TOWN OF PROSPECT, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2025

TOWN OF PROSPECT, CONNECTICUT
JUNE 30, 2025
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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Prospect
Prospect, CT 06708

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 Prospect, Connecticut, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut'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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Prospect, Connecticut as of June 30, 2024, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Prospect, Connecticut and to meet our 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Prospect, Connecticut'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we;

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Prospect, Connecticut'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 aggregate, which raise substantial doubt about the Town of Prospect, Connecticut'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 4a through 4j and the required supplementary information relating to the general fund budget on page 34 and the pension on pages 35-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prospect, Connecticut's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, the Statement of Changes in Fund Balance – by Project, the Schedule of Property Taxes Levied, Collected and Outstanding, and the Schedule of Debt Limitation are presented for the 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 non-major fund financial statements and schedules described in the above paragraph are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, 2025 on our consideration of the Town of Prospect, Connecticut'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 of Prospect, Connecticut'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 Town of Prospect, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES LLC
Waterbury, Connecticut

Clermont & Associates, LLC

March 3, 2026

Management's Discussion and Analysis
Introduction

This Annual Financial Report incorporates financial reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Prospect, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taking together, the following statements should enable you to assess whether Prospect's financial position has improved or deteriorated because of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid for in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town of Prospect in its entirety, including the year's operating results.
- Determine whether our overall financial position improved or deteriorated.
- Evaluate whether our current year's revenues were sufficient to pay for the services of the current year.
- See the costs of providing you with the services you have requested from us.
- See how we finance the programs you have asked for – through user fees and other program revenues - versus general tax revenues.
- Understand the extent to which your government has invested in capital assets, including roads, bridges, water mains, schools, parks, and other infrastructure assets.
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- **Management Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions.

The MD&A

- Includes comparisons of the current year to the prior year based on government-wide information.
- Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated because of the year's activities.
- Analyzes significant changes in funds and major budget variances.
- Describes capital assets and long-term debt activity during the year.
- Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

✷ Basic Financial Statements

➢ ***Government-Wide Financial Statements*** are designed to provide readers with a broad overview of the Town of Prospect's finances, in a manner similar to private-sector business.

- The Government-Wide Financial Statements include a *Statement of Net Position* that presents information on all the Town of Prospect's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Prospect is improving or deteriorating. The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all the assets, liabilities, revenues, expenses, and gains and losses of the government. Both government-wide financial statements distinguish functions of the Town of Prospect 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 Town of Prospect conducts no business-type activities. The governmental activities of the Town include general government, public safety, public works, parks and recreation, health and human services, education, other expenditures, and payment of interest on long-term debt. Thus, the government-wide financial statements include only the Town of Prospect itself (known as the *primary government*).

- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the Statement of Activities. Net position is reported as capital assets net of related debt (net investment in capital assets), restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.

Expenses are presented reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within control of management.

- ***Fund Financial Statements*** are a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Prospect, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental fund* financial statements include financial data for the general fund, special revenue funds and capital projects funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *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 a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Prospect maintains four major governmental funds (general fund, capital and non-recurring fund, town aid roads, and housing rehabilitation fund), five non-major special revenue funds, and three non-major capital projects funds, all of which are governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the three other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. Prospect adopts an annual appropriate budget for its general fund.

A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for each major governmental fund and for consolidated non-major governmental funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. In addition to funds that meet the major fund criteria, any other governmental fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Governmental fund balances are segregated into nonspendable, restricted, committed, assigned, and unassigned categories as described in Note 1 to the financial statements.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. We must show a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

- Notes to the Financial Statements
  - Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI)
  - Connecticut Municipal Employees Retirement System:
    Schedule of the Town's Proportionate Share of
    the Net Pension Liability
    Schedule of Town Contributions
  - Schedule of Changes in Net OPEB Liability and Related Ratios

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

We hope the financial reporting model will serve as a comprehensive way to demonstrate our stewardship in the long term in addition to the way we currently demonstrate our management in the short term and through the budgetary process.

As management of the Town of Prospect, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- The assets of the Town of Prospect exceeded its liabilities at the close of the most recent year by $18.2 million (net position). Of this amount, $1.5 million (*unrestricted net position)* may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by $3.3 million which includes the changes in pension and other post-employment benefits net liabilities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $2,793,095, a net decrease of $1,892,016 in comparison with the prior year. Of the total fund balance, $1,657,353, or 59.3%, is available for spending at the government's discretion (unassigned fund balance).
- The fund balance for the general fund decreased $1,958,098 from $3,473,386 to $1,515,288. June 30, 2025, balance is 3.9% of total general fund expenditures of $38,751,501. Of this fund balance, $300,000 is committed to balance the next year budget, $58,425 are unspendable repaid expenses, and the remainder of $1,056,863 was unassigned.
- Prospect's total bonded debt increased by $305,000. $900,000 of bond anticipation notes were issued for the 2024 Road Safety program.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town of Prospect, assets exceeded liabilities by $18,197,240 at the close of the most recent fiscal year.

Table1 Net Position		Total Primary Government 2025	Total Primary Government 2024
Current and Other Assets	$	6,166,820	6,851,492
Capital Assets, net of depreciation		22,078,103	23,227,213
Total Assets	$	28,244,923	30,078,705
Deferred Outflows of Resources	$	105,224	215,457
Long-Term Obligations Outstanding	$	7,719,044	7,578,845
Other Liabilities		2,342,026	1,172,192
Total Liabilities	$	10,061,070	8,751,037
Deferred Inflows of Resources	$	91,837	58,298
Net Position:			
Net Investment in Capital Assets	$	16,322,932	16,969,065
Restricted		374,316	393,391
Unrestricted		1,499,992	4,122,371
Total Net Position	$	18,197,240	21,484,827

By far the largest portion of the Town's net position of $18,197,240, 89.6%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. Prospect 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 consists of $244,133 of the Housing Rehabilitation Fund, and $130,183 of other grants and contributions which may be used to carry out the objectives of that program, as well as 58,425 in pre-paid expenses.

The unrestricted net position of $978,944 (assigned and unassigned) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities accounted for the entire net position decrease of $ during the current fiscal year. Key elements of this decrease are as follows:

		Total Primary Government 2025	Total Primary Government 2024
Revenues:			
Program Revenues:			
Charges for Services	$	1,341,963	1,040,361
Operating Grants and Contributions		6,184,450	5,683,256
Capital Grants and Contributions		501,849	1,586,869
General Revenues:			
Property Taxes		30,497,818	30,507,991
Grants & Contributions not Restricted to Specific Purpose		10,225	480,110
Investment Earnings		18,070	17,977
Other General Revenues		109,192	-
Total Revenues	$	38,663,567	39,316,564
Program Expenses:			
General Government	$	3,724,025	2,873,748
Public Safety		3,147,335	2,587,433
Public Works		4,969,848	2,943,269
Parks and Recreation		957,270	833,726
Health and Human Services		435,440	391,282
Education		28,092,453	27,324,743
Other Expenditures		281,711	145,834
Interest on Long-term Debt		343,072	187,816
Total Program Expenses	$	41,951,154	37,287,851
Total Governmental Activities	$	(3,287,587)	2,028,713

Financial Analysis of the Government's Funds

As noted earlier, Prospect 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 Prospect's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $2,793,095, a decrease of $1,892,016 in comparison with the prior year. About 59.3% of fund balance, $1,657,353, constitutes *unrestricted fund balance* (assigned plus unassigned) which is available for spending at the government's discretion. The remainder of the fund balance is committed for future capital expenditures ($81,805), committed for open space/land acquisition ($385,073), committed for net OPEB obligations ($100,000), committed for subsequent year's budget ($300,000), the library fund ($322,572) or restricted for other purposes ($8,563).

The general fund is the chief operating fund of the Town of Prospect. At the end of the current fiscal year, the unassigned fund balance of the general fund was $1,056,863. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance to total general fund expenditures. Unassigned fund balance represents 2.7% of total general fund expenditures of $38,751,501 and 10.1% of non-education expenditures of $10,659,048.

The Town's total general fund balance decreased by $1,958,098 to a total of $1,515,288 during the current fiscal year, $300,000 of total fund balance has been assigned to balance the FY25, and $100,000 has been committed to fund the OPEB liability.

General Fund Budgetary Highlights

The original budget contemplated total revenue and transfers in of $36,474,908 and $38,353,163 of total expenditures and transfers out. It was anticipated that $300,000 of general fund balance would be used to balance the budget and $1,578,255 would be funded through additional general fund surplus.

Actual revenues compared to the original budget were favorable by $723,942 excluding transfers in and other financing sources.

- Tax collections overall were $167,81 more than anticipated at a collection rate of 98.9% of the original assessment and 99.0% after lawful corrections. The lawful corrections made by the assessor during the year netted a decrease of $52,807 in tax revenue.

- Revenue exceeded budgeted amounts for building inspections by $50,708 and for state grants of $431,644.

Capital Asset and Debt Administration

Capital Assets. The Town of Prospect's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, water mains, and bridges. The net increase in the Town's investment in capital assets for the current fiscal year (before depreciation of $1,736,549) was $587,439 for governmental activities. After accounting for accumulated depreciation, capital assets increased by $1,149,110 to $22,078,103. The largest increase included improvements to facilities, which was funded through the American Recovery (ARPA) federal grants.

