ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF FAIRHAVEN, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2025

TOWN OF FAIRHAVEN, MASSACHUSETTS

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YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Select Board
Town of Fairhaven, Massachusetts

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, (the Town) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, (except for the Fairhaven Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2024).

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2025, (except for the System which as of December 31, 2024) and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter - Restatements

The Town's basic financial statements for the year ended June 30, 2024 were audited by other auditors, who issued an unmodified opinion dated August 11, 2025. As described in Note IV to the financial statements, the Town restated its previously reported net positions and fund balances. We audited the adjustments described in Note IV that were applied to restate the June 30, 2024 basic financial statements. In our opinion, such adjustments were appropriate and properly applied. We were not engaged to audit, review or apply any procedures to the June 30, 2024 basic financial statements other than with respect to those adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2024 basic financial statements taken as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, is the responsibility of management, and although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these 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.

Other Reporting Required by *Government Auditing Standards*

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

RoselliClark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
June 30, 2026

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TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 31,130,087	$ 9,871,883	$ 41,001,970
Investments	14,119,627	74,813	14,194,440
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	686,552	-	686,552
Tax liens and deferrals	960,522	-	960,522
Excise	297,139	-	297,139
User fees	-	3,089,350	3,089,350
Departmental and other	691,987	-	691,987
Loans receivable	327,227	-	327,227
Lease receivable	431,172	-	431,172
Intergovernmental	316,188	3,470,364	3,786,552
Other assets	659,486	-	659,486
Working capital deposit	1,128,000	-	1,128,000
Capital assets, not being depreciated	26,892,710	45,404,227	72,296,937
Capital assets, net of accumulated depreciation	66,974,658	30,360,771	97,335,429
Total Assets	144,615,355	92,271,408	236,886,763
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	3,820,200	171,023	3,991,223
Related to net pension liability	2,728,805	335,194	3,063,999
Total Deferred Outflows of Resources	6,549,005	506,217	7,055,222
Liabilities			
Warrants and accounts payable	2,876,447	2,493,822	5,370,269
Accrued payroll	1,172,297	95,183	1,267,480
Health claims incurred but not reported	858,418	-	858,418
Retainage payable	-	1,715,199	1,715,199
Tax refunds payable	289,464	-	289,464
Other liabilities	401,235	18,625	419,860
Unearned revenue	855,102	-	855,102
Accrued interest	67,518	330,864	398,382
Bond anticipation notes payable	1,000,000	29,171,536	30,171,536
Long-term liabilities:			
Due within one year	1,296,892	741,627	2,038,519
Due in more than one year	73,874,360	13,337,916	87,212,276
Total Liabilities	82,691,733	47,904,772	130,596,505
Deferred Inflows of Resources			
Related to leases	431,172	-	431,172
Related to net other postemployment benefits liability	6,414,016	287,144	6,701,160
Related to net pension liability	21,374	2,625	23,999
Total Deferred Inflows of Resources	6,866,562	289,769	7,156,331
Net Position			
Net investment in capital assets	88,571,770	42,871,184	131,442,954
Restricted:			
Nonexpendable permanent funds	3,037,811	-	3,037,811
Expendable permanent funds	689,684	-	689,684
Federal and State grants	1,691,722	-	1,691,722
Other purposes	9,191,390	-	9,191,390
Unrestricted	(41,576,312)	1,711,900	(39,864,412)
Total Net Position	**$ 61,606,065**	**$ 44,583,084**	**$ 106,189,149**

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$ 7,574,902	$ 1,554,780	$ 677,980	$ 149,709	$ (5,192,433)		$ (5,192,433)
Public safety	18,589,153	3,988,344	1,043,265	1,794,546	(11,762,998)		(11,762,998)
Education	48,464,410	3,125,736	17,912,103	300,000	(27,126,571)		(27,126,571)
Public works	6,257,390	845,549	380,167	538,886	(4,492,788)		(4,492,788)
Health and human services	1,648,840	362,013	492,350	-	(794,477)		(794,477)
Culture and recreation	1,657,953	280,508	10,727	290,818	(1,075,900)		(1,075,900)
Interest expense	200,258	-	-	-	(200,258)		(200,258)
Total Governmental Activities	84,392,906	10,156,930	20,516,592	3,073,959	(50,645,425)		(50,645,425)
Business-Type Activities:							
Water	3,755,868	3,263,193	-	-		$ (492,675)	(492,675)
Sewer	5,160,253	5,261,849	-	5,993,238		6,094,834	6,094,834
Total Business-type Activities	8,916,121	8,525,042	-	5,993,238		5,602,159	5,602,159
Total Primary Government	$ 93,309,027	$ 18,681,972	$ 20,516,592	$ 9,067,197	$ (50,645,425)	$ 5,602,159	$ (45,043,266)
		General Revenues:					
		Real and personal property taxes			35,602,546	-	35,602,546
		Motor vehicle and other excise			3,771,331	-	3,771,331
		Grants and contributions not restricted to specific programs			3,188,749	-	3,188,749
		Penalties and interest on taxes			294,615	-	294,615
		Unrestricted investment income (loss)			1,475,785	9,847	1,485,632
		Transfers (net)			-	-	-
		Total General Revenues and Transfers			44,333,026	9,847	44,342,873
		Change in Net Position			(6,312,399)	5,612,006	(700,393)
		Net Position:					
		Beginning of year, as previously reported			67,904,405	38,992,376	106,896,781
		Restate for GASB 84			(22,613)	-	(22,613)
		Restate for debt premiums			36,672	36,987	73,659
		Restate for accrued interest			-	(91,705)	(91,705)
		Restate to conform to current year reporting			-	33,420	33,420
		Beginning of year, as restated (See Note IV)			67,918,464	38,971,078	106,889,542
		End of year			$ 61,606,065	$ 44,583,084	$ 106,189,149

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 16,362,374	$ 1,834,012	$ 11,347,765	$ 29,544,151
Investments	9,749,064	-	4,370,563	14,119,627
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes	632,330	-	54,222	686,552
Tax liens and deferrals	953,766	-	6,756	960,522
Excise	297,139	-	-	297,139
Loans	-	327,227	-	327,227
Leases	431,172	-	-	431,172
Other	98,028	-	593,959	691,987
Intergovernmental	71,761	40,821	203,606	316,188
Other assets	659,486	-	-	659,486
Total Assets	29,255,120	2,202,060	16,576,871	48,034,051
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 29,255,120	$ 2,202,060	$ 16,576,871	$ 48,034,051
Liabilities:				
Warrants and accounts payable	$ 2,641,251	$ 56,635	$ 178,561	$ 2,876,447
Accrued payroll and withholdings	1,138,172	2,291	31,834	1,172,297
Unearned revenue	-	855,102	-	855,102
Tax refunds payable	289,464	-	-	289,464
Other liabilities	401,235	-	-	401,235
Bond anticipation notes payable	-	-	1,000,000	1,000,000
Total Liabilities	4,470,122	914,028	1,210,395	6,594,545
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	1,366,932	-	60,978	1,427,910
Unavailable revenues - excise taxes	297,139	-	-	297,139
Unavailable revenues - leases	431,172	-	-	431,172
Unavailable revenues - other	757,514	327,227	593,959	1,678,700
Unavailable revenues - intergovernmental	-	-	91,000	91,000
Total Deferred Inflows of Resources	2,852,757	327,227	745,937	3,925,921
Fund Balances:				
Nonspendable	-	-	3,037,811	3,037,811
Restricted	-	960,805	11,639,870	12,600,675
Committed	2,481,376	-	-	2,481,376
Assigned	3,081,719	-	-	3,081,719
Unassigned	16,369,146	-	(57,142)	16,312,004
Total Fund Balances	21,932,241	960,805	14,620,539	37,513,585
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 29,255,120	$ 2,202,060	$ 16,576,871	$ 48,034,051

