported in the Town’s government-wide financial statements:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	Pension Expense
CT Teachers' Retirement System (proportionate share)	\$ -	\$ -	\$ -	\$ 445,844	\$ 445,844

Detailed disclosures for the plan follow.

Connecticut Teachers’ Retirement System

Plan Description

The Connecticut Teachers’ Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers’ Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in the service of public schools are provided with pensions through the Connecticut Teachers' Retirement System - a cost sharing multi-employer defined benefit 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 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 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - PENSION PLAN *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

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 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes 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.

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 2.0% per year of service times the average of the highest three years of pensionable salary, but not less than 15.0%, nor more than 50.0%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75.0% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100.0% of the accrued benefit 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

State of Connecticut - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB 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.

Employers - School District employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

Employees - Each teacher is required to contribute 7.0% of pensionable salary.

Administrative Expenses

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

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - PENSION PLAN *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2024. The net pension liability has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense on the accrual basis of accounting. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.025% as of the most recent measurement date.

Collective Net Pension Liability

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2024, the measurement date, in addition to the Town's and State's proportionate shares of the collective net pension liability that is attributed to the Town:

Collective Net Pension Liability of the State for the TRS		<u>\$ 15,771,213,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net Pension Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net Pension Liability attributed to the Town	0.025%	<u>\$ 3,887,000</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - PENSION PLAN *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective Pension Expense

The Town's expected contribution effort for allocation purposes totaled \$383,134 or 0.025% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2025.

The collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective pension expense attributed to the Town totaled \$445,844 or 0.025% of the total collective pension expense and has been recognized as an operating contribution and related education expense in the statement of activities for the year ended June 30, 2025.

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%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

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

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3.0% and a maximum of 5.0% 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 6.0% 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 5.0% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3.0%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - PENSION PLAN *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution 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 current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0%	6.8%
Public Credit	2.0%	2.9%
Core Fixed Income Fund	13.0%	0.4%
Liquidity Fund	1.0%	-0.4%
Risk Mitigation	5.0%	0.1%
Private Equity	15.0%	11.2%
Private Credit	10.0%	6.1%
Real Estate	10.0%	6.2%
Infrastructure and Natural Resources	7.0%	7.7%
	100.0%	

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 the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SCOTLAND, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town accounts for activity relating to two other post-employment benefits plans, (1) the Scotland Board of Education Other Post-Employment Benefits program and (2) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2025, the two plans had the following balances reported in the Town's government-wide financial statements:

	<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>On Behalf Revenues</u>	<u>OPEB Expense</u>
Scotland Board of Education Other Post-employment Benefits Plan	\$ 44,779	\$ -	\$ -	\$ -	\$ 14,110
CT Teachers' Retirement System (proportionate share)	-	-	-	11,048	11,048
	<u>\$ 44,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,048</u>	<u>\$ 25,158</u>

Detailed disclosures for the plans follow.

Scotland Board of Education OPEB Plan

Plan Description

The Board of Education of the Town provides healthcare coverage for eligible retirees and their spouses through its group health insurance plan, which covers both active and retired members. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefit Provisions

The plan covers retired teachers and administrators of the Board of Education. Any member that is currently receiving a retirement or disability benefit through the Connecticut Teachers' Retirement System is eligible to participate in the plan as follows:

Any retired member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with the Board of Education. The Board of Education must offer the members the same healthcare coverage that are available to active teachers. A subsidy from the Connecticut State Teachers' Retirement System of up to \$220 per month for a retired member, plus an additional \$220 per month for a spouse, enrolled in the Board of Education's health insurance plan is provided to offset the retiree's share of the cost of coverage. 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 who contributes at least \$440 per month towards coverage under the Board of Education's health insurance plan. The subsidies are set by State statute.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue healthcare coverage with the Board of Education, if offered, or enroll in the plan sponsored by the Connecticut Teachers' Retirement System. If they elect to remain in the Board of Education health insurance plan, the same subsidies as above will be paid to offset the cost of coverage.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Scotland Board of Education OPEB Plan *(Continued)*

Funding Policy

Contribution requirements of the plan members and the Board of Education are established by and may be amended through union negotiations. Currently, participants are required to contribute 100% of their healthcare premiums to the Board of Education, less any reimbursements received by the Board of Education from the State Retirement Board. The Board of Education has not established a trust fund to irrevocably segregate assets to fund the liability for other post-employment benefits and currently pays the benefits on a pay-as-you-go basis.

Total OPEB Liability

The OPEB liability reported as of June 30, 2025 totaled \$44,779 and was measured as of June 30, 2025 using the Alternative Measurement Method.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2025 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.94%
Average retirement age	60 years old
Percentage participation	50%
Healthcare cost trend rates:	
Medical	5.80% initial, 4.10% final
Prescription drug	11.70% initial, 4.10% final
Dental	3.50% initial, 3.00% final
Vision	3.00% initial and final

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years. Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables; with mortality improvement projected for 10 years.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2024	\$ 123,234
Changes for the year:	
Service cost	2,800
Interest	386
Changes of benefit terms	-
Changes of assumptions and differences between expected and actual experience	10,924
Benefit payments	(92,565)
Net changes	(78,455)
Balance as of June 30, 2025	\$ 44,779

TOWN OF SCOTLAND, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Scotland Board of Education OPEB Program *(Continued)*

Changes in the Total OPEB Liability *(Continued)*

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 3.94%, as well as what the total 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 discount rate:

	1% Decrease	Current Discount	1% Increase
Total OPEB Liability	\$ 47,626	\$ 44,779	\$ 42,337

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability calculated using the healthcare cost trend rate of 5.80% to 4.10%, as well as what the total 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 the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	\$ 39,823	\$ 44,779	\$ 50,699

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

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 defined benefit 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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving pension 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 health care 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, with any remaining portion used to offset the school district's costs. 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.

Any member that is not 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 System. If they elect to remain in the plan with their former employer, the same subsidies as previously disclosed 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 System's Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally towards the cost of the basic coverage (medical and prescription drug 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.

Contributions

State of Connecticut - 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.

Employers - School District employers are not required to make contributions to the Plan.

Employees/Retirees - 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.

Administrative Expenses

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

TOWN OF SCOTLAND, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Basis of Presentation

The components associated with the other postemployment benefits (OPEB) expense and deferred outflows and inflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2024. The net OPEB liability has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and OPEB expense on the accrual basis of accounting. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the expected contribution effort for each participating employer. The employer allocations were then applied to the net OPEB liability and OPEB expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.025% as of the most recent measurement date.

Collective Net OPEB Liability

The following summarizes the collective net OPEB liability of the State for the TRS as of June 30, 2024, the measurement date, in addition to the Town's and State's proportionate shares of the collective net OPEB liability that is attributed to the Town:

Collective Net OPEB Liability of the State for the TRS		<u>\$ 3,235,218,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net OPEB Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net OPEB Liability attributed to the Town	0.025%	<u>\$ 797,000</u>

Collective OPEB Expense

The Town's expected contribution effort for allocation purposes totaled \$5,364 or 0.025% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2025.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective OPEB Expense *(Continued)*

The collective OPEB expense includes certain current period changes in the collective net OPEB liability, projected earnings on OPEB plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective OPEB expense attributed to the Town totaled \$11,048 or 0.025% of the total collective OPEB expense and has been recognized as a operating contribution and related education expenses in the statement of activities for the year ended June 30, 2025.