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

- We spent $852,055 on road infrastructure which included regular road reconstruction, sidewalks, and repair. Below are the Capital Assets at Year-End (Net of Depreciation):

		2025	2024
Land	$	1,571,754	1,571,754
Construction in progress		12,200	12,200
Buildings and improvements		6,801,284	6,881,704
Infrastructure		11,539,731	12,462,066
Vehicles		1,615,175	1,701,713
Furnishings & equipment		537,959	597,776
Totals	$	22,078,103	23,227,213

Additional information on the Town of Prospect's capital assets can be found in Note 7 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Prospect had $5,454,679 of bond anticipation notes outstanding. The BAN issue refinanced $4,554,679 of existing BAN and added $900,000 for Road Safety 2024. 100% of the Town's debt is a general obligation backed by the full faith and credit of the government. See Note 8, Long-Term Debt, of this report for more information.

Prospect is a member town of Regional School District No. 16 along with the Town of Beacon Falls. As such, Region 16's $15,125,000 of long-term debt represents overlapping debt to the Town, for which it has also pledged its full faith and credit. The State reimburses the District for principal and interest on its long-term debt at about 72% for bonds authorized prior to 1996. Prospect's share of the district's net debt is based on the average daily membership (ADM) of Prospect students attending the regional facility on October 1 of the preceding year. For the fiscal year 2025, Prospect's ADM percentage was calculated to be 65.07%, and the Town's share of the District net debt at the ADM rate amounts to $9,841,838.

At June 30, 2025, the Town's net OPEB obligation is $1,103,121 and is reflected as a long-term liability in the Statement of Net Position. The Town committed $100,000 of the 2026 budget for future net pension obligation payments, which remains in committed general fund balance.

Economic Factors and Next Year's Budget

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2026 budget. One of those factors is the economy.

With the overwhelming reliance on property taxes, the Town's income stream is relatively stable. However, the overreliance on one income stream may develop into higher risks for future years in the Town of Prospect.

While the Town's spending is also relatively stable year-to-year, the Town faces increasing economic burdens from the reduction of state and federal grants including the reduction of Pilot and Education Grants. In addition, the Town weighs the risks of further unfunded mandates as well as the Town's exposure to risks associated with the States Municipal Employee Retirement System (MERS).

These indicators along with a projected inflationary increase were considered when proposing the General Fund budget for 2025-26.

Requests for Information

This financial report is designed to provide a general overview of the Town of Prospect's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, 36 Center Street, Prospect, CT 06712.

STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities *
Assets:	
Cash and cash equivalents	$ 4,278,828
Investments	398,021
Receivables, net	1,431,546
Prepaid expenses	58,425
Capital assets:	
Capital assets, not being depreciated	1,583,954
Capital assets, being depreciated, net	20,494,149
Total assets	$ 28,244,923
Deferred outflows on resources:	
Related to pension	$ 105,224
Total deferred outflows on resources	$ 105,224
Liabilities:	
Accounts payable and other current liabilities	$ 340,040
Payments in advance	2,001,986
Noncurrent liabilities:	
Due within one year	755,707
Due in more than one year	6,963,337
Total liabilities	$ 10,061,070
Deferred inflows on resources:	
Related to pension	$ 91,837
Total deferred inflows on resources	$ 91,837
Net position:	
Invested in capital assets, net of related debt	$ 16,322,932
Restricted	374,316
Unrestricted	1,499,992
Total net position	$ 18,197,240

* After internal balances have been eliminated

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/programs	Expenses	Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government Total
Primary government:					
Governmental activities:					
General government	$ 3,724,025	590,329			(3,133,696)
Public safety	3,147,335	456,322			(2,691,013)
Public works	4,969,848	278,185		501,849	(4,189,814)
Culture and recreation	957,270	17,127	7,466		(932,677)
Health and human services	435,440				(435,440)
Education	28,092,453		6,176,984		(21,915,469)
Other	281,711				(281,711)
Interest on long-term debt	343,072				(343,072)
Total governmental activities	$ 41,951,154	1,341,963	6,184,450	501,849	(33,922,892)

General revenues:	
Property taxes	$ 30,497,818
Grants and contributions not restricted for specific programs	10,225
Unrestricted investment earnings	18,070
Other unrestricted revenues	109,192
Total general revenues	$ 30,635,305
Change in net position	$ (3,287,587)
Net position, beginning of year	21,484,827
Net position, end of year	$ 18,197,240

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

TOWN OF PROSPECT, CONNECTICUT **EXHIBIT C**

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General	Capital & Nonrecurring	Housing Rehabilitation	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 2,757,837	217,303	244,133	1,059,555	4,278,828
Investments				398,021	398,021
Receivables, net	734,871		696,675		1,431,546
Prepaid expenses	58,425				58,425
Due from other funds	356,830			47,885	404,715
Total assets	$ 3,907,963	217,303	940,808	1,505,461	6,571,535
Liabilities:					
Accounts and other payables	$ 340,040			332,260	672,300
Payments in advance	1,669,726				1,669,726
Due to other funds	47,885	135,498		221,332	404,715
Total liabilities	$ 2,057,651	135,498	-	553,592	2,746,741
Deferred inflows of resources:					
Unavailable receipts	$ 335,024		696,675		1,031,699
Total deferred inflows of resources	$ 335,024	-	696,675	-	1,031,699
Fund balances:					
Unspendable	$ 58,425				58,425
Restricted			244,133	130,183	374,316
Committed	400,000	177,740		803,670	1,381,410
Assigned		90,360		111,370	201,730
Unassigned	1,056,863	(186,295)		(93,354)	777,214
Total fund balances	$ 1,515,288	81,805	244,133	951,869	2,793,095
Total liabilities, deferred inflows of resources and fund balances	$ 3,907,963	217,303	940,808	1,505,461	

Amounts reported for governmental activities in the statement of net position **(Exhibit A)** are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	22,078,103
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,031,699
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,719,044)
Pension costs, including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings.	13,387
Net position of governmental activities **(Exhibit A)**	$ 18,197,240

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

TOWN OF PROSPECT, CONNECTICUT **EXHIBIT D**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General	Capital Projects	Housing Rehabilitation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and assessments	$ 30,460,308				30,460,308
Intergovernmental	6,176,984			519,540	6,696,524
Charges for services	477,580		3,550	638,384	1,119,514
Investment income	5,826			12,244	18,070
Miscellaneous	78,152	17,243		236,246	331,641
Total revenues	$ 37,198,850	17,243	3,550	1,406,414	38,626,057
Expenditures:					
Current:					
General government	$ 3,568,161			7,500	3,575,661
Public safety	2,352,524			380,321	2,732,845
Public works	2,398,672			357,614	2,756,286
Culture and recreation	843,909			136	844,045
Public health	378,235				378,235
Education	28,092,453				28,092,453
Other	85,278			196,433	281,711
Capital outlay		1,212,387		512,181	1,724,568
Debt service	1,032,269				1,032,269
Total expenditures	$ 38,751,501	1,212,387	-	1,454,185	41,418,073
Excess (deficiency) of revenues over (under) expenditures	$ (1,552,651)	(1,195,144)	3,550	(47,771)	(2,792,016)
Other financing sources (uses):					
Proceeds from debt obligations	$	900,000			900,000
Transfer in from other funds		360,802		44,645	405,447
Transfer out to other funds	(405,447)				(405,447)
Total other financing sources (uses)	$ (405,447)	1,260,802	-	44,645	900,000
Net changes in fund balances	$ (1,958,098)	65,658	3,550	(3,126)	(1,892,016)
Fund balances (deficits) - beginning	3,473,386	16,147	240,583	954,995	4,685,111
Fund balances (deficits) - ended	$ 1,515,288	81,805	244,133	951,869	2,793,095

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Differences in amounts reported for government-wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds **(Exhibit D)**	$	(1,892,016)
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 a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(1,149,110)
Revenues previously recognized in the Statement of Activities that provided current financial resources in the current year.		37,510
Net deferred inflows and outflows of **pension resources**		(143,772)
The issuance of **long-term debt** (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(140,199)
Change in net position of governmental activities **(Exhibit B)**	$	(3,287,587)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

	Custodial Funds
Assets:	
Cash and cash equivalents	$ 6,213
Total assets	$ 6,213
Net position:	
Held in trust for benefits and other purposes	$ 6,213

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Town of Prospect, Connecticut (the Town) was incorporated in 1827, under the provisions of the State of Connecticut's General Statutes, as amended. The Town is governed by a Charter, last revised in November 2000, and operates under a Mayor/Town Council form of government. The Town provides services as authorized by its Charter including public safety (police and fire), highways and streets, sanitation health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements exclude certain agencies from their financial report for which it may exhibit some limited form of oversight responsibilities. These agencies and the reasons for exclusion are summarized below:

Regional Board of Education – The Town of Prospect elects four of the eight board members of the Region 16 School District. Personnel, management, and finances are controlled by the Regional School District. The Town's control over finances is limited to approval of the annual budget.