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION JUNE 30, 2025

Total Governmental Fund Balances		**$ 37,513,585**
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		93,867,368
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		3,925,921
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position		1,855,518
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.		(67,518)
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net other postemployment benefits liability	3,820,200	
Deferred outflows related to net pension liability	2,728,805	
Deferred inflows related to leases	(431,172)	
Deferred inflows related to net other postemployment benefits liability	(6,414,016)	
Deferred inflows related to net pension liability	(21,374)	
Net effect of reporting deferred outflows and inflows of resources		(317,557)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(5,275,000)	
Unamortized premiums on bonds	(30,530)	
Landfill monitoring	(125,000)	
Compensated absences	(1,570,036)	
Net pension liability	(13,522,085)	
Net other postemployment benefits liability	(54,648,601)	
Net effect of reporting long-term liabilities		(75,171,252)
Net Position of Governmental Activities		**$ 61,606,065**

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND `BALANCES
YEAR ENDED JUNE 30, 2025

	General	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real and personal property taxes	$ 35,012,793	$ -	$ 538,727	$ 35,551,520
Intergovernmental	16,945,217	4,355,949	4,949,366	26,250,532
Motor vehicle and other excises	3,738,725	-	-	3,738,725
Licenses and permits	873,471	-	-	873,471
Departmental and other	4,822,908	-	4,457,957	9,280,865
Penalties and interest on taxes	294,615	-	-	294,615
Fines and forfeitures	2,260	-	-	2,260
Investment income	1,404,917	17	(19,503)	1,385,431
Contributions and donations	-	-	575,044	575,044
Total Revenues	63,094,906	4,355,966	10,501,591	77,952,463
Expenditures:				
Current:				
General government	4,223,726	912,121	428,415	5,564,262
Public safety	10,494,461	1,574,166	965,176	13,033,803
Education	27,916,973	300,000	4,931,964	33,148,937
Public works	5,160,996	241,609	768,587	6,171,192
Health and human services	868,240	201,639	220,407	1,290,286
Culture and recreation	1,445,222	199,818	595,333	2,240,373
Pension and fringe benefits	13,350,182	-	-	13,350,182
State and county tax assessments	741,349	-	-	741,349
Debt service:				
Principal	925,000	-	-	925,000
Interest	177,164	-	-	177,164
Total Expenditures	65,303,313	3,429,353	7,909,882	76,642,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,208,407)	926,613	2,591,709	1,309,915
Other Financing Sources (Uses)				
Transfers in	1,848,521	-	92,424	1,940,945
Transfers out	(92,424)	-	(1,848,521)	(1,940,945)
Total Other Financing Sources (Uses)	1,756,097	-	(1,756,097)	-
Net Change in Fund Balances	(452,310)	926,613	835,612	1,309,915
Fund Balances, Beginning, as previously reported	22,384,551	34,192	13,807,540	36,226,283
Restate for GASB 84	-	-	(22,613)	(22,613)
Fund Balances, Beginning, as restated	22,384,551	34,192	13,784,927	36,203,670
Fund Balances, Ending	**$ 21,932,241**	**$ 960,805**	**$ 14,620,539**	**$ 37,513,585**

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Fund Balances		**$ 1,309,915**
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, when a capital asset is disposed of, a gain or loss is calculated and reported in the Statement of Activities whereas in the governmental funds, proceeds are reported as revenues. The net amounts are reflected here as reconciling items:		
Capital outlays	$ 5,888,805	
Depreciation expense	(4,588,317)	
Net effect of reporting capital assets		1,300,488
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:		
Amortization of premiums on bonds and notes payable	5,609	
Repayments of debt	925,000	
Net effect of reporting long-term debt		930,609
Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived . from unavailable revenue.		37,690
In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.		(28,703)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences	101,947	
Other postemployment benefits	(10,890,959)	
Pension benefits	1,008,346	
Landfill liability	25,000	
Net effect of reporting long-term liabilities		(9,755,666)
The net activity of internal service funds is reported with Governmental Activities		(106,732)
Change in Net Position of Governmental Activities		**$ (6,312,399)**

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Assets:				
Current Assets:				
Cash and cash equivalents	$ 2,235,246	$ 7,636,637	$ 9,871,883	$ 1,585,936
Investments	-	74,813	74,813	-
Receivables (net)				
User fees	994,716	1,928,580	2,923,296	-
Liens - user fees	59,779	106,275	166,054	-
Intergovernmental	-	3,470,364	3,470,364	-
Total Current Assets	3,289,741	13,216,669	16,506,410	1,585,936
Noncurrent Assets:				
Working capital deposit	-	-	-	1,128,000
Capital assets, not being depreciated	5,223,559	40,180,668	45,404,227	-
Capital assets, net of accumulated depreciation	3,465,925	26,894,846	30,360,771	-
Total Noncurrent Assets	8,689,484	67,075,514	75,764,998	1,128,000
Total Assets	11,979,225	80,292,183	92,271,408	2,713,936
Deferred Outflows of Resources:				
Related to net other postemployment benefits liability	58,020	113,003	171,023	-
Related to net pension liability	116,467	218,727	335,194	-
Total Deferred Outflows of Resources	174,487	331,730	506,217	-
Liabilities:				
Current Liabilities:				
Warrants and accounts payable	623,696	1,870,126	2,493,822	-
Accrued payroll and withholdings	26,487	68,696	95,183	-
Retainage payable	-	1,715,199	1,715,199	-
Health claims incurred but not reported	-	-	-	858,418
Accrued interest	163,067	167,797	330,864	-
Other liabilities	1,012	17,613	18,625	-
Bond anticipation notes payable	2,390,000	26,781,536	29,171,536	-
Compensated absences	27,278	43,286	70,564	-
Bonds and notes payable	260,978	410,085	671,063	-
Total Current Liabilities	3,492,518	31,074,338	34,566,856	858,418
Noncurrent Liabilities:				
Compensated absences	81,835	129,859	211,694	-
Bonds and notes payable	1,694,620	7,324,092	9,018,712	-
Net pension liability	577,132	1,083,863	1,660,995	-
Net other postemployment benefits liability	829,983	1,616,532	2,446,515	-
Total Noncurrent Liabilities	3,183,570	10,154,346	13,337,916	-
Total Liabilities	6,676,088	41,228,684	47,904,772	858,418
Deferred Inflows of Resources:				
Related to net other postemployment benefits liability	97,414	189,730	287,144	-
Related to net pension liability	912	1,713	2,625	-
Total Deferred Inflows of Resources	98,326	191,443	289,769	-
Net Position:				
Net investment in capital assets	7,668,375	35,202,809	42,871,184	-
Unrestricted	(2,289,077)	4,000,977	1,711,900	1,855,518
Total Net Position	$ 5,379,298	$ 39,203,786	$ 44,583,084	$ 1,855,518