Actuarial Assumptions

The total OPEB 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%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including 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

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females at 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 actuarial valuation process. Several factors are considered in evaluating 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 SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Long-Term Rate of Return *(Continued)*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	1.26%
Long-Term Inflation Expectation		2.50%
Long-Term Expected Nominal Return		<u>3.76%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 3.94%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection was based on 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 of 3.93% was used in the determination of the single equivalent rate.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 - FUND BALANCE

Fund Balance Policy

The Town does not have a formal policy on the level of unrestricted or unassigned fund balance that should be maintained in the General Fund. As of June 30, 2025, fund balance was classified for the following purposes:

	<u>General Fund</u>	<u>Capital Reserve Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Endowment - Library	\$ -	\$ -	\$ 105,000	\$ 105,000
Endowment - Cemetery	-	-	66,719	66,719
Endowment - Scholarships	-	-	10,000	10,000
Prepaid items	23,314	-	-	23,314
	<u>23,314</u>	<u>-</u>	<u>181,719</u>	<u>205,033</u>
Restricted for:				
Endowment - Cemetery	-	-	18,444	18,444
Public works - Town aid road program	-	-	167,649	167,649
Education - Student activities	-	-	6,126	6,126
Education - School Readiness program	-	-	12,125	12,125
Other purposes	-	-	22,100	22,100
	<u>-</u>	<u>-</u>	<u>226,444</u>	<u>226,444</u>
Committed for:				
Library activities	-	-	15,184	15,184
Animal control activities	-	-	8,993	8,993
Other activities	-	-	13,421	13,421
Education - reserve for educational expenditures	71,942	-	-	71,942
Town - capital nonrecurring purposes	-	228,266	-	228,266
Education - capital nonrecurring purposes	-	82,979	-	82,979
	<u>71,942</u>	<u>311,245</u>	<u>37,598</u>	<u>420,785</u>
Assigned to:				
Use in fiscal year 2026 budget	93,943	-	-	93,943
Town clerk activities	27,834	-	-	27,834
	<u>121,777</u>	<u>-</u>	<u>-</u>	<u>121,777</u>
Unassigned				
	<u>458,958</u>	<u>-</u>	<u>-</u>	<u>458,958</u>
	<u>\$ 675,991</u>	<u>\$ 311,245</u>	<u>\$ 445,761</u>	<u>\$ 1,432,997</u>

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for certain risks of loss and participates in risk sharing pools for liability-automobile-property insurance and for worker's compensation insurance. During 2025, deductibles paid by the Town were insignificant. In addition, there have been no significant reductions in insurance coverages from coverages maintained in the prior year and neither the Town nor its insurers have settled any claims that have exceeded the Town's coverages during the past three years.

Risk Sharing Pools

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7479a et. seq. of the Connecticut General Statutes.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - RISK MANAGEMENT *(Continued)*

Risk Sharing Pools *(Continued)*

The Town is also a member of CIRMA's Liability-Automobile-Property (LAP) Pool, a risk sharing pool. The LAP Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's LAP Pool retains \$1,000,000 per occurrence for each line of liability coverage.

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The worker's compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Worker's Compensation Act. The Town has workers compensation coverage at statutory required limits with CIRMA and carries \$1,000,000 employer's liability through CIRMA.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Federal Awards and State Financial Assistance

The Town has received state and federal funding 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.

Litigation, Claims and Assessments

The Town, in the normal course of operations, is named as defendants in lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. The outcome and eventual liability to the Town, if any, for such matters are not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such matters would not materially affect the financial position of the Town.

NOTE 13 - RESTATEMENTS

Changes within the Financial Reporting Entity

The Town reported the Declared Emergency Fund and the Town Hall Renovation Fund as major governmental funds in the prior year. These funds no longer meet the criteria for major fund classification and have been presented as nonmajor governmental funds in the current year. The Town reported the Reserve for Educational Expenditures Fund, previously called the Education Surplus Fund, as a nonmajor governmental fund in the prior year. This fund has been combined with the General Fund in the current year.

Change in Accounting Principle

For the year ended June 30, 2025, the Town implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement establishes updated recognition and measurement guidance for compensated absences.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 - RESTATEMENTS *(Continued)*

Adjustments to and Restatements of Beginning Balances

During the year ended June 30, 2025, changes within the financial reporting entity and the change in accounting principle resulted in adjustments to and restatements of beginning net position and fund balance, as follows:

	<u>6/30/2024 As Previously Reported</u>	<u>Changes within the Financial Reporting Entity</u>	<u>Change in Accounting Principle</u>	<u>6/30/2024 As Restated</u>
Government-Wide				
Governmental Activities	\$ 13,815,109	\$ -	\$ (134,438)	\$ 13,680,671
Governmental Funds				
Major Funds:				
General Fund	\$ 673,168	\$ 47,300	\$ -	\$ 720,468
Capital Reserve Funds	295,421	-	-	295,421
Town Hall Renovation Fund	(8,415)	8,415	-	-
Nonmajor Funds	353,176	(55,715)	-	297,461
Total Governmental Funds	<u>\$ 1,313,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,313,350</u>

NOTE 14 - SUBSEQUENT EVENT

In October 2025, the Town approved a bond authorization in the amount of \$16,900,000 to finance the planning, design, acquisition, repair and replacement, construction and reconstruction of various Town bridges, the Public Safety Complex/Community Hall, and Town Hall. The authorization provides for the issuance of general obligation bonds and, prior to issuance, temporary borrowings. The authorized bonds are expected to be reduced by the amount of related grants anticipated to be received, estimated at \$16,721,000.

In January 2026, the Town entered into a General Obligation Grant Anticipation Note in the form of a variable rate revolving line of credit with a maximum borrowing capacity of \$5,000,000. Proceeds from the note are intended to provide interim financing for capital projects expected to be reimbursed through State and/or federal grants. The note bears interest at a variable rate equal to the Secured Overnight Financing Rate plus 1.01%, and matures on January 28, 2027. The note is backed by the full faith and credit of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 4,674,620	\$ 4,674,620	\$ 4,707,696	\$ 33,076
Intergovernmental	1,518,697	1,518,697	1,468,219	(50,478)
Charges for services	63,900	63,900	63,597	(303)
Other	38,200	38,200	59,705	21,505
Total revenues	<u>6,295,417</u>	<u>6,295,417</u>	<u>6,299,217</u>	<u>3,800</u>
EXPENDITURES				
Current:				
General government	595,828	590,620	554,237	(36,383)
Public safety	406,736	426,844	423,619	(3,225)
Public works	695,790	701,112	659,958	(41,154)
Culture and recreation	65,271	65,281	63,543	(1,738)
Education	4,428,130	4,407,895	4,407,416	(479)
Debt service:				
Principal payments	240,000	240,000	240,000	-
Interest and fiscal charges	21,925	21,928	21,927	(1)
Total expenditures	<u>6,453,680</u>	<u>6,453,680</u>	<u>6,370,700</u>	<u>(82,980)</u>
Excess (deficiency) of revenues over expenditures	(158,263)	(158,263)	(71,483)	86,780
OTHER FINANCING SOURCES				
Use of fund balance	<u>158,263</u>	<u>158,263</u>	<u>-</u>	<u>(158,263)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,483)</u>	<u>\$ (71,483)</u>

See accompanying notes to required supplementary information.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY* -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST TEN FISCAL YEARS
(Rounded to nearest thousand)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the collective 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 collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability attributed to the Town	3,887,000	3,763,000	4,386,000	3,908,000	4,935,000	4,504,000	3,473,000	3,500,000	3,692,000	3,692,000
Total	<u>\$ 3,887,000</u>	<u>\$ 3,763,000</u>	<u>\$ 4,386,000</u>	<u>\$ 3,908,000</u>	<u>\$ 4,935,000</u>	<u>\$ 4,504,000</u>	<u>\$ 3,473,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,692,000</u>	<u>\$ 3,692,000</u>
Town's covered payroll	\$ 1,192,000	\$ 1,106,000	\$ 1,095,000	\$ 1,178,000	\$ 1,140,000	\$ 1,158,000	\$ 1,140,000	\$ 1,109,000	\$ 1,069,000	\$ 1,264,000
Town's proportionate share of the collective net pension liability 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 collective pension liability	62.68%	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%

* Amounts presented for each year are based on a measurement date as of June 30 of the previous year.