Prospect Fire Department – The Prospect Fire Department is incorporated as a separate entity. The Town's control over finances is limited to approval of annual contributions of cash and equipment.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of 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 board for governmental accounting financial reporting principles. These principles require that the Town report government-wide and fund financial statements.

The following is a summary of the Town's most significant accounting principles.

Government-wide financial statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *business-type activities,* which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment of, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a rule, the effect of inter-fund activity, or internal balances, has been eliminated from government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if it is collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments, and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental revenue grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay the liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

The Town reports the following major governmental funds:

The ***general fund*** is the general operating fund of the Town's government. All unrestricted resources, except those required to be accounted for in other funds, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

The ***capital and nonrecurring fund*** is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements, and equipment. Sources of revenue include current tax revenues and government grants.

The **housing and rehabilitation** accounts for a program to provide long-term loans to eligible recipients and was funded by the U.S. Department of Housing and Urban Development program.

Additionally, the Town reports the following fund type:

The ***Custodial Funds*** are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

During the fiscal year, certain governmental funds no longer meet the criteria for major fund reporting under standards issued by the Governmental Accounting Standards Board. Accordingly, these funds are presented as nonmajor funds in the current year financial statements. This change affects presentation only and has no impact on total fund balance or results of operations.

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents
The Town considers cash on hand, deposits, and short-term investments, with an original maturity of three months or less from the date of acquisition.

Receivables and payables
Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables, including those for Sewer Authority funds (W.P.C.A.), are shown net of an allowance for uncollectible accounts. Trade account receivables allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Property taxes
Property taxes on real estate, motor vehicles and personal property are assessed on the Town's grand list as of October 1 of the previous year and billed on the following July 1 and January 1. The billings are considered due on those dates; however, the actual due dates are 31 days after the tax bill date. On these days, (February 1 and August 1) the unpaid bill is considered delinquent at which time the applicable property is subject to lien and penalties, and interest is assessed. Property tax assessments are made at 70% of the assessed value for all taxable real estate and personal property located within the Town of Prospect on October 1.

Capital assets
Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $20,000 and an estimated useful life of more than two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives with a capitalization threshold of $5,000:

Asset	Years
Buildings and improvements	5-40
Land improvements	50
Infrastructure (including sewer system)	30-50
Machinery and equipment	5-20

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

Deferred outflows/inflows of resources
The Statement of Net Position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The Town reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs, and the net difference between projected and actual pension investment earnings.

The Statement of Net Position (Exhibit A) and the Balance Sheet for the governmental funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to future periods and will not be recognized as revenue until that time. The Town reports advance tax collections in the statement of net position and the balance sheet for the governmental funds. The Town reports a deferred inflow of resources related to pensions in the statement of net position.

A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expenses in a systematic and rational manner. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for recognition in the current period.

Compensated absences
Under the terms of its various union contracts, Town employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The Town recognizes a liability in the government-wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Net pension liability
The net pension liability is measured as the portion of the present actuarial value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Long-term obligations
In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financial 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.

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

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

The ***unrestricted net position*** represents the net position of the Town which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified into five separate categories. The five categories and their general meanings are as follows:

Nonspendable are those net assets that are not in expendable form or are legally or contractually required to be maintained.

Restricted fund balances are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose because of constraints imposed by formal action of the government's highest level of decision-making authority. For the Town of Prospect, which was the Town Council.

Assigned fund balances are amounts that are contained by the government's intent to be used as a specific purpose.

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the above four categories.

Note 2 - Budgets and Budgetary Accounting

An annual budget is prepared and employed for management control for the general fund adopted on a basis consistent with general accepted accounting principles (modified basis).

The Town established its budget in accordance with provisions of the Connecticut General Statutes and the Town Charter. Transfers and supplemental appropriations were approved during the year in accordance with the provisions of the Town Charter and are reported in the financial budget.

The Town Council is empowered to appropriate up to an amount equal to 2.5 percent of the amount to be raised by taxation in the annual budget for the current fiscal year as adopted, if approved by most of the Council. Total supplemental appropriations in any one fiscal year in excess of 2.5 percent require a Town meeting approval.

Supplemental appropriations may be drawn from the unreserved surplus or any available unappropriated and unencumbered general fund cash balance. In the absence of a balance in the unreserved surplus or of an available unappropriated and unencumbered general fund cash balance to meet such appropriations, as determined by the Council, additional means of financing shall be determined by the Council in a manner consistent with the provisions of the Connecticut General Statutes and the Town Charter.

For the purposes of meeting a public emergency threatening the lives, health or property of citizens, emergency appropriations, the total amount of which shall not exceed five percent (5%) of the current tax levy in any one fiscal year, may be made upon the recommendation of the Mayor and the majority vote of the available membership of the Council. In the absence of the Mayor, the Council may act alone. For the year ended June 30, 2025, $50,000 of OPEB related expenses were recognized as an expense for budgetary basis, this balance was included in the committed fund balance on the GAAP statements for governmental funds.

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants and, therefore, may comprise more than one fiscal year.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-Wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	$	1,571,754
Construction in progress		12,200
Net capital assets being depreciated		20,494,149
Net adjustment to increase fund balance to arrive at net position of governmental activities	$	22,078,103

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

Debt	$	(5,454,679)
Capital leases		(300,492)
Net pension obligation		(771,180)
Net OPEB liability		(1,103,121)
Compensated absences		(89,572)
Net adjustment to reduce fund balance to arrive at net position of governmental activities	$	(7,719,044)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This amount includes the following:

Delinquent property tax and interest	$	335,024
Long-term notes receivable		696,675
Net adjustment to increase fund balance to arrive at net position of governmental activities	$	1,031,699

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 a depreciation expense." The details of this difference are as follows:

Acquisitions	$	587,439
Depreciation		(1,736,549)
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	$	(1,149,110)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

New borrowings	$	(900,000)
Payments on borrowing		595,000
Payments on lease liability		94,197
Net change in net pension obligation		168,175
Net change in compensated absences		4,991
Net change in net OPEB obligation		(102,562)
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	$	(140,199)

Note 4 - Deposits and Investments

Deposits

As of June 30, 2025, total deposits of $4,278,828 represent cash and cash equivalents of $4,278,828 as reported on the Statement of Net Position and $0 reported on the Statement of Fiduciary Net Assets.

Custodial credit risk on deposits – Custodial credit risk is the possibility that in the event of a bank failure, the Town deposits may not be returned. The Town Charter does not specifically authorize or prohibit the types of investments or deposits that may be made. The treasurer is generally restricted to investing funds in accordance with the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualifying public depository," as defined by state statute, which has its main place of business in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the back's risk-based capital ratio.

Concentration of credit risk – Concentration of credit risk attributed to the magnitude of a government's deposit in a single financial institution. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

The carrying amount of the Town's cash deposits with financial institutions was $4,278,828 and the bank balance was $4,278,828. Of the bank balances, $500,000 was covered by Federal Depository Insurance and $3.7 million is unissued and uncollateralized. All the deposits were maintained in institutions considered to be qualified public depositories and are protected under the provisions of Section 36a-33 of the Connecticut General Statutes, which provide for protection against loss more than any deposit insurance by providing individual bank collateral pledge requirements tiered to risk-based capital ratios.

Investments

The Town's investments consist of the following at June 30, 2024:

Certificates of deposit	$	230,425
U.S. government bonds		78,108
Fixed income annuity		89,488
Total	$	398,021

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States or may be invested in any state to other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of certain funds, such as the municipal pension funds, do not specify permitted investments. Therefore, investments of such funds are generally controlled by laws applicable to fiduciaries and regulations applicable to those funds.

Credit Risk – The Town has no formal investment policy that would limit its investment choices due to credit risk other than the State Statutes.

Interest Rate Risk – Interest rate risk is the possibility that the Town will incur losses in fair market value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments
The Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

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

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

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

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

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

Investments are summarized as follows:

			Maturities (in years)			
		Fair Value	<1	1-5	6-10	>10
Fixed income	$	319,913	319,913	-	-	-
U.S. Treasuries		78,108	78,108	-	-	-
Total	$	398,021	398,021	-	-	-

Note 5 - Receivables

Receivables

The receivables reported in the Statement of Net Position and Governmental Funds Balance Sheet consists of the following:

Current receivables:		
Property taxes	$	389,418
Intergovernmental grants		192,320
Insurance claims		294,188
Loans		696,675
Gross receivables	$	1,572,601
Less: allowance		(141,055)
Net total receivables	$	1,431,546

Deferred payments and unavailable receipts

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, $335,024 of delinquent taxes and interest, and $696,675 of outstanding loans were unavailable to liquidate current liabilities.