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Operating Revenues:				
Charges for services	$ 3,256,280	$ 5,256,373	$ 8,512,653	$ -
Employee and employer contributions	-	-	-	7,633,601
Other	6,913	5,476	12,389	-
Total Operating Revenues	3,263,193	5,261,849	8,525,042	7,633,601
Operating Expenses:				
Operating costs	1,918,501	3,663,966	5,582,467	-
Intergovernmental assessment	1,410,988	-	1,410,988	-
Depreciation	219,118	1,102,104	1,321,222	-
Employee Benefits	-	-	-	7,830,687
Total Operating Expenses	3,548,607	4,766,070	8,314,677	7,830,687
Total Operating Income	(285,414)	495,779	210,365	(197,086)
Nonoperating Revenues (Expenses):				
Interest expense	(207,261)	(394,183)	(601,444)	-
Interest income	363	9,484	9,847	90,354
Total Nonoperating Revenues (Expenses)	(206,898)	(384,699)	(591,597)	90,354
Income Before Capital Contributions and Transfers	(492,312)	111,080	(381,232)	(106,732)
Capital contributions	-	5,993,238	5,993,238	-
Change in Net Position	(492,312)	6,104,318	5,612,006	(106,732)
Net Position at Beginning of Year, as previously reported	5,834,623	33,157,753	38,992,376	1,962,250
Restate for debt premium	36,987	-	36,987	-
Restate for accrued interest	-	(91,705)	(91,705)	-
Restate to conform to current year reporting	-	33,420	33,420	-
Net Position at Beginning of Year, as restated	5,871,610	33,099,468	38,971,078	1,962,250
Net Position at End of Year	$ 5,379,298	$ 39,203,786	$ 44,583,084	$ 1,855,518

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Receipts from users	$ 3,289,803	$ 4,994,163	$ 8,283,966	$ -
Receipts from interfund services provided	-	-	-	7,633,601
Payments to vendors	(1,835,215)	(2,530,085)	(4,365,300)	-
Payments to employees	(787,689)	(1,219,508)	(2,007,197)	-
Payments for interfund services used	-	-	-	(7,895,777)
Net Cash Provided/(used) by Operating Activities	666,899	1,244,570	1,911,469	(262,176)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of bond anticipation notes	2,390,000	23,273,551	25,663,551	-
Proceeds from capital grants	-	5,993,238	5,993,238	-
Acquisition and construction of capital assets	(2,187,962)	(28,374,111)	(30,562,073)	-
Principal payments on bonds and notes	(816,278)	(2,054,709)	(2,870,987)	-
Interest expense	(115,293)	(357,307)	(472,600)	-
Net Cash Used for Capital and Related Financing Activities	(729,533)	(1,519,338)	(2,248,871)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment of operating cash, net	-	1,612,160	1,612,160	-
Investment income	363	9,484	9,847	90,354
Net Cash Provided by Investing Activities	363	1,621,644	1,622,007	90,354
Net Change in Cash and Cash Equivalents	(62,271)	1,346,876	1,284,605	(171,822)
Cash and Cash Equivalents:				
Beginning of Year	2,297,517	6,289,761	8,587,278	1,757,758
End of Year	**$ 2,235,246**	**$ 7,636,637**	**$ 9,871,883**	**$ 1,585,936**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income	$ (285,414)	$ 495,779	$ 210,365	$ (197,086)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	219,118	1,102,104	1,321,222	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
User fees receivable	26,610	(267,686)	(241,076)	-
Deferred outflows of resources	96,183	181,016	277,199	-
Working capital deposit	-	-	-	(62,100)
Warrants and accounts payable	593,453	(2,081,407)	(1,487,954)	(58,024)
Accrued payroll and withholdings	3,711	35,277	38,988	0
Retainage payable	-	1,715,199	1,715,199	0
Health claims incurred but not reported	-	-	-	55,034
Other liabilities	875	(12,379)	(11,504)	-
Compensated absences	(14,439)	16,674	2,235	-
Net pension liability	(127,868)	(240,137)	(368,005)	-
Net other postemployment benefits liability	141,836	276,249	418,085	-
Deferred inflows of resources	12,834	23,881	36,715	-
Net Cash Provided by Operating Activities	$ 666,899	$ 1,244,570	$ 1,911,469	$ (262,176)
Noncash capital and related financing activities:				
Amortization of bond premium	$ 33,057	$ 5,418	$ 38,475	$ -

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Custodial Funds
Assets:			
Cash and Cash Equivalents	$ 716,514	$ 362,097	$ 1,422,791
Investments (at fair value):			
Equity securities	-	135,531	-
Corporate fixed income securities	-	446,595	-
U.S. government securities	-	298,582	-
Domestic equity mutual funds	1,462,422	-	-
Fixed income mutual funds	889,023	-	-
PRIT	97,916,659	-	-
Exchange traded funds - fixed income	-	7,626	-
Exchange traded funds - equitiy	692,093	-	-
Total Investments	100,960,197	888,334	-
Receivables:			
Other receivables	142,319	-	-
Total Receivables	142,319	-	-
Total Assets	101,819,030	1,250,431	1,422,791
Liabilities:			
Warrants and accounts payable	1,445	-	38,126
Total Liabilities	1,445	-	38,126
Net Position:			
Restricted for pensions	98,666,637	-	-
Restricted for other postemployment benefits	3,150,948	-	-
Restricted for private purposes		1,250,431	
Restricted for individuals, organizations, and other governments	-	-	1,384,665
Total Net Position	$ 101,817,585	$ 1,250,431	$ 1,384,665

(1) Pension Trust Fund is as of December 31, 2024.

See accompanying notes to basic financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Custodial Funds
Additions			
Contributions:			
Employer	$ 6,634,713	$ -	$ -
Employee	1,640,050	-	-
Other	597,405	37,578	-
Fees collected for Mattapoisett River Valley Water District	-	-	5,015,114
Fees collected for Water Supply Protection Committee	-	-	186,743
Total Contributions	8,872,168	37,578	5,201,857
Other income	23,723	-	-
Investment income:			
Interest and dividends	2,442,601	-	-
Net appreciation in fair value of investments	6,480,539	(99,690)	-
Less - investment management fees	(454,799)	-	-
Net investment earnings	8,468,341	(99,690)	-
Total Additions (net)	17,364,232	(62,112)	5,201,857
Deductions			
Benefit payments to pensioners and beneficiaries	8,470,091	-	-
Member refunds	152,611	-	-
Transfers and reimbursements to other systems	601,321	-	-
Payroll expenses of the System	122,994	-	-
Other administrative expenses	38,648	-	-
Scholarships	-	21,245	-
Fees collected for Mattapoisett River Valley Water District	-	-	5,653,131
Fees collected for Water Supply Protection Committee	-	-	41,455
Total Deductions	9,385,665	21,245	5,694,586
Change in Net Position	7,978,567	(83,357)	(492,729)
Net Position - Beginning of the Year, As Previously Reported	93,839,018	1,333,788	2,116,142
Restate for GASB 84	-	-	(238,748)
Net Position - Beginning of the Year, As Restated	93,839,018	1,333,788	1,877,394
NET POSITION AT END OF YEAR	$ 101,817,585	$ 1,250,431	$ 1,384,665

(1) Pension Trust Fund is as of December 31, 2024.