See accompanying notes to required supplementary information.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY -
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST EIGHT FISCAL YEARS*

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 2,800	\$ 3,728	\$ 4,010
Interest	386	344	89	89	4,812	89	3,599	5,768
Changes in benefit terms	-	-	-	-	-	-	-	-
Changes of assumptions and differences between expected and actual experience	10,924	92,757	73,048	247,075	1,185	(7,612)	(6,135)	(68,508)
Benefit payments, including refunds	(92,565)	(114,025)	(143,641)	(143,641)	-	-	-	-
Net change in total OPEB liability	<u>(78,455)</u>	<u>(18,124)</u>	<u>(67,704)</u>	<u>106,323</u>	<u>8,797</u>	<u>(4,723)</u>	<u>1,192</u>	<u>(58,730)</u>
Total OPEB liability - beginning	<u>123,234</u>	<u>141,358</u>	<u>209,062</u>	<u>102,739</u>	<u>93,942</u>	<u>98,665</u>	<u>97,473</u>	<u>156,203</u>
Total OPEB liability - ending	<u>\$ 44,779</u>	<u>\$ 123,234</u>	<u>\$ 141,358</u>	<u>\$ 209,062</u>	<u>\$ 102,739</u>	<u>\$ 93,942</u>	<u>\$ 98,665</u>	<u>\$ 97,473</u>

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY* -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST EIGHT FISCAL YEARS**
(Rounded to Nearest Thousand)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the collective 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 collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability attributed to the Town	797,000	353,000	384,000	426,000	736,000	702,000	694,000	901,000
Total	<u>\$ 797,000</u>	<u>\$ 353,000</u>	<u>\$ 384,000</u>	<u>\$ 426,000</u>	<u>\$ 736,000</u>	<u>\$ 702,000</u>	<u>\$ 694,000</u>	<u>\$ 901,000</u>
Town's covered payroll	\$ 1,192,000	\$ 1,106,000	\$ 1,095,000	\$ 1,178,000	\$ 1,140,000	\$ 1,158,000	\$ 1,140,000	\$ 1,109,000
Town's proportionate share of the collective net OPEB liability as a percentage of its covered 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 collective OPEB liability	7.40%	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

* Amounts presented for each year are based on a measurement date as of June 30 of the previous year.

** This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

See accompanying notes to required supplementary information.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - BUDGETARY INFORMATION

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund financial statements in accordance with provisions of the Connecticut General Statutes.

A budget for the General Fund is authorized annually by the Board of Selectmen. The Board of Selectmen follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Town's departments, boards and commissions submit budget requests the Board of Selectmen.
- Hearings are held for the submitted budget requests by functions such as the Selectmen's budget, departments, board and commissions, capital and nonrecurring requests and the Board of Education.
- A Town meeting is held and the citizens of the Town vote on the recommended budget.
- The Region 11 Board of Education presents the proposed Region 11 budget to the Board of Selectmen. A separate public hearing and referendum for the Region 11 budget are administered by the Region 11 Board of Education.
- The Board of Selectmen sets the tax rate for the upcoming fiscal year based on the budget approved by Town meeting.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Transfers of budgeted amounts between departments must be approved by the Board of Selectmen and only the Board of Selectmen may approve budget transfers within and between line items of a department. Additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen acts on the requests and may approve additional appropriations for a department, provided such additional appropriations do not exceed \$20,000 or are not a second request for an appropriation by the asking board, commission or department. Appropriations in excess of the amount the Board of Selectmen may approve or a second request by the requesting board, commission or department, must be approved by vote of a Town Meeting.
- The budget is prepared on the modified accrual basis of accounting. "On-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for the Capital Projects. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - BUDGETARY INFORMATION *(Continued)*

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP basis). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2025:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 6,299,217	\$ 6,370,700	\$ -	\$ (71,483)
"On-behalf" payments - State Teachers Retirement Fund	388,498	388,498	-	-
Reclass of amounts recorded for budgetary purposes	-	(173,793)	(173,793)	-
Budgetary perspective differences funds combined for GAAP Financial reporting purposes:				
Town Clerk activities	2,364	-	-	2,364
Reserve for Educational Expenditures Fund	849	-	23,793	24,642
GAAP basis	<u>\$ 6,690,928</u>	<u>\$ 6,585,405</u>	<u>\$ (150,000)</u>	<u>\$ (44,477)</u>

NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY - CONNECTICUT TEACHERS' RETIREMENT SYSTEM

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2024. The liabilities were estimated based on a measurement date of June 30, 2024. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2025.

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the collective net pension liability.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the collective net pension liability reported.

NOTE 3 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years. Information has been presented only for as many years as that information is available. The Town measures the total OPEB liability at the end of each fiscal year using the Alternative Measurement Method.

Benefit Changes - There were no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

Assumption Changes - There were no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

NOTE 4 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2024. The liabilities were estimated based on a measurement date of June 30, 2024. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2025.

Benefit Changes - There have been no change in benefit terms that have had a significant effect on the measurement of the Town's proportionate share of the collective net OPEB liability.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the Town's proportionate share of the collective net OPEB liability.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET -
GENERAL FUND
AS OF JUNE 30, 2025

	<u>General Fund</u>	<u>Reserve for Educational Expenditures Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 859,551	\$ 48,149	\$ -	\$ 907,700
Receivables:				
Property taxes, net	91,747	-	-	91,747
Interest on property taxes, net	23,532	-	-	23,532
Grants and contracts	-	-	-	-
Other	58,041	-	-	58,041
Prepays	23,314	-	-	23,314
Due from other funds	37,665	23,793	(23,793)	37,665
Total assets	<u>\$ 1,093,850</u>	<u>\$ 71,942</u>	<u>\$ (23,793)</u>	<u>\$ 1,141,999</u>
LIABILITIES				
Accounts payable	\$ 78,454	\$ -	\$ -	\$ 78,454
Salaries and benefits payable	119,904	-	-	119,904
Due to other funds	45,326	-	(23,793)	21,533
Unearned revenue	130,838	-	-	130,838
Total liabilities	<u>374,522</u>	<u>-</u>	<u>(23,793)</u>	<u>350,729</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>115,279</u>	<u>-</u>	<u>-</u>	<u>115,279</u>
FUND BALANCES				
Nonspendable	23,314	-	-	23,314
Committed	-	71,942	-	71,942
Assigned	121,777	-	-	121,777
Unassigned	458,958	-	-	458,958
Total fund balances	<u>604,049</u>	<u>71,942</u>	<u>-</u>	<u>675,991</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,093,850</u>	<u>\$ 71,942</u>	<u>\$ (23,793)</u>	<u>\$ 1,141,999</u>