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-fund Receivables and Payables

Inter-fund receivables and payables at June 30, 2025, consisted of the following:

Receivable Fund	Payable Fund		Amount
General fund	Nonmajor funds	$	57,725
General fund	Capital and non-recurring		135,498
General fund	Sidewalk fund		163,607
Nonmajor funds	General fund		25,385
ARPA fund	General fund		22,500
Total		$	404,715

Inter-fund Transfers

The Town made the following transfers between funds during the fiscal year:

General fund to Capital and non-recurring	$ 360,802
General fund to ARPA fund	44,645
Total	$ 405,447

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,571,754			1,571,754
Construction in progress	12,200			12,200
Total capital assets, not being deprec.	$ 1,583,954	-	-	1,583,954
Capital assets being depreciated:				
Buildings and improvements	$ 10,932,514	104,271		11,036,785
Infrastructure	29,251,988	123,730		29,375,718
Vehicles	6,109,628	325,802		6,435,430
Furnishing and equipment	2,993,055	33,636		3,026,691
Total capital assets being depreciated	$ 49,287,185	587,439	-	49,874,624
Less: accumulated depreciation:				
Buildings and improvements	$ 4,050,810	184,691		4,235,501
Infrastructure	16,789,922	1,046,065		17,835,987
Vehicles	4,407,915	412,340		4,820,255
Furnishing and equipment	2,395,279	93,453		2,488,732
Total accumulated depreciation	$ 27,643,926	1,736,549	-	29,380,475
Net capital assets, being depreciated	$ 21,643,259	(1,149,110)	-	20,494,149
Total capital assets, governmental	$ 23,227,213	(1,149,110)	-	22,078,103

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

Governmental activities:	
General government	$ 75,196
Public safety	414,490
Public works	1,076,433
Recreation	113,225
Health and social services	57,205
Total depreciation expense	$ 1,736,549

Note 8 - Long-Term Liabilities

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

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Due Within 1 year
Short-term debt, expected to be refinanced:					
Bond anticipation notes	$ 5,149,679	900,000	595,000	5,454,679	657,476
Capital leases	394,689		94,197	300,492	98,231
Total long-term debt	$ 5,544,368	900,000	689,197	5,755,171	755,707
Net pension liability	870,939		163,498	707,441	
Unfunded MERS pens.	68,416		4,832	63,739	
Net OPEB obligation	1,000,559	102,562		1,103,121	
Compensated absences	94,563		4,991	89,572	
Total long-term liabilities	$ 7,578,845	1,002,562	862,518	7,719,044	755,707

Short-Term, Debt Expected to be Refinanced – Bond Anticipation

The following bond anticipation notes are included in long-term obligations intended to refinance the notes until maturity.

Project	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Due Within 1 year
Road safety 2017	301,956		75,000	226,956	75,000
Road safety 2018	525,000		75,000	450,000	75,000
Road safety 2019	600,000		75,000	525,000	75,000
Road safety 2020	575,000		70,000	505,000	70,000
Road safety 2021	700,000		50,000	650,000	75,000
Fire Dept. radio repeater	100,000		50,000	50,000	37,476
Road Safety 2022	825,000		75,000	750,000	50,000
Pierce Rescue truck	622,723		75,000	547,723	75,000
Road safety 2023	900,000		50,000	850,000	50,000
Road safety 2024		900,000		900,000	75,000
Total	$ 5,149,679	900,000	595,000	5,454,679	657,476

Overlapping debt

The Town is contingently liable for its pro-rata share of Regional School District No. 16 general obligation school bonds. The District's operating budget provides for annual retirement of principal and interest. At June 30, 2025, the District had $15,125,000 of long-term bonded debt. The Town's share is based on student enrollment attending the regional facility on October 1 of the preceding year and is calculated at 64.38% for the fiscal year ending June 30, 2025. The overlapping debt to the Town is calculated to be $10,596,948.

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts for the immediately preceding fiscal year, as defined in the Statute, or $202,270,759. 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 Town did not exceed any of the statutory debt limitations on June 30, 2025.

Capital Lease

The Town has entered into various lease agreements as lessee for financing the acquisition of equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date in the government-wide financial statements. The assets acquired through the capital leases are as follows:

Pierce velocity pumper fire truck, 4.82% 10 years to July 2028	$	815,109
Dump body truck, 3.40%, 6 years to August 2025		207,986
Total equipment	$	1,023,095
Less: accumulated depreciation		(301,613)
Net book value	$	721,482

The annual requirement to amortize the leases as of June 30, 2025 is as follows:

Year Ended June 30,		Present Value of Minimum Lease Payment	Interest	Total Minimum Lease Payments
2026	$	98,231	13,959	112,190
2027		64,273	9,749	74,022
2028		67,371	6,651	74,022
2029		70,618	3,404	74,022
Total	$	300,492	33,763	334,256

Note 9 – Commitments and Contingencies

Risk Management

The Town is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; employee health; and natural disasters. The Town generally obtains commercial insurance for these risks. For all types of commercial coverage, settled claims have not exceeded coverage in any of the past three years.

The Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention.

The Town of Prospect is currently involved as a defendant in various types of litigation involving the Town, its officers, employees, boards, and commissions. The probability of adverse decisions in these matters and the amounts of potential losses that may result are not presently determinable. However, the Town is of the opinion that the liability in these cases, if any, will not materially adversely affect the financial statements for these contingencies.

The Town received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the Town.

Note 10 – Employee Retirement Plans

Defined Contribution Money Purchase Pension Plan

The Town of Prospect maintains a defined contribution money purchase pension plan for all full-time employees of the Town (excluding union employees, who are covered separately as discussed below), including elected officials. Contributions to the Plan are made annually at the discretion of the retirement board (8% of eligible wages for the year ended June 30, 2025). Participating employees are not required to make any contributions to the Plan. However, each employee may make voluntary contributions in an amount of no less than 2% or more than 10% of gross pay.

For the year ended June 30, 2025, the Town contributed $85,000 on covered payroll of $1,062,500.

Connecticut Municipal Employees' Retirement System – Defined Benefit Plan

Plan description

The Town's full-time employees participate in Connecticut's Municipal Employees' Retirement System (CMERS), a cost-sharing multiple-employer Public Employee Retirement System

(PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement, disability, and death benefits to the employees and beneficiaries of participating municipalities. Title 7, Chapter 113 of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

CMERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Summary of significant accounting policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefit provisions

General Employees: Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service. Employees under the age of 55 are eligible to retire with 25 years of service.

Police Officers and Firefighters: Compulsory retirement age for police and fire members is age 65.

Normal Retirement: Members not covered by social security receive a benefit of 2% of the average final compensation times for years of service. Members covered by social security receive a benefit of 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

Early Retirement: Employees are eligible after 5 years of active continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated based on compensation and service to the date of the disability with a minimum

benefit of 50% of compensation at the time of disability. Non-service-related disability benefits are provided to employees with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

Contribution requirements

Employer
The Town, as a participating municipality, makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of CMERS not met by member contributions. There is also an annual administrative fee per active and retired member.

For the year ended June 30, 2025, the Town's required contribution to CMERS was $110,461, calculated at 20.93% of $527,734 covered payroll. The annual prior service amortization payment for thirty years is $7,093 (effective July 1, 2006). A balance of $63,739 is included in the Town's long-term debt as of June 30, 2025.

Employee
Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are required to contribute 2.25% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions
The net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2025. The changes in assumptions that affected the measurement of the total pension liability since the prior measurement date, were updating rates of inflation, real investment return mortality, withdrawal, disability, retirement, and salary increase to more closely reflect actual and anticipated experience.

The Town recognized its proportionate share of the collective pension expense in the government-wide Statement of Activities in the amount of $707,441 for the year ended June 30, 2025. The Town's proportionate share of the State's liability was .168727%.

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$	
Changes of assumptions	53,624	
Change in proportional share	5,516	(79,060)
Net difference between employers expected and actual experience	46,084	(12,777)
	$ 105,224	(91,837)

Net deferred outflows and inflows of resources for pensions is amortized and recognized as an increase/decrease to the net pension expense/liability each year as follows:

Year Ended June 30,		
2026	$	49,602
2027		(9,533)
2028		(18,551)
2029		(1,694)
Thereafter		(6,437)
	$	13,387

Actuarial assumptions

The total pension liability is based upon the June 30, 2024 actuarial valuation. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017. The key actuarial assumptions used in the valuation were as follows:

Inflation	2.5%
Salary increase	3.50-10.00%, including inflation
Long-term investment rate of Return	7.00%, net of pension plan investment expense, including inflation

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgment.

Future Cost of Living adjustments (COLA) for members who retire on or after January 1, 2002, are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, and the maximum is 6%.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using statistical 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Global equity	37	%	6.8	%
Public credit	2		2.9	
Core fixed income	13		0.4	
Liquidity fund	1		(0.4)	
Risk mitigation	5		0.1	
Private equity	15		11.2	
Private credit	10		6.1	
Real estate	10		6.3	
Infra. & natural resources	7		7.7	
Total	100	%		

Discount rate

The discount rate used to measure the total pension liability was 7.0%. 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 employer contributions will be made at rates equal to the actuarial 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Obligation	$ 1,014,787	707,441	448,477

Other Post-Employment Benefits

The most recent information available is dated June 30, 2024.

Plan Description - The Town provides healthcare insurance benefits for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established by various collective bargaining and employment agreements with the Town.