See accompanying notes to basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Fairhaven, Massachusetts (the "Town"), we offer readers of the Town's financial statements this discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$106.2 million (*total net position*). This represents a decrease of \$0.7 million from the prior year. The Town's net position in its governmental activities decreased over \$6.3 million while its net position in its business-type activities increased over \$5.6 million.

- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit was approximately \$41.6 million at June 30, 2025 and due primarily to the recording of liabilities associated with the net OPEB and net pension liabilities, which approximated \$68.2 million at June 30, 2025 in aggregate.

- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of \$37.5 million, which is \$1.3 million higher than the prior year. The Town reported a decrease in fund balance in its general fund of approximately \$0.5 million, and increases in the Town grants fund and nonmajor governmental funds of over \$0.9 million and \$0.8 million, respectively.

- The Town's unassigned fund balance reported in the general fund was approximately \$16.4 million, (25.1% of general fund expenditures). Total fund balance in the general fund was over \$21.9 million (33.6% of general fund expenditures).

- The Town's total debt (exclusive of bond premiums) decreased by \$1.7 million during the fiscal year due to scheduled maturities.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the 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 government-wide financial statements consist of three classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*); and 2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*), and 3) a *component unit*.

The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and debt interest. The business-type activities of the Town are comprised of the water and sewer enterprise funds.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds if negative.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Town maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Town Grants Fund, and the aggregate Nonmajor Governmental funds.

The Town adopts an annual appropriated budget for its general fund and its enterprise fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

Proprietary funds – The Town maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer enterprise funds.

Internal service funds are used to report activities that service all other Town Departments. The Town uses internal service funds to account for self-insured health insurance claims.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial 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.

The System is a Pension Trust that is a legally separate entity reported as a blended fiduciary fund. Because the System services almost entirely to the Town, it is presented as if it were part of the primary government as a fiduciary fund due to the significance of its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligations to provide pension benefits and other postemployment benefits to its employees as well as a budget to actual comparison for the current year's general fund operations.

Government-wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	Governmental activities		Business-type activities		Total	
	June 30		June 30		June 30	
	2025	2024	2025	2024	2025	2024
Assets						
Currrent and other assets	$ 50,747,987	$ 50,156,446	$ 16,506,410	$ 13,089,105	$ 67,254,397	$ 63,245,551
Capital assets, net	93,867,368	92,566,880	75,764,998	46,524,147	169,632,366	139,091,027
Total assets	144,615,355	142,723,326	92,271,408	59,613,252	236,886,763	202,336,578
Deferred Outflows of Resources	6,549,005	9,248,444	506,217	783,416	7,055,222	10,031,860
Liabilities						
Long-term liabilities	75,171,252	69,897,499	14,079,543	14,883,677	89,250,795	84,781,176
Other liabilities	7,520,481	6,961,419	33,825,229	6,267,561	41,345,710	13,228,980
Total liabilities	82,691,733	76,858,918	47,904,772	21,151,238	130,596,505	98,010,156
Deferred Inflows of Resources	6,866,562	7,208,447	289,769	253,054	7,156,331	7,461,501
Net Position						
Net investment in capital assets	88,571,770	86,361,142	42,871,184	34,103,458	131,442,954	120,464,600
Restricted	14,610,607	13,807,540	-	-	14,610,607	13,807,540
Unrestricted	(41,576,312)	(32,264,277)	1,711,900	4,888,918	(39,864,412)	(27,375,359)
Net position	$ 61,606,065	$ 67,904,405	$ 44,583,084	$ 38,992,376	$ 106,189,149	$ 106,896,781

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $106.2 million at the close of the most recent fiscal year.

By far, the largest portion (over $131.4 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion, over $14.6 million, of the Town's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position reflects the remainder of net position; a deficit of approximately $39.9 million. Governmental unrestricted net position reflects nearly $41.6 million of this deficit primarily due to the recognition of net other postemployment benefits and net pension liabilities that are significant. These are non-cash charges that are expected to continue to increase until an adequate funding schedule can be developed for the net OPEB liability.

Business-type unrestricted net position totaled $1.7 million.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	Governmental activities		Business-type activities		Total	
	June 30		June 30		June 30	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 10,156,930	$ 6,671,212	$ 8,525,042	$ 7,920,440	$ 18,681,972	$ 14,591,652
Operating grants and contributions	20,516,592	20,060,103	-	-	20,516,592	20,060,103
Capital grants and contributions	3,073,959	4,988,124	5,993,238	5,626,762	9,067,197	10,614,886
General revenues:						
Property taxes	35,602,546	34,904,111	-	-	35,602,546	34,904,111
Intergovernmental	3,188,749	4,305,452	-	-	3,188,749	4,305,452
Other	5,541,731	5,859,957	9,847	92,731	5,551,578	5,952,688
Total Revenues	78,080,507	76,788,959	14,528,127	13,639,933	92,608,634	90,428,892
Expenses						
General government	7,574,902	6,236,388	-	-	7,574,902	6,236,388
Public safety	18,589,153	14,908,842	-	-	18,589,153	14,908,842
Education	48,464,410	42,216,481	-	-	48,464,410	42,216,481
Public works	6,257,390	6,560,132	-	-	6,257,390	6,560,132
Health and human services	1,648,840	1,322,651	-	-	1,648,840	1,322,651
Culture and recreation	1,657,953	2,045,392	-	-	1,657,953	2,045,392
Debt service	200,258	186,795	-	-	200,258	186,795
Community preservation	-	-	-	-	-	-
Water	-	-	3,755,868	3,339,389	3,755,868	3,339,389
Sewer	-	-	5,160,253	4,886,634	5,160,253	4,886,634
Total Expenses	84,392,906	73,476,681	8,916,121	8,226,023	93,309,027	81,702,704
Change in net position before transfers	(6,312,399)	3,312,278	5,612,006	5,413,910	(700,393)	8,726,188
Transfers	-	10,148	-	(10,148)	-	-
Change in net position	(6,312,399)	3,322,426	5,612,006	5,403,762	(700,393)	8,726,188
Net position, beginning of year	67,904,405	64,581,979	38,992,376	31,622,891	106,896,781	96,204,870
Restatement for GASB 84	(22,613)	-	-	-	(22,613)	-
Restatement for debt premium	36,672	-	36,987	-	73,659	-
Restatement for accrued interest	-	-	(91,705)	-	(91,705)	-
Restatement to conform to current year	-	-	33,420	1,965,723	33,420	1,965,723
Net position, beginning of year, as restated	67,918,464	64,581,979	38,971,078	33,588,614	106,889,542	98,170,593
Net position, end of year	$ 61,606,065	$ 67,904,405	$ 44,583,084	$ 38,992,376	$ 106,189,149	$ 106,896,781

Governmental Activities – Total revenues in fiscal year 2025 in the Town's governmental activities increased approximately $1.3 million from fiscal year 2024. The Town's largest revenue source is property taxes, which represented approximately 45.6% and 45.5% of total fiscal year 2025 and 2024 revenues, respectively. Property taxes increased approximately $0.7 million. Operating grants and contributions represented approximately 26.3% and 26.1% of total fiscal year 2025 and 2024 revenues. No other revenues sources exceeded 10% of total revenues in either fiscal year 2025 or 2024.