TOWN OF SCOTLAND, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Reserve for Educational Expenditures Fund	Eliminations	Total General Fund
REVENUES				
Property taxes	\$ 4,707,696	\$ -	\$ -	\$ 4,707,696
Intergovernmental	1,856,717	-	-	1,856,717
Charges for services	65,961	-	-	65,961
Investment income	43,594	849	-	44,443
Other	16,111	-	-	16,111
Total revenues	<u>6,690,079</u>	<u>849</u>	<u>-</u>	<u>6,690,928</u>
EXPENDITURES				
Current:				
General government	554,237	-	-	554,237
Public safety	333,329	-	-	333,329
Public works	508,458	-	-	508,458
Culture and recreation	63,543	-	-	63,543
Education	4,772,121	-	-	4,772,121
Debt service:				
Principal payments	271,697	-	-	271,697
Interest and fiscal charges	30,520	-	-	30,520
Capital outlays	51,500	-	-	51,500
Total expenditures	<u>6,585,405</u>	<u>-</u>	<u>-</u>	<u>6,585,405</u>
Excess (deficiency) of revenues over expenditures	104,674	849	-	105,523
OTHER FINANCING SOURCES (USES)				
Transfers in	-	23,793	(23,793)	-
Transfers out	(173,793)	-	23,793	(150,000)
Total other financing sources (uses)	<u>(173,793)</u>	<u>23,793</u>	<u>-</u>	<u>(150,000)</u>
Net changes in fund balances	(69,119)	24,642	-	(44,477)
Fund balances - beginning	<u>673,168</u>	<u>47,300</u>	<u>-</u>	<u>720,468</u>
Fund balances - ending	<u>\$ 604,049</u>	<u>\$ 71,942</u>	<u>\$ -</u>	<u>\$ 675,991</u>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Property taxes	\$ 4,654,120	\$ 4,654,120	\$ 4,668,716	\$ 14,596
Interest and lien fees collected on taxes	20,500	20,500	38,980	18,480
Total property taxes	<u>4,674,620</u>	<u>4,674,620</u>	<u>4,707,696</u>	<u>33,076</u>
INTERGOVERNMENTAL REVENUES				
PILOT on State owned property	18,303	18,303	18,303	-
Local capital improvement program	49,276	49,276	-	(49,276)
Education cost sharing	1,274,671	1,274,671	1,274,671	-
Judicial fines and fees	100	100	150	50
Mashantucket Pequot and Mohegan Fund	11,620	11,620	8,620	(3,000)
Town Clerk grant	5,500	5,500	5,275	(225)
Municipal stabilization grant	13,960	13,960	13,960	-
PILOT disabled exemption	500	500	459	(41)
PILOT veterans	700	700	714	14
Municipal transition grant	136,386	136,386	136,386	-
Municipal grant-in-aid	7,681	7,681	7,681	-
Other revenue from the State	-	-	2,000	2,000
Total intergovernmental revenues	<u>1,518,697</u>	<u>1,518,697</u>	<u>1,468,219</u>	<u>(50,478)</u>
DEPARTMENTAL REVENUES				
Zoning and subdivision fees	150	150	1,020	870
Copies - Town Clerk	2,500	2,500	2,763	263
Building department	20,000	20,000	24,657	4,657
State recording fees	10,000	10,000	4,733	(5,267)
Conveyances	20,000	20,000	18,437	(1,563)
Pistol permits	1,000	1,000	480	(520)
Transfer station permit fees	10,000	10,000	10,175	175
License fees - all	250	250	568	318
Other	-	-	764	764
Total departmental revenues	<u>63,900</u>	<u>63,900</u>	<u>63,597</u>	<u>(303)</u>
GENERAL REVENUES				
CGS Section 12-80a (PPT)	2,500	2,500	3,003	503
Interest income	24,000	24,000	43,594	19,594
Lease of 6 Huntington Road	4,200	4,200	4,200	-
Reimburse 10% Library Utilities - D'Elia	1,000	1,000	-	(1,000)
Gas/Diesel reimbursement SES	5,000	5,000	7,219	2,219
CIRMA equity distribution	1,500	1,500	858	(642)
Other	-	-	831	831
Total general revenues	<u>38,200</u>	<u>38,200</u>	<u>59,705</u>	<u>21,505</u>
Total revenues	<u>6,295,417</u>	<u>6,295,417</u>	<u>6,299,217</u>	<u>3,800</u>
OTHER FINANCING SOURCES				
Use of fund balance	<u>158,263</u>	<u>158,263</u>	<u>-</u>	<u>(158,263)</u>
Total revenues and other financing sources	<u>\$ 6,453,680</u>	<u>\$ 6,453,680</u>	<u>\$ 6,299,217</u>	<u>\$ (154,463)</u>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Board of Selectmen:				
First Selectmen salary	\$ 40,538	\$ 40,538	\$ 40,538	\$ -
Second Selectman salary	2,538	2,538	2,394	(144)
Third Selectman salary	2,538	2,538	2,394	(144)
Administrative Assistant salary	28,080	28,080	28,281	201
Mileage	200	200	-	(200)
Legal notices	4,000	4,000	1,380	(2,620)
Counsel	10,000	10,000	7,412	(2,588)
Miscellaneous	1,000	1,000	854	(146)
Total Board of Selectmen	<u>88,894</u>	<u>88,894</u>	<u>83,253</u>	<u>(5,641)</u>
Town Hall:				
Janitorial salary	3,872	4,572	5,138	566
Office supplies	4,500	6,000	7,029	1,029
Water	300	300	32	(268)
Copiers	500	500	-	(500)
Fire alarm contract	1,800	1,800	1,505	(295)
Janitorial supplies	600	600	139	(461)
Internet services	1,300	1,300	1,370	70
Phone service	3,400	3,400	3,342	(58)
Web page	2,000	2,500	3,268	768
Information technology support	25,000	25,000	23,958	(1,042)
Postage	3,000	3,000	2,419	(581)
Security	-	2,500	2,500	-
Miscellaneous	-	-	580	580
Total Town Hall	<u>46,272</u>	<u>51,472</u>	<u>51,280</u>	<u>(192)</u>
Administration/Other:				
Dues and subscriptions	7,000	7,000	7,373	373
Alcohol and drug testing CCM D&A	200	200	220	20
Probate	630	630	630	-
Auditor	20,520	20,520	17,100	(3,420)
Social security tax-Town share	43,680	43,680	47,790	4,110
CT Unemployment reimbursements	1,000	1,000	4,238	3,238
Reverse 911 system	4,500	4,500	4,355	(145)
Grant admin salary	7,500	7,500	2,535	(4,965)
Total administration/other	<u>85,030</u>	<u>85,030</u>	<u>84,241</u>	<u>(789)</u>
Insurance and Bonds:				
Workers compensation	27,100	27,100	28,358	1,258
Employee medical-Town share	21,500	21,500	18,423	(3,077)
Liability and umbrella	23,900	23,900	22,237	(1,663)
Bonds/blanket crime	1,080	1,080	200	(880)
Cyber security	2,100	2,100	3,158	1,058
Total insurance and bonds	<u>75,680</u>	<u>75,680</u>	<u>72,376</u>	<u>(3,304)</u>
Health and Welfare:				
Health district (EHHD)	9,400	9,400	9,339	(61)
Dial-A-Ride	3,800	3,800	3,741	(59)
United Services	1,135	1,135	1,135	-
Access Agency	1,000	1,000	-	(1,000)
TVCCA (Meals on Wheels)	1,430	1,430	-	(1,430)
Sexual Assault Crisis Center	500	500	-	(500)
Green Valley	500	500	-	(500)
Total health and welfare	<u>17,765</u>	<u>17,765</u>	<u>14,215</u>	<u>(3,550)</u>

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT (Continued)				
Town Clerk:				
Town Clerk salary	\$ 26,013	\$ 26,013	\$ 26,012	\$ (1)
Repairs/binding old records	400	400	498	98
Professional development	1,800	1,800	1,129	(671)
Legal notices	5,000	5,000	4,249	(751)
Professional services	150	150	115	(35)
Mileage	300	300	-	(300)
Miscellaneous	600	600	540	(60)
Software	12,000	12,000	10,746	(1,254)
Dues and subscriptions	225	225	170	(55)
Grant for microfilming records	5,500	5,500	5,625	125
Town Clerk assistant salary	3,540	3,540	4,845	1,305
Total Town clerk	<u>55,528</u>	<u>55,528</u>	<u>53,929</u>	<u>(1,599)</u>
Tax Collector:				
Professional development	150	150	-	(150)
Legal notices	1,400	1,400	717	(683)
Office supplies	500	500	-	(500)
Miscellaneous	100	100	90	(10)
Computer program services	10,366	10,366	11,694	1,328
Dues and subscriptions	100	100	-	(100)
Windham tax collection service	19,600	19,600	19,599	(1)
Total Tax collector	<u>32,216</u>	<u>32,216</u>	<u>32,100</u>	<u>(116)</u>
Finance Department:				
Treasurer salary	29,021	28,913	24,234	(4,679)
Assistant treasurer salary	4,000	4,000	2,906	(1,094)
Bookkeeper salary	24,336	24,336	16,972	(7,364)
Financial program/training	5,800	5,800	6,631	831
Miscellaneous	100	100	(31)	(131)
Total Finance Department	<u>63,257</u>	<u>63,149</u>	<u>50,712</u>	<u>(12,437)</u>
Assessor:				
Assessor salary	23,266	23,266	23,266	-
Mileage	150	150	49	(101)
Office supplies	500	500	253	(247)
MV pricing guide	1,360	1,360	870	(490)
Tax maps	4,950	4,950	4,950	-
Office Equipment	200	200	-	(200)
Software	10,624	13,324	13,692	368
Revaluation	5,941	5,941	5,750	(191)
Web hosting - vision gov	-	-	850	850
Legal notices	550	550	453	(97)
Total Assessor	<u>47,541</u>	<u>50,241</u>	<u>50,133</u>	<u>(108)</u>