Membership in the plan consisted of the following at June 30, 2025

Active plan members	18
Retirees receiving benefits	4
Total	22

Total OPEB Liability - The Town's total OPEB liability was $1,103,121 as of June 30, 2025, and was determined by a valuation as of June 30, 2025, with a measurement date of June 30, 2025.

Schedule of Funding Progress - There is no requirement for funding the Retiree Health Plan and the plan has not been funded. The Town is establishing a formal funding plan and a trust. An initial contribution in the amount of $50,000 has been budgeted for the year ending June 30, 2025.

Net Other Post Employment Benefit (OPEB) Liability of the Town - As permitted by Statement No. 75 of the Governmental Accounting Standards Board, the total OPEB liability was determined using the alternative measurement method. This approach includes the same broad measurement steps as an actuarial valuation projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method. However, it allows simplification of certain assumptions.

The net OPEB liability for the fiscal year ended June 30, 2025, is calculated as follows:

Service cost	$	121,209
Interest on net OPEB obligations		36,020
		(47,707)
Net change	$	109,522
Contributions		(6,960)
Increase in net OPEB obligations		102,562
Net OPEB liability – beginning of year	$	1,000,559
Net OPEB liability – end of year	$	1,103,121

The plan fiduciary net position as a percentage of the total OPEB liability is 0%.

Three-year trend information

Fiscal year ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2025	$ 109,522	6,960	6.4	1,103,121
6/30/2024	141,266	6,960	4.7	1,000,559
6/30/2023	74,614	5,220	7.0	866,253

The covered payroll (annual payroll of active employees covered by the plan) was $1,500,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.82%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Alternative Measurement Report Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The following simplifying assumptions were made:

Retirement age for active employees - Active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Future Retiree Coverage - 75% of eligible employees are assumed to elect coverage at retirement (consistent with current participation of active employees).

Mortality - Life expectancy by gender comes from the *Life Expectancy Table* from the National Center for Health Statistics updated in 2015.

Turnover - The probability of remaining employed until retirement age from current and entry age comes from The U.S. Office of Personnel Management Civil Service Retirement and Disability Fund Annual Report fiscal year ended September 30, 2016.

Health insurance premiums - 2020 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums is 5.5%.

Discount rate - 3.5%.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 2.25%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.60%) or 1- percentage-point higher (4.60%) than the current discount rate:

	1% Decrease 2.60%	Discount Rate 3.60%	1% Increase 4.60%
Total OPEB liability	$ 1,050,017	957,349	870,307

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

	Healthcare trend -1%	Health Cost Trend Assumed	Healthcare trend +1%
Total OPEB liability	$ 858,445	957,349	1,072,646

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
For the year ended June 30, 2025, the Town recognized OPEB expense of $102,562 on the government-wide Statement of Activities. The Town reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Note 11 - Fund Balances

Governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

These are summarized below:

	General Fund	Capital and Nonrecur.	Housing Rehab.	Nonmajor Funds
Unspendable				
Prepaid expenditures	$ 58,425	-	-	--
Restricted:				
Grant requirements	$		244,133	16,585
Sewer use				66,964
Donor restricted				46,634
Total restricted	$ -	-	244,133	130,183
Committed:				
Subsequent fiscal year	$ 300,000			
Net OPEB liability	100,000			
Specific Programs				418,597
Capital projects		177,740		
Land acquisition/open space				385,073
Total committed	$ 400,000	177,740	-	803,670
Assigned	-	90,360	-	111,370
Unrestricted	$ 1,056,863	(186,295)	-	(93,354)
Total fund balance	$ 1,515,288	81,805	244,133	951,869

Note 12 - Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through March 3, 2026, the date the financial statements were available to be issued. No other events other than the bank note explained below have occurred subsequent to the Statement of Net Position date through March 3, 2026, that would require readjustment to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNASSIGNED FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	$ 30,292,493	30,292,493	30,460,308	167,815
Intergovernmental	5,745,340	5,745,340	6,176,984	431,644
Charges for services	410,075	410,075	477,580	67,505
Investment income	5,000	5,000	5,826	826
Other revenues	22,000	22,000	78,152	56,152
Total revenues	$ 36,474,908	36,474,908	37,198,850	723,942
Expenditures:				
Current:				
General government	$ 3,168,509	3,716,168	3,568,161	148,007
Public safety	2,287,485	2,392,260	2,352,524	39,736
Public works	2,306,381	2,454,125	2,398,672	55,453
Culture and recreation	884,037	893,187	843,909	49,278
Health and welfare	384,909	384,909	378,235	6,674
Education	28,092,453	28,092,453	28,092,453	-
Other	156,176	131,176	85,278	45,898
Debt services	1,073,213	1,073,213	1,032,269	40,944
Total expenditures	$ 38,353,163	39,137,491	38,751,501	385,990
Revenues over (under) expenditures	$ (1,878,255)	(2,662,583)	(1,552,651)	1,109,932
Other financing sources (uses):				
Proceeds from prior year commitments	$ 300,000	300,000	300,000	-
Proceeds from surplus	1,578,255	2,362,583	2,362,583	-
Total other financing sources (uses)	$ 1,878,255	2,662,583	2,662,583	-
Revenues over expenditures and other financing sources (uses)	$ -	-	1,109,932	1,109,932

Less:	
Unspendable fund balance	$ (58,425)
Additional appropriated surplus for current year budget	(2,262,583)
Committed for subsequent fiscal year	(805,447)
Net change in unassigned fund balance	$ (2,016,523)
Unassigned fund balance, July 1, 2024	3,073,386
Unassigned fund balance, June 30, 2025	$ 1,056,863

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

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
CONNECTICUT MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's portion of the net pension liability (asset)	0.168727%	0.190890%	0.186346%	0.215530%	0.213393%	0.215472%	0.199379%	0.166945%	0.166945%	0.207775%
Town's proportionate share of the net pension liability (asset)	$ 707,441	870,939	837,819	510,109	837,999	795,267	762,543	275,962	327,675	284,466
Town's covered-employee payroll	$ 527,734	576,137	524,922	583,617	579,785	546,503	553,919	482,729	476,273	429,940
Town's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	$ 134.05%	151.17%	159.61%	87.40%	144.54%	145.52%	137.66%	57.17%	68.80%	66.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	$ 72.85%	69.54%	82.59%	82.59%	76.51%	72.69%	73.60%	91.68%	88.29%	92.72%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	20 years
Asset valuation method	5-year smoothed market (20% write up)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 110,461	88,099	99,543	85,109	75,645	70,841	65,030	56,672	54,200	48,927
Contributions in relation to the contractually required contribution	$ 110,461	88,099	99,543	85,109	75,645	70,841	65,030	56,672	54,200	48,927
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
Town's covered-employee payroll	$ 527,734	576,137	524,922	583,617	579,785	546,503	553,919	482,729	476,273	429,940
Contributions as a percentage of covered employee payroll	20.93%	15.29%	18.96%	14.58%	13.05%	12.96%	11.74%	11.74%	11.38%	11.38%

Notes to Schedule

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date.

Changes in benefit terms	None
Changes in assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	20 years

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
Last Eight Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service costs	$ 121,209	157,788	93,634	78,120	164,082	196,543	164,737	80,995
Interest	36,020	31,185	28,687	78,120	87,776	78,921	71,584	2,380
Effect of economic/demographic gains or losses	(47,707)	(47,707)	(47,707)	(1,608,117)	(482,457)	-	-	-
Benefit payments, including refunds of member contributions	(6,960)	(6,960)	(5,220)	(6,960)	(22,401)	(22,464)	(26,669)	(20,725)
Net change in total OPEB liability	$ 102,562	134,306	69,394	(1,458,837)	(253,000)	253,000	209,652	62,650
Total OPEB liability - beginning	1,000,559	866,253	796,859	2,254,895	2,507,895	2,254,895	2,045,243	1,982,593
Total OPEB liability - ended	$ 1,103,121	1,000,559	866,253	796,058	2,254,895	2,507,895	2,254,895	2,045,243
Plan fiduciary net position:					-			
Contributions - employer	$ (6,960)	6,960	5,220	6,960	22,464	22,464	26,669	20,725
Contributions - member								
Net investment income (loss)								
Administrative expenses								
Benefit payments, including refunds of member contributions	$ (6,960)	(6,960)	(5,220)	(6,960)	(22,464)	(22,464)	(26,669)	(20,725)
Net change in plan fiduciary net position		-	-	-	-	-	-	-
Plan fiduciary net position, beginning					-	-	-	-
Plan fiduciary net position, ended	$ -	-	-	-				
Net OPEB liability - ended	$ 1,103,121	1,000,559	866,253	796,058	2,254,895	2,507,895	2,254,895	2,045,243
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	1,500,000	1,500,000	1,250,000	1,250,000	1,343,425	1,166,528	1,096,915	1,069,551
Net OPEB liability as a percentage of covered payroll	73.5%	66.7%	69.3%	63.7%	167.8%	215.0%	205.6%	191.2%

Notes To Schedule

Discount rate was 3.6% (3.5% in prior year)
Average Salary Increase was 2.5%
Assumed age of retirement 65
Medical Insurance premium increases was 5%