Total expenses increased over $10.9 million from the prior year. The Town's largest expense category is education, which the Town continues to devote substantial resources. Education expenses totaled approximately 57.4% and 57.5% of total fiscal year 2025 and 2024 expenses, respectively. In terms of dollars, education expenses increased over $6.2 million in fiscal year 2025. Public safety represented approximately 22.0% and 20.3% of total fiscal year 2025 and 2024 expenses. In terms of dollar amount, expenses increased nearly $3.7 million. The increases in these functions is primarily due to an increase in benefit allocations. No other expenditure sources exceeded 10% of total expenditures in either fiscal year 2024 or 2025.

Business-Type Activities – User charges and capital grants and contributions represented the majority of the reported revenues in both fiscal year 2025 and 2024. Rate increases were approved during the year for both enterprise funds. Business-Type activities increased approximately $5.6 million compared to the prior year primarily due to the recognition of $6.0 million of sewer capital grants and contributions related to the sewer plant upgrade.

Governmental Funds Financial Analysis

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

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

The Town maintains three governmental funds; (1) its general fund, (2) Town Grants Fund, and (3) the aggregate remaining funds combined into a nonmajor category.

General Fund - The Town's unassigned fund balance reported in the general fund was approximately $16.4 million, (25.1% of general fund expenditures). Total fund balance in the general fund was over $21.9 million (33.6% of general fund expenditures). The decrease of approximately $0.5 million in fund balance was primarily due to the timing of expenditures related to Town Meeting articles.

Town Grants Fund – The Town Grants Fund increased over $0.9 million. This fund fluctuates typically as a result of the timing of grant receipts and expenditures.

Nonmajor Funds – Except for permanent funds, which typically increase based on contributions and investment earnings, the nature of Nonmajor Funds is to record revenue, (user charges, grants or donations) that will be used specifically against expenditures they were raised or intended for. Therefore, any fluctuations in these funds are mainly due to the timing of receipts and expenditures. During fiscal 2025, the Town's nonmajor funds increased over $0.8 million as revenues exceeded expenditures and net transfers out.

Proprietary funds – The Town's proprietary fund is made up of (1) the Water and Sewer Enterprise Fund, which provides the same type of information found in the government-wide financial statements under business-type activities, but in more detail; and (2) the Town's Internal Service Fund which accounts for the Town's Health Claims Fund.

Fiduciary Fund – The Town's fiduciary fund is comprised primarily of the Town's Retirement System whose net position is approximately $98.7 million. These assets are used strictly to pay retiree pensions and annuities and may not be used for City operating purposes.

For the year ended December 31, 2024 the net position increased by approximately $7.5 million due primarily to robust market conditions related to investments held by the System during calendar year 2024.

In addition, the Town manages an other postemployment benefit plan whose plan assets are approximately $3.2 million. Net position in this fund increased by over $0.5 million, also due to the Town's annual contribution and robust market conditions.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to over $169.6 million, net of accumulated depreciation. This is an increase of over $30.5 million increase from the prior year's balance as current year additions exceeded current year depreciation expense. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment. The increase in is primarily due to the Town's ongoing sewer plant upgrade.

Additional information on the Town's capital assets can be found in Notes to the financial statements.

Long-term Debt – At the end of the current fiscal year, the Town had total debt outstanding of over $14.8 million. The entire amount comprises debt backed by the full faith and credit of the government. The Town's total debt decreased by $1.7 million during the fiscal year. This decrease is due to regular scheduled maturities.

The Town also amortizes premiums received on the issuance of bonds. Total premium outstanding is approximately $0.2 million in the current year.

The Town is currently assigned an "AA+" rating from S&P Global Ratings relative to the Town's general obligation debt which is one notch below the highest investment grade.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the Town is significantly in excess of the Town's outstanding general obligation debt classified as inside the debt limit.

Additional information on the Town's short-term and long-term debt can be found in Notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise 76.5% of the Town's real estate tax base. The Town also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprise 18.1% of the Town's real estate tax base. The remainder of the Town's tax base, 5.4% is made up of personal property taxes. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.

- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Actions by the Federal Open Market Committee to soften the economy due to inflation caused mortgage rates to spike during fiscal year 2024 and continue to remain high. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.

- While inflation is stabilizing from its 40-year historic highs, the Town is still experiencing the challenges associated with inflation on wages, goods, services, construction and energy. The Town continues to monitor this situation

- Medical insurance premium rates are volatile. Many Massachusetts municipalities are experiencing steep premium increases beyond those contemplated in budgets and forecasts and well beyond the Commonwealth's Proposition 2 ½ property tax limits.

All of the above items were considered when the Town developed its budget for fiscal year 2026 which was authorized by annual Town Meeting in May 2025.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall 40 Center Street, Fairhaven, Massachusetts 02719.

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Fairhaven, Massachusetts have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Fairhaven is located in Bristol County and was incorporated as a town in 1812. The governing structure utilizes an open town meeting form, with an elected five-member Select Board, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water and sewer services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria.

The entity discussed below is included in the Town's reporting entity because of the significance of its operations or financial relationships with the Town.

Fairhaven Contributory Retirement System – The System was established to provide retirement benefits to Town employees, the Fairhaven Housing Authority employees and their beneficiaries. While legally separate, the System provides services almost entirely to the Town and is reported as a pension trust fund in the fiduciary fund financial statements. The System did not issue a separate audited financial statement. The System issues a publicly available unaudited annual financial report that may be obtained by contacting the System at 40 Center Street, Fairhaven, Massachusetts.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

1) Total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and

2) The total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*. For the most part, the effect of interfund activity has been removed from the government-wide 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 when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Town Grants Fund – is used to account for all financial resources related to Town (non-school department) federal, state and local grants.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Fund – is used to account for and report financial resources that are restricted for capital outlay.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation/amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Internal Service Fund – is used to account for the financing of services provided to one department to other departments or governmental units. This fund is used to account for risk financing activities related to the Town's self-insured health insurance activities.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs.