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Elections:				
Election day expense	\$ 590	\$ 590	\$ 275	\$ (315)
Professional development	2,000	2,000	2,667	667
Early voting expenses	-	-	584	584
Mileage	300	300	177	(123)
Dues and subscriptions	190	190	210	20
Registrar salaries	13,683	13,683	15,589	1,906
Assistant registrar salaries	2,118	2,118	242	(1,876)
Election worker salaries	6,485	6,485	6,169	(316)
Moderator salaries	5,165	5,165	6,962	1,797
Ballots	2,740	2,740	1,386	(1,354)
Equipment	2,750	2,750	1,785	(965)
Office supplies	1,250	1,250	224	(1,026)
Total elections	<u>37,271</u>	<u>37,271</u>	<u>36,270</u>	<u>(1,001)</u>
Planning and Zoning:				
Counsel	8,000	1,000	500	(500)
Legal notices	1,000	1,000	193	(807)
Mileage	200	200	-	(200)
Miscellaneous	1,000	-	-	-
Office equipment	200	200	-	(200)
Zoning Enforcement Officer salary	10,517	10,517	3,893	(6,624)
PZC Clerk salary	551	551	2,292	1,741
Total planning and zoning	<u>21,468</u>	<u>13,468</u>	<u>6,878</u>	<u>(6,590)</u>
Inland Wetlands:				
Dues and subscriptions	100	100	-	(100)
DEP	175	175	-	(175)
Wetland Officer salary	6,094	6,094	6,094	-
Legal notices	250	250	-	(250)
Total inland wetlands	<u>6,619</u>	<u>6,619</u>	<u>6,094</u>	<u>(525)</u>
Building Department:				
Mileage	500	500	369	(131)
State of CT fees	400	400	-	(400)
Building Inspector salary	12,387	12,387	12,387	-
Total building department	<u>13,287</u>	<u>13,287</u>	<u>12,756</u>	<u>(531)</u>
Declared Emergency:				
Declared emergency expenses	5,000	-	-	-
Total general government	<u>595,828</u>	<u>590,620</u>	<u>554,237</u>	<u>(36,383)</u>

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
CULTURE AND RECREATION				
Recreation:				
Cultural events	\$ 2,800	\$ 2,800	\$ 2,846	\$ 46
Sanitation	300	300	-	(300)
Bowers Park maintenance	1,000	1,010	1,500	490
Memorial Day events	500	500	261	(239)
Total recreation	<u>4,600</u>	<u>4,610</u>	<u>4,607</u>	<u>(3)</u>
Library:				
Director's salary	21,613	21,613	22,947	1,334
Assistant salary	19,303	19,303	16,311	(2,992)
Janitorial salary	4,674	4,674	5,128	454
Professional development	250	250	182	(68)
Fire alarm contract	1,200	1,200	1,738	538
Telephone	1,920	1,920	1,991	71
Office supplies	1,000	1,000	666	(334)
Janitorial supplies	150	150	227	77
Library books	4,000	4,000	3,933	(67)
Electronic materials	450	450	136	(314)
Library software	2,300	2,300	2,115	(185)
Dues/CT Library	180	180	178	(2)
Catalogue support	375	375	350	(25)
Internet services	1,680	1,680	1,566	(114)
Library programs	250	250	237	(13)
Office equipment	1,126	1,126	1,168	42
Mileage	200	200	63	(137)
Total library	<u>60,671</u>	<u>60,671</u>	<u>58,936</u>	<u>(1,735)</u>
Total culture and recreation	<u>65,271</u>	<u>65,281</u>	<u>63,543</u>	<u>(1,738)</u>
PUBLIC SAFETY				
Public Safety:				
Fire Truck lease payment	40,291	40,291	40,290	(1)
Non-recurring	50,000	50,000	50,000	-
FIRE/EMS service	123,080	123,080	123,230	150
911 dispatch	5,839	5,839	5,838	(1)
Paramedic program services	2,500	2,500	1,831	(669)
Office of Fire Marshall service	1,500	1,500	200	(1,300)
Ambulance transport	177,326	197,326	195,922	(1,404)
Total public safety	<u>400,536</u>	<u>420,536</u>	<u>417,311</u>	<u>(3,225)</u>
Animal Control:				
Animal control	6,200	6,308	6,308	-
Total animal control	<u>6,200</u>	<u>6,308</u>	<u>6,308</u>	<u>-</u>
Total public safety	<u>406,736</u>	<u>426,844</u>	<u>423,619</u>	<u>(3,225)</u>

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC WORKS				
Public Works:				
Part time seasonal	\$ 1,040	\$ 1,040	\$ 125	\$ (915)
Overtime	12,780	12,780	8,348	(4,432)
Snow removal - contractual	6,800	1,332	3,215	1,883
Tree trimming	3,000	3,000	5,500	2,500
Salt/sand	20,000	20,000	28,078	8,078
Safety clothing allowance	300	300	102	(198)
Other fuels	2,000	2,000	1,681	(319)
New equipment	1,500	1,500	742	(758)
Vehicle maintenance	6,000	6,000	7,831	1,831
Equipment maintenance	10,000	10,000	10,099	99
Diesel/gasoline	19,500	19,500	14,710	(4,790)
Highway Supervisor salary	9,689	9,689	9,689	-
Foreman salary	68,790	68,790	71,884	3,094
Annuity - Foreman	2,000	2,000	2,000	-
Road assistant salary	57,325	57,325	61,727	4,402
Capital improvements roads	75,000	58,400	51,500	(6,900)
Maintenance roads/other	15,000	15,000	24,020	9,020
Capital non-recurring DPW	40,000	40,000	40,000	-
LOCIP projects	49,276	49,276	-	(49,276)
Telephone	1,400	1,400	1,338	(62)
Protective gear/clothing	500	500	65	(435)
Lawn maintenance	11,000	11,000	11,010	10
Miscellaneous	-	-	128	128
In-kind services - SES	-	-	17	17
Total public works	412,900	390,832	353,809	(37,023)
Building Maintenance:				
Certification	120	120	-	(120)
Building maintenance salary	8,320	8,320	3,599	(4,721)
State of CT boiler permits	400	400	-	(400)
Mileage	100	100	-	(100)
Pest control	1,800	1,800	1,200	(600)
Building maintenance - Grange	1,000	1,000	1,387	387
Building maintenance - Town	4,000	4,000	-	(4,000)
Building maintenance - Public	7,500	7,500	10,217	2,717
Non-recurring building renovations	60,000	60,000	60,000	-
Building maintenance - Town Hall	4,000	4,000	2,805	(1,195)
Building maintenance - New Town	1,000	1,900	3,746	1,846
Building maintenance - Old Town	1,000	1,000	-	(1,000)
Building maintenance - Old Fire	1,000	1,000	1,735	735
Building maintenance - Library	1,000	6,600	13,781	7,181
Community room maintenance	1,500	1,500	666	(834)
Total building maintenance	92,740	99,240	99,136	(104)
Utilities - Electric:				
Grange Hall	600	600	539	(61)
Public Safety complex	10,000	10,000	9,603	(397)
Town Hall	5,200	7,700	7,135	(565)
New Town garage	2,500	2,500	2,635	135
Old Town garage	600	600	528	(72)
Library	9,500	11,390	11,795	405
Street lighting	3,800	3,800	4,463	663
Town Green	600	600	543	(57)
Bowers Park	600	600	484	(116)
Total utilities-electric	33,400	37,790	37,725	(65)