This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property taxes:				
Property taxes, interest, and penalties	$ 30,292,493	30,292,493	30,460,308	167,815
Total property taxes	$ 30,292,493	30,292,493	30,460,308	167,815
Intergovernmental grants:				
State grants for education	$ 5,745,340	5,745,340	6,176,984	431,644
Total intergovernmental grants	$ 5,745,340	5,745,340	6,176,984	431,644
Licenses, permits and fees:				
Building inspection	$ 135,525	135,525	186,233	50,708
Vendor and other permits	1,250	1,250	922	(328)
Raffles and bazaar	400	400	310	(90)
Pistol permits	8,500	8,500	3,065	(5,435)
Fingerprinting	2,000	2,000	980	(1,020)
Planning and zoning	6,000	6,000	6,462	462
Zoning Board of Appeals	2,000	2,000	2,103	103
Inland wetlands	2,500	2,500	50,433	47,933
SCRWA Payment in Lieu of Taxes	40,000	40,000	37,858	(2,142)
Town Clerk fees	70,600	70,600	86,076	15,476
Property conveyance	140,000	140,000	101,563	(38,437)
Alarm fines	1,300	1,300	1,575	275
Total licenses, permits and fees	$ 410,075	410,075	477,580	67,505
Investment income	$ 5,000	5,000	5,826	826
Miscellaneous	$ 22,000	22,000	78,152	56,152
Total Revenues	$ 36,474,908	36,474,908	37,198,850	723,942
Other financial resources:				
Transfer from other funds	$			-
Committed funds from prior year	300,000	300,000	300,000	-
General fund surplus	1,578,255	2,362,583	2,362,583	-
Total other financing resources	$ 1,878,255	2,662,583	2,662,583	-
Total revenues & other financing resources	$ 38,353,163	39,137,491	39,861,433	723,942

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General government:				
Office of the Mayor	$ 275,065	305,065	278,516	26,549
Probate Court	4,500	4,500		4,500
Zoning Board of Appeals	2,425	2,425	1,650	775
Elections and registrars	88,150	94,350	82,606	11,744
Auditor	21,500	21,500	21,013	487
Assessor	134,999	134,999	134,714	285
Board of Assessment Appeals	410	520		520
Tax Collector	139,621	140,141	133,991	6,150
Treasurer	10,600	10,600	10,600	-
Legal fees	125,000	159,431	137,760	21,671
Town Clerk	144,673	144,673	141,765	2,908
Planning and Zoning Commission	7,375	7,375	3,169	4,206
Advertising and printing	23,000	27,579	26,304	1,275
Social security	264,019	286,352	286,352	-
Automated processing of records	100,000	100,776	100,776	-
Building Department	89,236	89,236	88,835	401
Water Pollution Control Authority	-	-		-
Municipal organization fees	11,599	11,599	11,584	15
Town Council	16,650	16,650	14,205	2,445
Town buildings	691,189	938,150	921,841	16,309
Unemployment compensation tax	3,000	3,000		3,000
Benefits - Town employees	848,929	1,046,833	1,041,149	5,684
Postage	20,000	20,000	19,179	821
Anti-blight commission	1,350	1,350	1,188	162
Inland wetlands	3,890	3,940	3,090	850
Land Use Inspector	136,529	140,324	107,874	32,450
Historic preservation	4,800	4,800		4,800
Total general government	$ 3,168,509	3,716,168	3,568,161	148,007
Public safety:				
Fire protection	$ 502,099	512,202	512,202	-
Hydrants	178,680	178,680	165,198	13,482
Fire Marshal	75,276	80,276	79,416	860
Police	1,183,700	1,265,372	1,243,910	21,462
Insurance	267,121	275,121	273,380	1,741
Emergency management	2,030	2,030	20	2,010
Household hazardous waste	10,000	10,000	9,819	181
911 services	68,579	68,579	68,579	-
Total public safety	$ 2,287,485	2,392,260	2,352,524	39,736

(Continued)

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Solid waste	$ 771,674	822,700	811,124	11,576
Town roads	190,648	190,648	176,859	13,789
Ice and snow	230,000	282,973	260,810	22,163
Street lighting	51,000	51,000	49,200	1,800
Town trucks	226,500	251,063	245,606	5,457
Public works labor	690,912	707,458	707,458	-
Road reconstruction	145,647	148,283	147,615	668
Total public works	$ 2,306,381	2,454,125	2,398,672	55,453
Culture and recreation:				
Town parks	$ 75,500	83,800	79,631	4,169
Library	367,027	367,027	346,233	20,794
Recreation department	402,510	403,360	383,004	20,356
Townwide events	39,000	39,000	35,041	3,959
Total culture and recreation	$ 884,037	893,187	843,909	49,278
Health and welfare:				
Health	$ 105,200	105,200	105,200	-
Commission on aging	279,709	279,709	273,035	6,674
Total health and welfare	$ 384,909	384,909	378,235	6,674
Education:				
Board of Education	$ 28,092,453	28,092,453	28,092,453	-
Total education	$ 28,092,453	28,092,453	28,092,453	-
Other:				
Animal control	$ 22,861	22,861	20,350	2,511
Economic development comm.	150	150		150
Storm water	27,000	27,000	13,875	13,125
Map Scanning	11,065	15,065	15,065	-
Technology	30,000	30,000	17,195	12,805
Mileage	15,600	15,600	5,295	10,305
Contingency	49,500	20,500	13,498	7,002
Total other	$ 156,176	131,176	85,278	45,898
Debt service:				
Interest	$ 233,929	358,929	325,089	33,840
Principal	727,093	602,093	595,000	7,093
Capital leases	112,191	112,191	112,180	11
Total debt service	$ 1,073,213	1,073,213	1,032,269	40,944
Total expenditures	$ 38,353,163	39,137,491	38,751,501	385,990
Other financial uses:				
Transfer from other funds	$		405,447	(405,447)
Total other financing resources	$ -	-	405,447	(405,447)
Total expenditures & other financing uses	$ 38,353,163	39,137,491	39,156,948	(19,457)

TOWN OF PROSPECT, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2025

	Special Revenue Funds					
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation	Sewer Use Fund
Assets:						
Cash and cash equivalents	$ 81,572	7,346	1,251	97,997	103,067	24,595
Investments	287,634					
Receivables, net						
Due from other funds		676	7,052			
Total assets	$ 369,206	8,022	8,303	97,997	103,067	24,595
Liabilities:						
Payments in advance	$					
Accounts payable						
Accrued expenses						
Due to other funds				55,543		2,182
Total liabilities	$ -	-	-	55,543	-	2,182
Fund balance (deficit):						
Nonspendable	$					
Restricted	46,634	8,022				22,413
Committed	322,572			42,454		
Assigned			8,303		103,067	
Unassgined						
Total fund balance (deficit)	$ 369,206	8,022	8,303	42,454	103,067	22,413

Special Revenue Funds		Capital Project Funds				
Private Purpose Trust	Sidewalk Fund	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	ARPA Funds	Total
53,571	172,458		257,029	44,551	216,118	1,059,555
		110,387				398,021
						-
		17,657			22,500	47,885
53,571	172,458	128,044	257,029	44,551	238,618	1,505,461
	102,205				230,055	332,260
						-
						-
	163,607					221,332
-	265,812	-	-	-	230,055	553,592
	-					-
				44,551	8,563	130,183
53,571		128,044	257,029			803,670
						111,370
	(93,354)					(93,354)
53,571	(93,354)	128,044	257,029	44,551	8,563	951,869

TOWN OF PROSPECT, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2025

	Special Revenue Funds				
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation
Revenues:					
Intergovernmental	$ 1,442	237,452			
Charges for services			4,921	442,231	13,865
Investment income					
Other	3,262				
Total revenues	$ 4,704	237,452	4,921	442,231	13,865
Expenditures:					
General government					
Public safety	$		9,447	350,421	3,979
Public works		216,068			
Culture and recreation	136				
Other					
Capital outlay					
Total expenditures	$ 136	216,068	9,447	350,421	3,979
Revenue over (under) expenditures	$ 4,568	21,384	(4,526)	91,810	9,886
Other financial resources (uses):					
Transfer in from other funds	$				
Transfer out to other funds					
Total other financial resources (uses)	$ -	-	-	-	-
Changes in fund balances	$ 4,568	21,384	(4,526)	91,810	9,886
Fund balances - beginning	364,638	(13,362)	12,829	(49,356)	93,181
Fund balances - ended	$ 369,206	8,022	8,303	42,454	103,067

Special Revenue Funds			Capital Project Funds				
Sewer Use Fund	Private Purpose Trust	Sidewalk Fund	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	ARPA Fund	Total
		34,134				246,512	519,540
	177,367						638,384
			2,382	5,551	3,505	806	12,244
106,630	31,040		95,314				236,246
106,630	208,407	34,134	97,696	5,551	3,505	247,318	1,406,414
						7,500	7,500
	16,432				42		380,321
141,546							357,614
							136
	196,433						196,433
		123,730		104,794		283,657	512,181
141,546	212,865	123,730	-	104,794	42	291,157	1,454,185
(34,916)	(4,458)	(89,596)	97,696	(99,243)	3,463	(43,839)	(47,771)
						44,645	44,645
							-
-	-	-	-	-	-	44,645	44,645
(34,916)	(4,458)	(89,596)	97,696	(99,243)	3,463	806	(3,126)
57,329	58,029	(3,758)	30,348	356,272	41,088	7,757	954,995
22,413	53,571	(93,354)	128,044	257,029	44,551	8,563	951,869