The government reports the following fiduciary funds:

Pension and Other Postemployment Benefits Trust Fund – is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment benefits to eligible retirees and their beneficiaries.

Private-Purpose Trust Fund - is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

Custodial Fund - is used to account for assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's custodial fund accounts for funds collected on behalf of the Mattapoisett River Valley Water District and Water Supply Protection Committee.

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

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value ("NAV"). These are investments in nongovernmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

User fees consist of water and solid waste fees. Water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date.

Real estate taxes, user fees and special assessments may be secured through a lien process and are considered 100% collectible. Accordingly, a provision for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease terms. The payments are recorded as an inflow of resources in the period the payments are received. Deferred inflows are recorded at the initiation of the leases in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized using the effective interest method over the terms of the leases.

Inventories and Prepaid Items– Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles (including leased vehicles), and infrastructure (e.g. roads, utility mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the propriety fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

All purchases, present value of leased vehicles and construction costs in excess of $10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated/amortized using the straight-line-method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5 years
Vehicles	5 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Cap

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business–type activities are reported in the statement of activities as *transfers, net*.

Investment Income –Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town's policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-Term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources in its government-wide financial statements relative to its net OPEB and pension liabilities, which it expects to amortize into expense over the next five years. The Town does not report deferred outflows of resources in its governmental fund's financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to net OPEB and pension liabilities, which it expects to amortize against expense over the next five years. The Town reports unavailable revenues as deferred inflows of resources in its governmental fund's financial statements, which it will recognize as revenues when these items become available. Deferred inflows from leased property are reported in both the government-wide and governmental funds financial statements and are amortized as revenue over the life of the lease.

<u>Net Position</u> – In the government-wide financial statements, net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation/amortization, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

> *Nonexpendable permanent funds* represent the endowment portion of donor restricted trusts that support governmental programs.
>
> *Expendable permanent funds* represent amounts held in trust whereby expenditures are subject to various trust agreements.
> *Revolving funds* represent amounts that are restricted by state law for expenses that are directly related to the revenues that are being collected.
>
> *Federal and State grants* represent amounts that have restrictions placed on them from federal and state granting agencies.
>
> *Other purposes* represent assets that are restricted by donors and state laws for specific governmental programs and uses.

<u>Fund Equity</u> – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described as follows:

> *Nonspendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of then endowment.
>
> *Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
>
> *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting

removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town, by ordinance, has authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has established financial policies with respect to maintaining minimum fund balance amounts consistent with bond rating metrics. The following table reflects the Town's fund equity categorizations:

	General	Town Grants Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	$ -	$ -	$ 3,037,811	$ 3,037,811
Restricted:				
General government	-	244,359	1,526,599	1,770,958
Public safety	-	195,638	3,426,364	3,622,002
Education	-	-	4,076,875	4,076,875
Public works	-	259,044	2,207,369	2,466,413
Health and human services	-	254,321	208,772	463,093
Culture and recreation	-	7,443	193,891	201,334
Committed:				
General government	626,853	-	-	626,853
Public safety	505,861	-	-	505,861
Education	287,129	-	-	287,129
Public works	527,181	-	-	527,181
Culture and recreation	534,352	-	-	534,352
Assigned:				
General government	147,459	-	-	147,459
Public safety	41,041	-	-	41,041
Education	654,168	-	-	654,168
Public works	5,135	-	-	5,135
Health and human services	8,711	-	-	8,711
Culture and recreation	4,178	-	-	4,178
Pension and other fringes	7,471	-	-	7,471
Subsequent years' budget	2,213,556	-	-	2,213,556
Unassigned	16,369,146	-	(57,142)	16,312,004
Totals	$ 21,932,241	$ 960,805	$ 14,620,539	$ 37,513,585

Stabilization Fund – The Town maintains multiple stabilization funds which may be used for various specified purposes upon authorization of the Town Meeting. The balance of the general stabilization fund totals $3,734,049 and the aggregate total of the remaining special purpose stabilization funds total $7,253,048 at June 30, 2025. These are reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the department heads as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports $868,163 of encumbrances from normal purchasing activity in the general fund as assigned and reports $2,481,376 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

E. Excess of Expenditures Over Appropriations and Deficits

The Town recorded $57,142 of fund deficits in the nonmajor governmental funds as of June 30, 2025. These fund deficits will be funded by borrowing or grants in future years.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and cash equivalents. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and Massachusetts Municipal Depository Trust (the "MMDT"), which is administered by the Treasurer of the Commonwealth. The fair value of the position in the Pool is the same as the value of the Pool shares. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Primary Government (Town)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was $36,741,846 and the bank balance was $36,887,356. Of the Town's bank balance, $5,583,137 was covered by FDIC, DIF, or ICS, $11,251,43 was fully collateralized, and $20,053,075 was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have a formal investment policy related to custodial credit risk.

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer.

Fair Value of Investments – The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2025:

		Fair Value Measurements Using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Investments by fair value level				
Debt securities:				
U.S. Government obligations	$ 3,929,395	$ 948,927	$ 2,980,468	$ -
Corporate bonds	5,877,272	-	5,877,272	-
Fixed income ETFs	792,456	-	792,456	-
Bond mutual funds	889,023	-	889,023	-
Total debt securities	11,488,146	948,927	10,539,219	-
Equity securities:				
Common stock	2,398,961	2,398,961	-	-
Equity mutual funds	1,462,422	-	1,462,422	-
Equity ETFs	2,869,470		2,869,470	
Total equity securities	6,730,853	2,398,961	4,331,892	-
Total investments by fair value level	$ 18,218,999	$ 3,347,888	$ 14,871,111	$ -
Investments measured at amortized cost				
MMDT	6,059,736			
Money market mutual funds	1,574,674			
Total investments	$ 25,853,409			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Bond mutual funds, equity mutual funds and money market mutual funds classified in Level 2 are valued at the published fair value per share (unit). Negotiable certificates of deposits classified in Level 2 are valued at pricing based on the securities relationship to benchmark quoted prices.

Credit Risk: Investments – The Town has not adopted a formal policy related to credit risk. The Town's investment in MMDT is unrated; other securities with maturities have their credit ratings disclosed below.

At June 30, 2025, the credit quality ratings of the Town's investments were as follows:

	Quality Ratings (Moody's)					
Investments	Aaa	Aa3	A1	A2	A3	Baa2
U.S. Government obligations	$ -	$ -	$ 3,929,385	$ -	$ -	$ -
Corporate bonds	580,417	578,439	583,818	1,757,657	584,036	1,792,905
Total	$ 580,417	$ 578,439	$ 4,513,203	$ 1,757,657	$ 584,036	$ 1,792,905

The Town's investments in bond mutual funds and money market mutual funds were not rated.