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC WORKS (Continued)				
Utilities - Heat:				
Oil - Grange Hall	\$ 350	\$ 350	\$ -	\$ (350)
Oil - Library	6,000	6,000	4,401	(1,599)
Oil - Town Hall	5,500	5,500	5,232	(268)
Oil - Public works	4,200	4,200	3,163	(1,037)
Oil - Public safety complex	11,000	11,000	10,442	(558)
Total utilities -heat	<u>27,050</u>	<u>27,050</u>	<u>23,238</u>	<u>(3,812)</u>
Transfer Station:				
Transfer operations	22,000	31,000	31,366	366
Rental of land and building	18,300	18,300	19,076	776
Disposal - Willimantic Waste	63,000	70,500	70,047	(453)
Container transit	24,000	24,000	23,088	(912)
Dues and fees Mid-Neroc transfer	2,400	2,400	2,473	73
Total transfer station	<u>129,700</u>	<u>146,200</u>	<u>146,050</u>	<u>(150)</u>
Total public works	<u>695,790</u>	<u>701,112</u>	<u>659,958</u>	<u>(41,154)</u>
EDUCATION				
Regional School District No. 11	1,853,214	1,821,329	1,821,329	-
Scotland Elementary	2,464,916	2,464,916	2,441,123	(23,793)
Scotland Elementary - Transfer of Surplus	-	-	23,793	23,793
Scotland Elementary - Other	10,000	17,650	17,562	(88)
Parish Hill Transportation	100,000	104,000	103,609	(391)
Total education	<u>4,428,130</u>	<u>4,407,895</u>	<u>4,407,416</u>	<u>(479)</u>
DEBT SERVICE				
Principal SES \$2.5m bond	150,000	150,000	150,000	-
Principal SES \$1.3m loan	90,000	90,000	90,000	-
Interest SES \$2.5m bond	18,525	18,525	18,525	-
Interest \$1.3m loan	3,400	3,403	3,402	(1)
Total debt service	<u>261,925</u>	<u>261,928</u>	<u>261,927</u>	<u>(1)</u>
 Total expenditures	 <u>\$ 6,453,680</u>	 <u>\$ 6,453,680</u>	 <u>\$ 6,370,700</u>	 <u>\$ (82,980)</u> <i>(Concluded)</i>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF SCOTLAND ELEMENTARY EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Over (Under)
SCOTLAND ELEMENTARY				
Regular Instruction:				
Teachers	\$ 792,723	\$ 792,723	\$ 813,421	\$ 20,698
Instructional aides	23,339	23,339	1,760	(21,579)
Substitutes teachers	6,600	6,600	-	(6,600)
Substitutes instructional aides	2,000	2,000	2,495	495
Group insurance	153,070	153,070	107,565	(45,505)
FICA taxes	13,938	13,938	17,593	3,655
Tuition reimbursement teachers	2,500	2,500	-	(2,500)
Unemployment compensation	2,000	2,000	-	(2,000)
Worker's compensation	12,319	12,319	9,935	(2,384)
Testing and scoring	9,100	9,100	2,354	(6,746)
Field trips	1,640	1,640	-	(1,640)
Rentals	5,856	5,856	6,662	806
Tuition public in state	50,470	50,470	22,995	(27,475)
Travel reimbursement	500	500	-	(500)
Instructional supplies	7,078	7,078	4,646	(2,432)
Textbooks	3,000	3,000	5,890	2,890
Total Regular Instruction	1,086,133	1,086,133	995,316	(90,817)
Special Education:				
Teachers	165,381	165,381	169,505	4,124
Instructional aides	125,683	125,683	127,584	1,901
Substitutes teachers	5,600	5,600	11,040	5,440
Substitutes instructional aides	10,000	10,000	23,328	13,328
Administration	49,000	49,000	41,600	(7,400)
FICA taxes	16,955	16,955	20,253	3,298
Legal services	5,000	5,000	3,096	(1,904)
Testing and scoring	1,000	1,000	-	(1,000)
In service	1,650	1,650	-	(1,650)
Other professional services	16,000	16,000	-	(16,000)
Software renewal	5,274	5,274	407	(4,867)
Transportation	-	-	20,858	20,858
Postage	500	500	-	(500)
Tuition public in state	64,000	64,000	73,600	9,600
Instructional supplies	1,000	1,000	-	(1,000)
Total Special Education	467,043	467,043	491,271	24,228
Adult Education	2,000	2,000	1,850	(150)
Summer School:				
Teachers	1,751	1,751	300	(1,451)
Instructional aides	694	694	1,908	1,214
FICA Taxes	187	187	418	231
Other professional services	3,600	3,600	(844)	(4,444)
Total Summer School	6,232	6,232	1,782	(4,450)
Health Office:				
Substitutes	1,000	1,000	-	(1,000)
Other salaries	56,000	56,000	56,299	299
FICA taxes	4,361	4,361	4,307	(54)
Other professional services	1,800	1,800	1,800	-
Repairs & maintenance	500	500	1,049	549
Insurance	230	230	-	(230)
General supplies	800	800	1,545	745
Total Health Office	64,691	64,691	65,000	309

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF SCOTLAND ELEMENTARY EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
SCOTLAND ELEMENTARY (Continued)				
Psychological Services:				
Professional services	\$ 9,000	\$ 9,000	\$ 18,896	\$ 9,896
Speech Pathology Services:				
Professional services	52,000	52,000	47,062	(4,938)
PPT Services:				
Professional services	31,471	31,471	47,463	15,992
Improvement of Instruction:				
In service	3,700	3,700	939	(2,761)
Library & Media Services:				
Software	580	580	1,386	806
Technology:				
Professional services	41,000	41,000	42,429	1,429
Repairs & maintenance	1,765	1,765	31	(1,734)
Equipment	3,000	3,000	-	(3,000)
Total Technology	45,765	45,765	42,460	(3,305)
Board of Education:				
Salaries	1,200	1,200	1,200	-
FICA taxes	92	92	92	-
In service	1,200	1,200	1,360	160
Other professional services	-	-	1,800	1,800
General supplies	500	500	181	(319)
Dues & fees	1,000	1,000	2,817	1,817
Total Board of Education	3,992	3,992	7,450	3,458
Superintendent's Office:				
Salaries	14,100	14,100	8,630	(5,470)
Administration	68,000	68,000	68,000	-
FICA taxes	2,065	2,065	1,692	(373)
Travel reimbursement	500	500	196	(304)
General supplies	600	600	-	(600)
Discretionary Funds	500	500	97	(403)
Dues & fees	1,500	1,500	75	(1,425)
Total Superintendent's Office	87,265	87,265	78,690	(8,575)
General Administration:				
Legal services	9,000	9,000	19,970	10,970
Audit	13,500	13,500	17,100	3,600
Professional services	2,800	2,800	275	(2,525)
Insurance	20,500	20,500	19,682	(818)
Total General Administration	45,800	45,800	57,027	11,227
School Office:				
Salaries	49,777	49,777	23,307	(26,470)
Administration	110,000	110,000	110,000	-
FICA taxes	5,198	5,198	3,374	(1,824)
In service	1,000	1,000	-	(1,000)
Repairs & maintenance	2,300	2,300	2,452	152
Communications	8,800	8,800	8,625	(175)
Postage	650	650	131	(519)
Advertising	800	800	721	(79)
Printing	1,000	1,000	1,500	500
Travel reimbursement	400	400	-	(400)
Supplies	800	800	216	(584)
Dues & fees	200	200	200	-
Total School Office	180,925	180,925	150,526	(30,399)

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF SCOTLAND ELEMENTARY EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
SCOTLAND ELEMENTARY (Continued)				
Business Office:				
Salaries	\$ 32,000	\$ 32,000	\$ 52,991	\$ 20,991
FICA taxes	2,448	2,448	1,355	(1,093)
In service	200	200	-	(200)
Professional services	12,500	12,500	27,789	15,289
General supplies	-	-	184	184
Dues & fees	200	200	15	(185)
Other	-	-	12,467	12,467
Total Business Office	47,348	47,348	94,801	47,453
Building & Grounds:				
Salaries	86,207	86,207	56,389	(29,818)
FICA taxes	6,595	6,595	4,018	(2,577)
Repairs & maintenance	34,000	34,000	52,089	18,089
Travel reimbursement	125	125	-	(125)
General supplies	7,783	7,783	9,982	2,199
Electricity	21,000	21,000	18,234	(2,766)
Heating oil	43,065	43,065	54,691	11,626
Total Building & Grounds	198,775	198,775	195,403	(3,372)
Pupil Transportation:				
Pupil transportation	102,196	102,196	110,791	8,595
Fuel	4,000	4,000	8,294	4,294
Total Pupil Transportation	106,196	106,196	119,085	12,889
Food Services Operations:				
Professional services	26,000	26,000	24,716	(1,284)
Total Scotland Elementary expenditures	\$ 2,464,916	\$ 2,464,916	\$ 2,441,123	\$ (23,793)
				<i>(Concluded)</i>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2025

Grand List Year	Uncollected Taxes June 30, 2024	Current Year Levy	Lawful Corrections		Transfer to Suspense	Adjusted Taxes Collectible	Collections		Uncollected Taxes June 30, 2025
			Additions	Deletions			Taxes	Interest & Liens	
2023	\$ -	\$ 4,639,819	\$ 9,369	\$ 14,823	\$ (335)	\$ 4,634,030	\$ 4,564,894	\$ 22,400	\$ 69,136
2022	80,867	-	1,040	1,525	-	80,382	55,771	14,552	24,611
2021	23,887	-	819	1,662	(12,631)	10,413	10,413	4,856	-
2020	6,207	-	-	-	(1,027)	5,180	5,180	2,702	-
2019	3,619	-	-	-	-	3,619	3,619	489	-
	<u>\$ 114,580</u>	<u>\$ 4,639,819</u>	<u>\$ 11,228</u>	<u>\$ 18,010</u>	<u>\$ (13,993)</u>	<u>\$ 4,733,624</u>	<u>\$ 4,639,877</u>	<u>\$ 44,999</u>	<u>\$ 93,747</u>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
AS OF JUNE 30, 2025