TOWN OF PROSPECT, CONNECTICUT

STATEMENT OF CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL AND NONRECURRING FUND
For the Fiscal Year Ended June 30, 2025

	Beginning Fund Balance	Current Year Capital Funding	Transfers
Committed fund balance:			
Community School repairs	$ (944)		944
Sidewalk design	19,245		
Road safety 2021	11,655		
Road Safety 2023	(156,248)		
Road Safety 2024		900,000	
Fire Department radio repeater	7,776		
Street scape (Rte 69 / Center Street)	12,000		
Revaluation	36,953	25,000	
PW backup generator	489		
Meeting place	4,720		
Pool Table replacement	2,070		
Tax and assessor's office new server	124		
Cement fuel tank - Fire House	107		
New Truck - HV507	11,039		
Mini Dump Truck		134,827	
Public wors Pickup Truck		41,845	100
Public Works Truck		149,130	
Police O/T	3,000		
Total committed fund balance	$ (48,014)	1,250,802	1,044
Assigned (unassigned) fund balance:			
Assigned	$ 64,161		(1,044)
Unassigned			
Total assigned (unassigned) fund balance	$ 64,161	-	(1,044)
Total Fund Balance	$ 16,147	1,250,802	-

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
	-		-		-
	19,245		19,245		19,245
	11,655		11,655		11,655
	(156,248)	(152)	(156,400)	156,248	(152)
	900,000	(852,055)	47,945		47,945
	7,776		7,776		7,776
	12,000		12,000		12,000
	61,953		61,953	30,047	92,000
	489	(92,000)	(91,511)		(91,511)
	4,720		4,720		4,720
	2,070		2,070		2,070
	124		124		124
	107		107		107
	11,039		11,039		11,039
	134,827		134,827		134,827
	41,945	(134,104)	(92,159)		(92,159)
	149,130	(41,945)	107,185		107,185
	3,000	(92,130)	(89,130)		(89,130)
-	1,203,832	(1,212,386)	(8,554)	186,295	177,741
27,243	90,360		90,360		90,360
	-		-	(186,295)	(186,295)
27,243	90,360	-	90,360	(186,295)	(95,935)
27,243	1,294,192	(1,212,386)	81,806	-	81,806

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2025

Grand List Year		Uncollected Balance & New Levy July 1, 2024	Lawful Corrections		Transfers To (Recoveries From) Suspense	Balance to be Collected
			Increases	Decreases		
2009	$	-				-
2010		-				-
2011		-				-
2012		-				-
2013		-				-
2014		2				2
2015		2				2
2016		3				3
2017		2				2
2018		450	12			462
2019		(84)				(84)
2020		23,513	12		(6,870)	16,655
2021		65,616	2,116	(4,133)	(643)	62,956
2022		258,853	19,725	(30,044)	(492)	248,042
Total	$	348,358	21,865	(34,177)	(8,005)	328,041
2023		30,401,216	86,832	(119,161)	(161)	30,368,726
Total	$	30,749,574	108,697	(153,338)	(8,166)	30,696,767

Collections				Uncollected Balance June 30, 2025
Taxes	Interest	Lien Fees	Total	
			-	-
			-	-
			-	-
			-	-
			-	-
			-	2
			-	2
			-	3
			-	2
269	96		365	193
(126)			(126)	42
9,200	3,997	504	13,701	7,455
35,586	14,525	851	50,962	27,370
195,229	39,519	2,402	237,150	52,813
240,158	58,137	3,757	302,052	87,883
30,067,191	83,968	7,098	30,158,257	301,535
30,307,349	142,105	10,855	30,460,309	389,418

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2025

	General Purpose
Debt limitation:	
2 1/4 times base	$ 68,535,695
4 1/2 times base	
3 3/4 times base	
3 1/4 times base	
3 times base	
7 times base	
Total debt limitation	$ 68,535,695
Indebtedness:	
Bonds payable	$
Bonds authorized and unissued	8,522,723
Total indebtedness	$ 8,522,723
Less: School construction grants receivable	-
Total indebtedness of the Town	$ 8,522,723
Debt limitation in excess of outstanding and authorized debt	$ 60,012,972

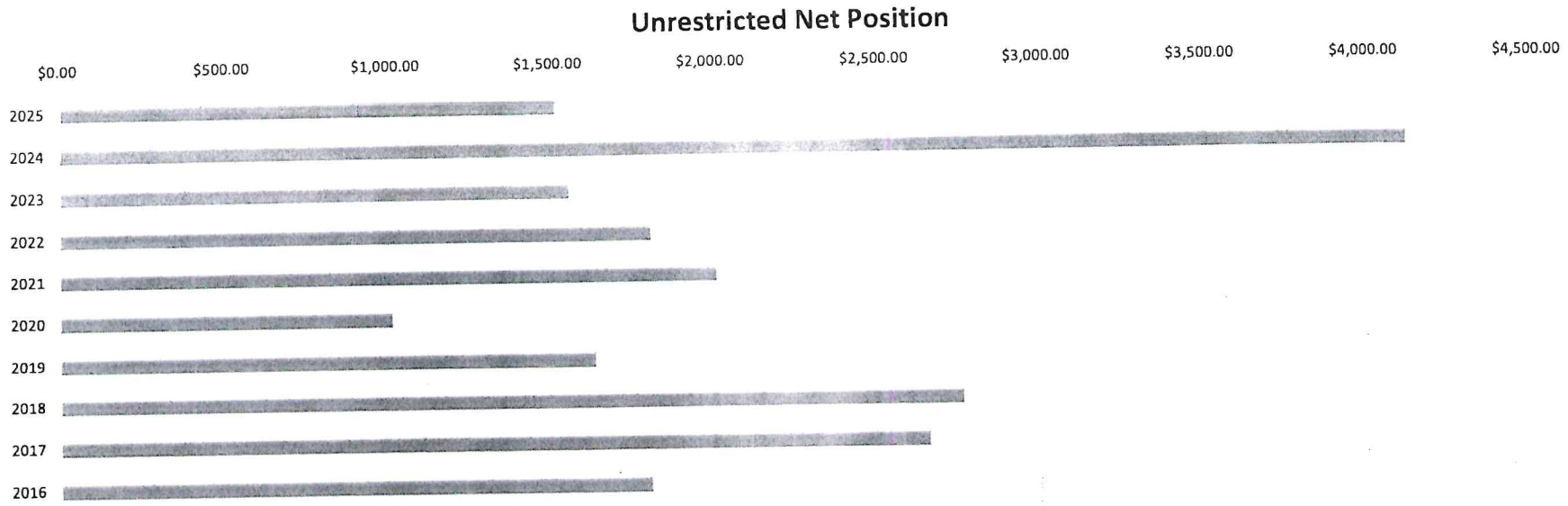
Total tax collections (including interest and lien fees) for the year ended June 30, 2025	$	30,460,309
Reimbursement for revenue loss on: Elderly Tax Relief - Freeze		-
Base	$	30,460,309

Schools	Sewers	Urban Renewal	Pension Bonding	Total Debt
137,071,391				
	114,226,159			
		98,996,004		
			91,380,927	
				213,222,163
137,071,391	114,226,159	98,996,004	91,380,927	213,222,163
				-
				8,522,723
-	-	-	-	8,522,723
-	-	-	-	-
-	-	-	-	8,522,723
137,071,391	114,226,159	98,996,004	91,380,927	204,699,440

TABLE A-1

TOWN OF PROSPECT, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental Activites:										
Net Invested in Capital Assets	$ 16,323	16,969	17,213	17,521	17,428	18,159	17,743	17,707	16,556	15,920
Restricted	358	393	666	277	273	1,193	1,146	1,193	1,112	1,373
Unrestricted	1,517	4,122	1,558	1,809	2,010	1,014	1,637	2,764	2,659	1,809
Total Governmental Activities Net Position	18,198	21,484	19,437	19,607	19,711	20,366	20,526	21,664	20,327	19,102
Total Primary Government Net Position	18,198	21,484	19,437	19,607	19,711	20,366	20,526	21,664	20,327	19,102



NOTES:
(1) Schedule prepared on the accrual basis of accounting.