Interest Rate Risk: Investments– This is the risk that changes in interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following table presents the Town's investments and maturities at June 30, 2025:

		Time Until Maturity (Years)		
Investments	**Fair value**	< 1	1-5	6 - 10 Years
U.S. Government obligations	$ 3,929,395	$ 1,660,240	$ 2,269,155	$ -
Corporate bonds	5,877,272	1,204,993	4,672,279	-
Certificates of deposit	6,268,358	6,268,358	-	-
MMDT	6,059,736	6,059,736	-	-
Total Town Investments with Maturities	$ 22,134,761	$ 15,193,327	$ 6,941,434	$ -

The System

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory insight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution. At December 31, 2024, the carrying amount of the System's bank deposits totaled $701,780 and the bank balances totaled $771,136. Of the System's bank balance, $500,000 was covered by FDIC or other depository insurance and the remainder was uncollateralized.

Investments – The System's investments at December 31, 2024 totaling $97,823,983 were invested entirely in PRIT. Investments in PRIT are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of the Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System's investment policy is to follow state statues, which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Systems' investments in PRIT are unrated.

Concentration of Credit Risk – The System did not have any investments that were subject to concentration of credit risk.

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	$ 686,552	$ -	$ 686,552
Tax liens and deferrals	960,522	-	960,522
Motor vehicle and boat excise	297,139	-	297,139
Ambulance user charges	953,226	(359,267)	593,959
Loans	327,227	-	327,227
Leases	431,172	-	431,172
Other	98,028	-	98,028
Intergovernmental	316,188	-	316,188
Total	$ 4,070,054	$ (359,267)	$ 3,710,787

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	$ 973,516	$ -	$ 973,516
Water liens	59,779	-	59,779
Water liens added to tax	21,200	-	21,200
Sewer user fees	1,696,724	-	1,696,724
Sewer liens	106,275	-	106,275
Sewer liens added to tax	37,512	-	37,512
Sewer special assessments	194,344	-	194,344
Intergovernmental	3,470,364	-	3,470,364
Total	$ 6,559,714	$ -	$ 6,559,714

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	$ 413,166	$ 54,222	$ 467,388
Tax liens	953,766	6,756	960,522
Motor vehicle and boat excise	297,139	-	297,139
Ambulance user charges	-	593,959	593,959
Loans	-	327,227	327,227
Leases	431,172	-	431,172
Intergovernmental	-	91,000	91,000
Other	757,514	-	757,514
Total	$ 2,852,757	$ 1,073,164	$ 3,925,921

Lease Receivables – The Town leases property to private wind turbine and solar developers with lease terms of 30 years and 20 years, respectively. A lease receivable has been recorded in the Town's general fund related to these agreements. The net present value of future receipts from the leased property totaled $431,172 at June 30, 2025 and is reported as a lease receivable and deferred inflow. Lease revenue and interest income related to these lease transactions totaled $46,309 and $17,506, respectively, in fiscal year 2025.

Future minimum lease payments as of June 30, 2025, are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 48,075	$ 16,085	$ 64,160
2027	49,916	14,598	64,514
2028	51,835	13,043	64,878
2029	53,832	11,417	65,249
2030	55,916	9,715	65,631
2031-2035	105,517	28,696	134,213
2036-2039	66,081	9,189	75,270
Total	$ 431,172	$102,743	$ 533,915

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 21,381,740	$ -	$ -	$ 21,381,740
Construction in process	4,598,715	912,255	-	5,510,970
Total capital assets not being depreciated	25,980,455	912,255	-	26,892,710
Capital assets being depreciated:				
Buildings and improvements	88,269,269	884,082	-	89,153,351
Infrastructure	39,434,051	1,684,186	-	41,118,237
Machinery and equipment	11,852,185	2,408,282	-	14,260,467
Total capital assets being depreciated	139,555,505	4,976,550	-	144,532,055
Less accumulated depreciation for:				
Buildings and improvements	(42,233,402)	(2,516,793)	-	(44,750,195)
Infrastructure	(22,629,195)	(1,264,693)	-	(23,893,888)
Machinery and equipment	(8,106,483)	(806,831)	-	(8,913,314)
Total accumulated depreciation	(72,969,080)	(4,588,317)	-	(77,557,397)
Total capital assets being depreciated, net	66,586,425	388,233	-	66,974,658
Governmental activities capital assets, net	$ 92,566,880	$ 1,300,488	$ -	$ 93,867,368

Business-type Activities: All				
Capital assets not being depreciated:				
Land	$ 989,560	$ -	$ -	$ 989,560
Construction in process	13,901,927	30,512,740	-	44,414,667
Total capital assets not being depreciated	14,891,487	30,512,740	-	45,404,227
Capital assets being depreciated:				
Buildings and improvements	66,488,706	-	-	66,488,706
Infrastructure	5,391,927	-	-	5,391,927
Machinery and equipment	4,043,387	49,333	-	4,092,720
Total capital assets being depreciated	75,924,020	49,333	-	75,973,353
Less accumulated depreciation for:				
Buildings and improvements	(38,499,585)	(1,092,221)	-	(39,591,806)
Infrastructure	(2,281,200)	(140,619)	-	(2,421,819)
Machinery and equipment	(3,510,575)	(88,382)	-	(3,598,957)
Total accumulated depreciation	(44,291,360)	(1,321,222)	-	(45,612,582)
Total capital assets being depreciated, net	31,632,660	(1,271,889)	-	30,360,771
Business-type activities capital assets, net	$ 46,524,147	$ 29,240,851	$ -	$ 75,764,998

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities: Water				
Capital assets not being depreciated:				
Land	$ 560,000	$ -	$ -	$ 560,000
Construction in process	2,524,930	2,138,629	-	4,663,559
Total capital assets not being depreciated	3,084,930	2,138,629	-	5,223,559
Capital assets being depreciated:				
Buildings and improvements	1,473,032	-	-	1,473,032
Infrastructure	4,711,337	-	-	4,711,337
Machinery and equipment	435,551	49,333	-	484,884
Total capital assets being depreciated	6,619,920	49,333	-	6,669,253
Less accumulated depreciation for:				
Buildings and improvements	(454,165)	(68,631)	-	(522,796)
Infrastructure	(2,228,814)	(123,528)	-	(2,352,342)
Machinery and equipment	(301,231)	(26,959)	-	(328,190)
Vehicles	-	-	-	-
Total accumulated depreciation	(2,984,210)	(219,118)	-	(3,203,328)
Total capital assets being depreciated, net	3,635,710	(169,785)	-	3,465,925
Business-type activities capital assets, net	$ 6,720,640	$ 1,968,844	$ -	$ 8,689,484

Business-type Activities: Sewer				
Capital assets not being depreciated:				
Land	$ 429,560	$ -	$ -	$ 429,560
Construction in process	11,376,997	28,374,111	-	39,751,108
Total capital assets not being depreciated	11,806,557	28,374,111	-	40,180,668
Capital assets being depreciated:				
Buildings and improvements	65,015,674	-	-	65,015,674
Infrastructure	680,590	-	-	680,590
Machinery and equipment	3,607,836	-	-	3,607,836
Total capital assets being depreciated	69,304,100	-	-	69,304,100
Less accumulated depreciation for:				
Buildings and improvements	(38,045,420)	(1,023,590)	-	(39,069,010)
Infrastructure	(52,386)	(17,091)	-	(69,477)
Machinery and equipment	(3,209,344)	(61,423)	-	(3,270,767)
Total accumulated depreciation	(41,307,150)	(1,102,104)	-	(42,409,254)
Total capital assets being depreciated, net	27,996,950	(1,102,104)	-	26,894,846
Business-type activities capital assets, net	$ 39,803,507	$ 27,272,007	$ -	$ 67,075,514