Total cash collections for the year ended
June 30, 2025:

Taxes	\$ 4,639,877
Interest and lien fees	44,999
Total	<u>4,684,876</u>

Reimbursement for revenue loss:
Tax relief (CGS 12-129d)

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Base \$ 4,684,876

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$10,540,971	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	21,081,942	-	-	-
3-3/4 times base	-	-	17,568,285	-	-
3-1/4 times base	-	-	-	15,225,847	-
3 times base	-	-	-	-	14,054,628
Total debt limitation	<u>10,540,971</u>	<u>21,081,942</u>	<u>17,568,285</u>	<u>15,225,847</u>	<u>14,054,628</u>
Indebtedness:					
General obligation bonds	-	300,000	-	-	-
Loan	-	90,000	-	-	-
Total indebtedness	<u>-</u>	<u>390,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$10,540,971</u>	<u>\$20,691,942</u>	<u>\$17,568,285</u>	<u>\$15,225,847</u>	<u>\$14,054,628</u>
Total capacity of borrowing (7 times base)	\$32,794,132				
Total present indebtedness	<u>390,000</u>				
Margin for additional borrowing	<u>\$32,404,132</u>				

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	Nonmajor Special Revenue Funds							
	Education Grant Fund	Town Hall Renovation Fund	School Activity Fund	Town Aid Road Fund	Library Activities Fund	Liquor Surcharge Fund	Dog Fund	Kemp Road Bridge Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ 584	\$ 6,126	\$ 167,649	\$ 15,184	\$ 7,738	\$ 8,162	\$ -
Investments	-	-	-	-	-	-	-	-
Grants and contracts receivables	30,386	30,800	-	-	-	-	-	-
Due from other funds	13,734	5,100	-	-	-	-	831	-
Total assets	<u>\$ 44,120</u>	<u>\$ 36,484</u>	<u>\$ 6,126</u>	<u>\$ 167,649</u>	<u>\$ 15,184</u>	<u>\$ 7,738</u>	<u>\$ 8,993</u>	<u>\$ -</u>
LIABILITIES								
Accounts payable	\$ 19,089	\$ 32,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	7,818	-	-	-	-	-	-	-
Due to other funds	-	12,098	-	-	-	517	-	-
Unearned revenue	6,839	-	-	-	-	-	-	-
Total liabilities	<u>33,746</u>	<u>44,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	10,374	-	6,126	167,649	-	7,221	-	-
Committed	-	(8,414)	-	-	15,184	-	8,993	-
Total fund balances	<u>10,374</u>	<u>(8,414)</u>	<u>6,126</u>	<u>167,649</u>	<u>15,184</u>	<u>7,221</u>	<u>8,993</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 44,120</u>	<u>\$ 36,484</u>	<u>\$ 6,126</u>	<u>\$ 167,649</u>	<u>\$ 15,184</u>	<u>\$ 7,738</u>	<u>\$ 8,993</u>	<u>\$ -</u>
	-	-	-	-	-	-	-	-

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*
 AS OF JUNE 30, 2025

	Nonmajor Special Revenue		Nonmajor Permanent Funds				Total Nonmajor Governmental Funds	
	Auxiliary Fund	Total Special Revenue Funds	D'Elia Library Fund	Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund		Total Permanent Funds
ASSETS								
Cash and cash equivalents	\$ 21,835	\$ 227,278	\$ 8,123	\$ -	\$ 83,295	\$ 11,538	\$ 102,956	\$ 330,234
Investments	-	-	106,241	5,728	-	-	111,969	111,969
Grants and contracts receivables	-	61,186	-	-	-	-	-	61,186
Due from other funds	-	19,665	-	-	1,868	-	1,868	21,533
Total assets	<u>\$ 21,835</u>	<u>\$ 308,129</u>	<u>\$ 114,364</u>	<u>\$ 5,728</u>	<u>\$ 85,163</u>	<u>\$ 11,538</u>	<u>\$ 216,793</u>	<u>\$ 524,922</u>
LIABILITIES								
Accounts payable	\$ -	\$ 51,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,889
Salaries and benefits payable	-	7,818	-	-	-	-	-	7,818
Due to other funds	-	12,615	-	-	-	-	-	12,615
Unearned revenue	-	6,839	-	-	-	-	-	6,839
Total liabilities	<u>-</u>	<u>79,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,161</u>
FUND BALANCES								
Nonspendable	-	-	100,000	5,000	66,719	10,000	181,719	181,719
Restricted	-	191,370	14,364	728	18,444	1,538	35,074	226,444
Committed	21,835	37,598	-	-	-	-	-	37,598
Total fund balances	<u>21,835</u>	<u>228,968</u>	<u>114,364</u>	<u>5,728</u>	<u>85,163</u>	<u>11,538</u>	<u>216,793</u>	<u>445,761</u>
Total liabilities and fund balances	<u>\$ 21,835</u>	<u>\$ 308,129</u>	<u>\$ 114,364</u>	<u>\$ 5,728</u>	<u>\$ 85,163</u>	<u>\$ 11,538</u>	<u>\$ 216,793</u>	<u>\$ 524,922</u>
	-	-	-	-	-	-	-	-

(Concluded)

TOWN OF SCOTLAND, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	Nonmajor Special Revenue Funds							
	Education Grant Fund	Town Hall Renovation Fund	School Activity Fund	Town Aid Road Fund	Library Activities Fund	Liquor Surcharge Fund	Dog Fund	Kemp Road Bridge Fund
REVENUES								
Intergovernmental	\$ 381,827	\$ 126,495	\$ -	\$ 152,699	\$ 15,418	\$ -	\$ -	\$ -
Charges for services	37,994	-	-	-	825	-	-	-
Investment income	-	-	-	6,165	2	256	353	-
Other	-	-	10,371	-	3,765	2,578	1,232	-
Total revenues	<u>419,821</u>	<u>126,495</u>	<u>10,371</u>	<u>158,864</u>	<u>20,010</u>	<u>2,834</u>	<u>1,585</u>	<u>-</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	517	-	-
Public works	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	764	-
Culture and recreation	-	-	-	-	16,770	-	-	-
Education	422,163	-	15,536	-	-	-	-	-
Capital outlays	-	151,725	-	-	-	-	-	23,608
Total expenditures	<u>422,163</u>	<u>151,725</u>	<u>15,536</u>	<u>-</u>	<u>16,770</u>	<u>517</u>	<u>764</u>	<u>23,608</u>
Excess (deficiency) of revenues over expenditures	(2,342)	(25,230)	(5,165)	158,864	3,240	2,317	821	(23,608)
OTHER FINANCING SOURCES								
Transfers in	-	25,231	-	-	1,527	-	-	23,608
Transfers out	-	-	-	(23,608)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>25,231</u>	<u>-</u>	<u>(23,608)</u>	<u>1,527</u>	<u>-</u>	<u>-</u>	<u>23,608</u>
Net change in fund balances	(2,342)	1	(5,165)	135,256	4,767	2,317	821	-
Fund balances - beginning	12,716	(8,415)	11,291	32,393	10,417	4,904	8,172	-
Fund balances - ending	<u>\$ 10,374</u>	<u>\$ (8,414)</u>	<u>\$ 6,126</u>	<u>\$ 167,649</u>	<u>\$ 15,184</u>	<u>\$ 7,221</u>	<u>\$ 8,993</u>	<u>\$ -</u>

(Continued)

TOWN OF SCOTLAND, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*
 FOR THE YEAR ENDED JUNE 30, 2025