TABLE A-2

TOWN OF PROSPECT, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)

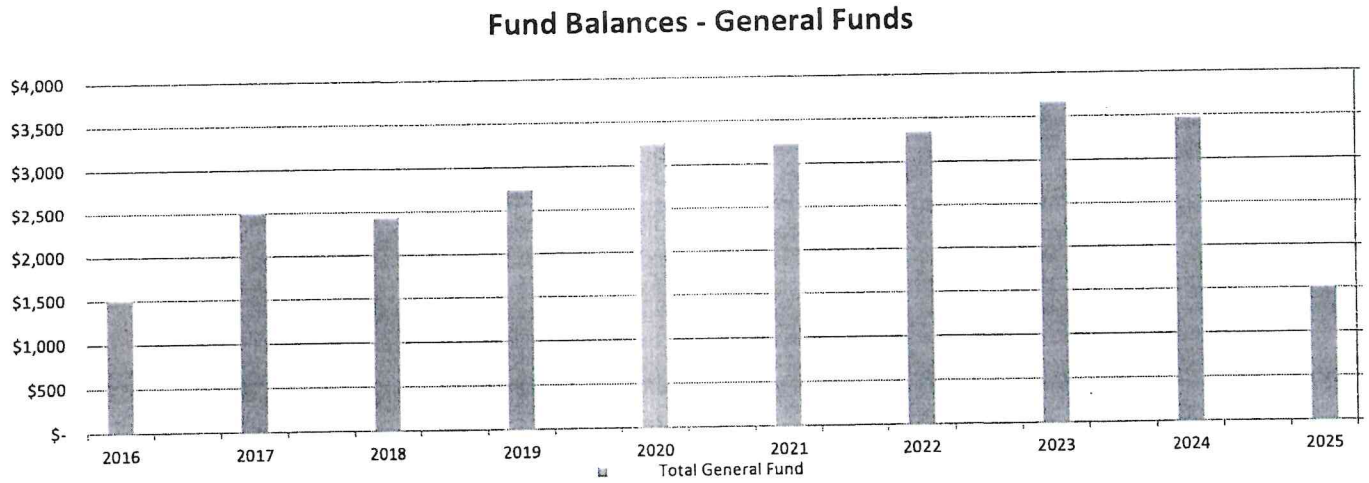
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
EXPENSES										
Governmental Activites:										
General Government	$ 3,724	2,874	3,278	3,077	2,752	2,942	2,900	2,665	2,679	2,660
Public Safety	3,125	2,587	2,631	2,644	2,817	2,522	2,276	2,100	2,168	2,277
Public Works	4,970	2,943	3,556	3,512	3,035	3,043	2,894	2,072	2,640	2,748
Parks and Recreation	957	834	1,249	1,012	743	917	881	915	783	888
Health and Social Services	435	391	629	447	469	443	445	435	400	327
Education	28,092	27,325	26,463	26,123	25,008	23,709	23,601	23,037	22,016	21,845
Other Expenditures	304	146	559	256	-	145	155	147	383	64
Interest on Long-Term Debt	343	188	48	92	97	91	106	42	43	51
Total Governemntal Activities Expenses	$ 41,950	37,288	38,413	37,163	34,921	33,812	33,258	31,413	31,112	30,860
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services	$ 1,342	1,040	1,141	918	941	1,003	1,048	768	984	1,318
Operating Grants and Contributions	6,184	5,683	5,397	5,224	4,863	5,053	5,295	4,871	5,477	5,624
Capital Grants and Contributions	501	1,587	927	1,390	242	198	153	120	89	175
Total Governmental Activities Program Revenues	$ 8,027	8,310	7,465	7,532	6,046	6,254	6,496	5,759	6,550	7,117
NET (EXPENSE) REVENUE										
Governmental Activities	$ (33,923)	(28,978)	(30,948)	(29,631)	(28,875)	(27,558)	(26,762)	(25,654)	(24,562)	(23,743)
Total Net Cost of Services	$ (33,923)	(28,978)	(30,948)	(29,631)	(28,875)	(27,558)	(26,762)	(25,654)	(24,562)	(23,743)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities:										
Property Taxes	$ 30,498	30,508	29,859	29,315	27,779	26,993	26,714	26,704	25,269	24,243
Grants and Contributions Not Restricted to	10	480	606	149	288	160	163	167	379	188
Investment Income	18	18	9	7	9	17	20	17	16	12
Other Income	109	-	305	56	93	228	101	103	122	124
Total Governmental Activities	$ 30,635	31,006	30,779	29,527	28,169	27,398	26,998	26,991	25,786	24,567
CHANGES IN NET POSITION										
Governmental Activities	$ (3,288)	2,028	(169)	(104)	(706)	(160)	236	1,337	1,224	824
Total	$ (3,288)	2,028	(169)	(104)	(706)	(160)	236	1,337	1,224	824

NOTES:
(1) Schedule prepared on the accrual basis of accounting.

TABLE A-3

TOWN OF PROSPECT, CONNECTICUT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Fund:										
Nonspendable	$ 58	-	53	348	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	400	400	517	567	50	250	-	-	-	-
Assigned	-	-	-	-	20	20	196	-	142	377
Unassigned	1,057	3,073	3,106	2,440	3,170	2,996	2,556	2,436	2,368	1,138
Total General Fund	$ 1,515	3,473	3,676	3,355	3,240	3,266	2,752	2,436	2,510	1,515
All Other Governmental Funds:										
Nonspendable	$ -	-	-	1	-	-	-	-	-	-
Restricted	366	393	666	277	273	473	327	372	279	323
Committed	311	872	722	594	527	265	588	355	198	245
Assigned	-	-	64	610	459	435	770	743	741	723
Unassigned	600	(53)	(268)	(62)	-	(58)	-	-	(89)	-
Total All Other Governmental Funds	$ 1,277	1,212	1,184	1,420	1,259	1,115	1,685	1,470	1,129	1,291



NOTES:
(1) Schedule prepared on the modified accrual basis of accounting.

TABLE A-4

TOWN OF PROSPECT, CONNECTICUT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
REVENUES										
Property Taxes and Assessments	$ 30,460	30,528	29,737	29,483	27,721	26,944	26,708	26,705	25,259	24,272
Intergovernmental	6,697	7,666	6,925	6,561	5,392	5,412	5,612	5,158	5,946	5,987
Licenses, Permits, and Fees	1,120	977	1,141	918	932	1,041	952	752	962	1,208
Investment Income	18	18	13	7	9	17	20	17	16	12
Region 16 - Overassessment Refund	-	-	-	-	-	-	-	-	-	759
Micellaneous	331	147	305	258	123	333	334	120	281	234
Total Revenues	$ 38,626	39,336	38,121	37,227	34,177	33,747	33,626	32,752	32,464	32,472
EXPENDITURES										
General Government	$ 3,576	3,273	3,208	2,864	2,779	2,656	2,620	2,590	2,522	2,585
Public Safety	2,711	2,634	2,378	2,206	2,228	2,327	2,052	1,887	1,970	2,084
Public Works	2,756	2,474	2,533	2,444	2,296	2,312	2,318	2,317	2,169	2,335
Parks and Recreation	844	897	1,017	850	625	679	866	817	774	815
Health and Social Services	378	412	576	373	411	540	455	379	347	348
Education	28,092	27,325	26,463	26,123	25,008	23,709	23,601	23,037	22,016	22,605
Other	304	146	158	256	121	205	313	135	303	64
Capital Outlay	1,725	2,461	2,712	1,909	857	1,419	2,298	1,065	1,617	949
Debt Service	1,032	5,058	563	725	686	856	494	1,008	785	1,237
Total Expenditures	$ 41,418	44,680	39,608	37,750	35,011	34,703	35,017	33,235	32,503	33,022
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,792)	(5,344)	(1,487)	(523)	(834)	(956)	(1,391)	(483)	(39)	(550)
OTHER FINANCING SOURCES (USES)										
Transfers From Other Funds	$ -	100	156	309	118	(201)	552	1,416	805	760
Transfers To Other Funds	-	(100)	(156)	(309)	(118)	-	(552)	(1,416)	(805)	(760)
Proceeds of Bond Anticipation Notes	-	-	-	-	-	-	-	-	1,838	-
Bond Anticipation Notes Refinanced	-	-	-	-	-	-	-	-	(965)	-
Proceeds From Lease-Purchase Financing	-	-	-	-	-	-	1,023	-	-	-
Proceeds of Bond	-	-	-	-	-	-	-	-	-	1,145
Proceeds of General Obligation Note	-	-	-	-	-	-	2,403	1,833	-	113
General Obligation Notes Refinanced	-	-	-	-	-	-	(1,503)	(1,083)	-	-
Proceeds From Debt Obligations	900	5,150	1,573	800	900	1,101	-	-	-	-
Total Other Financing Sources (Uses)	$ 900	5,150	1,573	800	900	900	1,923	750	873	1,258
NET CHANGE IN FUND BALANCES	(1,892)	(194)	86	277	66	(56)	532	267	834	708
Fund Balances - Beginning	4,879	4,879	4,776	4,499	4,433	4,438	3,906	3,639	2,805	2,097
FUND BALANCES - ENDING	$ 2,987	4,685	4,862	4,776	4,499	4,382	4,438	3,906	3,639	2,805
Debt Service as a % of Noncapital Expenditures	2.7%	13.6%	1.5%	2.1%	2.0%	2.6%	1.5%	3.2%	2.6%	4.0%

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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 Town Council
Town of Prospect, Connecticut
Prospect, Connecticut 06712

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 Prospect, Connecticut, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut's basic financial statements, and have issued our report thereon dated March 3, 2026.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 we have not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Prospect, Connecticut'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 of Prospect, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CLERMONT & ASSOCIATES, LLC
Waterbury, Connecticut

Clermont & Associates, LLC

March 3, 2026