	Nonmajor Special Revenue		Nonmajor Permanent Funds				Total Nonmajor Governmental Funds
	Auxiliary Fund	Total Special Revenue Funds	D'Elia Library Fund	Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund	
REVENUES							
Intergovernmental	\$ -	\$ 676,439	\$ -	\$ -	\$ -	\$ -	\$ 676,439
Charges for services	-	38,819	-	-	11,550	-	50,369
Investment income	1,010	7,786	7,494	394	3,694	513	19,881
Other	-	17,946	-	-	-	-	17,946
Total revenues	<u>1,010</u>	<u>740,990</u>	<u>7,494</u>	<u>394</u>	<u>15,244</u>	<u>513</u>	<u>764,635</u>
EXPENDITURES							
Current:							
General government	-	517	-	-	-	-	517
Public works	-	-	-	-	9,377	-	9,377
Public safety	-	764	-	-	-	-	764
Culture and recreation	1,081	17,851	24	1	-	-	17,876
Education	-	437,699	-	-	-	-	437,699
Capital outlays	-	175,333	-	-	-	-	175,333
Total expenditures	<u>1,081</u>	<u>632,164</u>	<u>24</u>	<u>1</u>	<u>9,377</u>	<u>-</u>	<u>641,566</u>
Excess (deficiency) of revenues over expenditures	(71)	108,826	7,470	393	5,867	513	123,069
OTHER FINANCING SOURCES							
Transfers in	-	50,366	-	-	-	-	50,366
Transfers out	-	(23,608)	(1,451)	(76)	-	-	(25,135)
Total other financing sources (uses)	<u>-</u>	<u>26,758</u>	<u>(1,451)</u>	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>25,231</u>
Net change in fund balances	(71)	135,584	6,019	317	5,867	513	148,300
Fund balances - beginning	<u>21,906</u>	<u>93,384</u>	<u>108,345</u>	<u>5,411</u>	<u>79,296</u>	<u>11,025</u>	<u>297,461</u>
Fund balances - ending	<u>\$ 21,835</u>	<u>\$ 228,968</u>	<u>\$ 114,364</u>	<u>\$ 5,728</u>	<u>\$ 85,163</u>	<u>\$ 11,538</u>	<u>\$ 445,761</u>

(Concluded)

TOWN OF SCOTLAND, CONNECTICUT
STATE SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2025

TOWN OF SCOTLAND, CONNECTICUT
STATE SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2025

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INTERNAL CONTROL AND COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S 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**

To the Honorable First Selectman and
Members of the Board of Selectmen
Town of Scotland, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 Scotland, Connecticut, (the Town) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of state findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the accompanying schedule of state findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Certified Public Accountants
Glastonbury, Connecticut
January 30, 2026

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Honorable First Selectman and
Members of the Board of Selectmen
Town of Scotland, Connecticut

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Scotland, Connecticut's, (the Town) compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2025. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

In our opinion, the Town of Scotland, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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, *Government Auditing Standards*, and the Connecticut State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Connecticut State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Connecticut State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated January 30, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is 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 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants
Glastonbury, Connecticut
January 30, 2026

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2025

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
NONEXEMPT PROGRAMS:			
OFFICE OF POLICY AND MANAGEMENT			
Direct:			
Tiered Payment in Lieu of Taxes	12002-OPM20600-17111	\$ -	\$ 18,303
Municipal Grants-In-Aid	12052-OPM20600-43587	-	7,681
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	459
Property Tax Relief for Veterans	11000-OPM20600-17024	-	714
Total Office of Policy and Management		<u>-</u>	<u>27,157</u>
DEPARTMENT OF ADMINISTRATIVE SERVICES			
Direct:			
P-Card Rebates	34003-DAS23920-42350	-	4,821
SECRETARY OF THE STATE			
Direct:			
Early Voting	12060-SOS12500-28478	-	2,000
DEPARTMENT OF EDUCATION			
Direct:			
Adult Education	11000-SDE64370-17030	-	1,962
Talent Development	11000-SDE64370-12552	-	690
Total Department of Education		<u>-</u>	<u>2,652</u>
CONNECTICUT STATE LIBRARY			
Direct:			
Historic Documents Preservation Grants	12060-CSL66094-35150	-	5,275
Connecticut Education Network	11000-CSL66051-43649	-	12,226
Public Incentive Grant	11000-CSL66051-10020	-	1,442
Connecticard Payments	11000-CSL66051-17010	-	1,749
Total Connecticut State Library		<u>-</u>	<u>20,692</u>
DEPARTMENT OF TRANSPORTATION			
Direct:			
Town Aid Road Grants Transportation Fund	12001-DOT57131-17036-34005	-	23,608
OFFICE OF EARLY CHILDHOOD			
Direct:			
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274-83013	-	113,400
School Readiness Quality Enhancement	11000-OEC64845-16158	-	75,000
Child Care Quality Enhancement	11000-OEC64845-16158	-	3,881
Total Office of Early Childhood		<u>-</u>	<u>192,281</u>
JUDICIAL BRANCH			
Direct:			
Court fees	34001-JUD95162-40001	-	150
Total State Financial Assistance Before Exempt Programs		<u>-</u>	<u>273,361</u>

(Continued)

The accompanying note is an integral part of this schedule.

TOWN OF SCOTLAND, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2025

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
EXEMPT PROGRAMS:			
OFFICE OF POLICY AND MANAGEMENT			
Direct:			
Municipal Transition Grant Fund	12002-OPM20600-17103	\$ -	\$ 136,386
Supplement Revenue Sharing Grant	12002-OPM20600-17102	-	13,960
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	8,620
Total Office of Policy and Management		<u>-</u>	<u>158,966</u>
DEPARTMENT OF EDUCATION			
Direct:			
Education Cost Sharing	11000-SDE64370-17041-82010	-	1,274,671
Total Exempt Programs		<u>-</u>	<u>1,433,637</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ -</u>	<u>\$ 1,706,998</u>
			<i>(Concluded)</i>

The accompanying note is an integral part of this schedule.

TOWN OF SCOTLAND, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Scotland, Connecticut, (the Town) under programs of the State of Connecticut for the year ended June 30, 2025. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town. Because the schedule of expenditures of state financial assistance presents only a selected portion of the operations of the Town, it is not intended and does not present the financial position, changes in fund balances, changes in net position, or cash flows of the Town.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. In accordance with Section 4-236-22 of the regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditure column of the schedule of expenditures of state financial assistance.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ Yes ✓ No

The following schedule reflects the major programs included in the audit:

<u>State Grantor/ Program</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Office of Early Childhood		
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274-83013	\$ 113,400
School Readiness Quality Enhancement	11000-OEC64845-16158	75,000

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2025-001: Significant Deficiency in Internal Control over Financial Reporting - *Completeness and Accuracy of the School District's General Ledger and Reconciliation with the Town's General Ledger*

Criteria: 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2025-001: Significant Deficiency in Internal Control over Financial Reporting - *Completeness and Accuracy of the School District's General Ledger and Reconciliation with the Town's General Ledger (Continued)*

Condition: Grant and program revenues are currently being recognized on a cash basis rather than on a modified accrual basis of accounting. As a result, revenues and the related receivables or deferrals are not always complete and accurate. In addition, the expenditures reported by the School District did not reconcile with the expenditures reported by the Town.

Context: Immaterial misstatements were identified and corrected during the audit process to adjust grant revenues to a modified accrual basis of accounting and to agree expenditures reported by the School District to the expenditures reported by the Town.

Effect: The effect is that revenues and related receivables or deferrals may not be properly recorded in the School District's general ledger. In addition, there may be discrepancies in expenditures reported by the School District and the Town that are not resolved in a timely manner.

Cause: The cause relating to the completeness and accuracy of grant and program revenues, receivables and related deferrals, and reconciliation with the Town can be attributed to a lack of formalized accounting procedures and reconciliation controls.

Repeat finding: Yes

Recommendation: We recommend that the School District develop year end closing procedures to record grant revenues and related balance sheet amounts on a modified accrual basis of accounting. In addition, we recommend that the School District work with the Town to ensure all of the School District's activity is properly captured in the Town's general ledger. Differences should be investigated and resolved in a timely manner.

Views of Responsible Officials: Management agrees with the finding and intends to take corrective action to address the deficiency.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No state financial assistance findings or questioned costs were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2024-001, *Significant Deficiency in Internal Control over Financial Reporting - Completeness and Accuracy of the School District's General Ledger*, has been repeated as current year finding 2025-001.