Depreciation/amortization expense was charged to functions/programs as follows:

Governmental Activities:	
General government	$ 206,258
Public safety	858,183
Education	2,012,603
Public works	1,278,734
Culture and recreation	232,539
Total Governmental Activities	$ 4,588,317
Business-Type Activities:	
Water	$ 219,118
Sewer	1,102,104
Total Business-Type Activities	$ 1,321,222

D. Interfund Payables, Receivables and Transfers

Interfund transfers for the fiscal year ended June 30, 2025, are summarized as follows:

	Transfers In			
Transfers Out	General Fund	Nonmajor Governmental Funds	Total	
General Fund	$ -	$ 92,424	$ 92,424	(1)
Nonmajor Governmental Funds	1,848,521	-	1,848,521	(2)
Total	$ 1,848,521	$ 92,424	$ 1,940,945	

(1) Transfers to nonmajor funds for opioid fund and waterways fund activities.

(2) Transfers to general fund to supplement operating budgets and fund capital outlays.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

<u>*Current Operating Costs*</u> – Prior to collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

<u>*Capital Projects and Other Approved Costs*</u> – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively.

The following reflects the current year temporary notes activity:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	4.00%	9/18/25	$ -	$ 1,000,000	$ -	$ 1,000,000
Total Governmental Notes			-	1,000,000	-	1,000,000
BAN	4.95%	matured	2,090,000	-	(2,090,000)	-
BAN	4.00%	9/18/25	-	5,690,000	-	5,690,000
MCWT	0.00%	2/5/26	37,621	29,437,153	(5,993,238)	23,481,536
Total Business-Type Notes			2,127,621	35,127,153	(8,083,238)	29,171,536
Total Notes Payable			$ 2,127,621	$ 36,127,153	$ (8,083,238)	$ 30,171,536

F. Long–Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits a town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, a town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

The following reflects the current year activity in the long-term liability accounts:

		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds		$ 6,200,000	$ -	$ (925,000)	$ 5,275,000	$ 875,000
Unamortized bond premium	(a)	36,140	-	(5,610)	30,530	4,383
Landfill closure		150,000	-	(25,000)	125,000	25,000
Compensated absences, net		1,671,983	-	(101,947)	1,570,036	392,509
Net pension liability		16,518,000	5,482,433	(8,478,348)	13,522,085	-
Net other postemployment benefits liability		45,309,704	17,928,006	(8,589,109)	54,648,601	-
Total Governmental Activities		$ 69,885,827	$ 23,410,439	$ (18,125,014)	$ 75,171,252	$ 1,296,892
Business-type Activities: Water						
General obligation bonds		$ 1,630,000	$ -	$ (190,000)	$ 1,440,000	$ 195,000
Unamortized bond premium	(a)	139,549	-	(33,057)	106,492	28,911
Notes from direct borrowings and placements		445,384	-	(36,278)	409,106	37,067
Compensated absences, net		123,552	-	(14,439)	109,113	27,278
Net pension liability		705,000	233,994	(361,862)	577,132	-
Net other postemployment benefits liability		688,147	272,284	(130,448)	829,983	-
Total Business-type Activities : Water		3,731,632	506,278	(766,084)	3,471,826	288,256
Business-type Activities: Sewer						
General obligation bonds		$ 7,893,018	$ -	$ (518,018)	$ 7,375,000	$ 370,000
Unamortized bond premium		40,858	-	(5,418)	35,440	2,597
Notes from direct borrowings and placements		360,428	-	(36,691)	323,737	37,488
Compensated absences, net		156,471	16,674	-	173,145	43,286
Net pension liability		1,324,000	439,444	(679,581)	1,083,863	-
Net other postemployment benefits liability		1,340,283	530,319	(254,070)	1,616,532	-
Total Business-type Activities : Sewer		11,115,058	986,437	(1,493,778)	10,607,717	453,371
Total Business-type Activities		$ 14,846,690	$ 1,492,715	$ (2,259,862)	$ 14,079,543	$ 741,627

(a) As restated. See Note IV.

The governmental activities liability will be liquidated from the general fund. The business-type liabilities will be liquidated by the respective water and solid waste enterprise funds.

Long-term general obligation bonds and notes outstanding at June 30, 2025 are as follows:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
Governmental Activities					
General obligation bonds	3.00 - 5.00%	$ 1,285,000	$ -	$ (250,000)	$ 1,035,000
Refunding bonds	1.40 - 5.00%	4,915,000	-	(675,000)	4,240,000
Total General Obligation Bonds		6,200,000	-	(925,000)	5,275,000
Add: Unamortized bond premium		36,140	-	(5,610)	30,530
Total General Obligation Bonds, net		6,236,140	-	(930,610)	5,305,530
Total Governmental Activities debt		$ 6,236,140	$ -	$ (930,610)	$ 5,305,530
Business-type Activities - Water					
General obligation bonds	5.00%	$ 1,630,000	$ -	$ (190,000)	$ 1,440,000
Total General Obligation Bonds		1,630,000	-	(190,000)	1,440,000
Add: Unamortized bond premium		139,549	-	(33,057)	106,492
Total General Obligation Bonds, net		1,769,549	-	(223,057)	1,546,492
Massachusetts Clean Water Trust	2.00%	445,384	-	(36,278)	409,106
Total notes from direct borrowings and placements		445,384	-	(36,278)	409,106
Total Business-type Activities - Water debt		$ 2,214,933	$ -	$ (259,335)	$ 1,955,598
Business-type Activities - Sewer					
General obligation bonds	3.00 - 5.00%	$ 7,730,000	$ -	$ (355,000)	$ 7,375,000
Refunding bonds	2.00 - 5.00%	163,018	-	(163,018)	-
Total General Obligation Bonds		7,893,018	-	(518,018)	7,375,000
Add: Unamortized bond premium		40,858	-	(5,418)	35,440
Total General Obligation Bonds, net		7,933,876	-	(523,436)	7,410,440
Massachusetts Clean Water Trust	2.00%	360,428	-	(36,691)	323,737
Total notes from direct borrowings and placements		360,428	-	(36,691)	323,737
Total Business-type Activities - Sewer debt		$ 8,294,304	$ -	$ (560,127)	$ 7,734,177

Debt service requirements on long-term debt at June 30, 2025 are as follows:

Year Ending	General Obligation Bonds		Direct Borrowings and Placements	
June 30	Principal	Interest	Principal	Interest
		Governmental Activities		
2026	$ 875,000	$ 128,030	$ -	$ -
2027	870,000	94,180	-	-
2028	570,000	65,730	-	-
2029	565,000	48,005	-	-
2030	460,000	35,205	-	-
2031-2035	1,730,000	91,653	-	-
2036-2040	75,000	33,500	-	-
2041-2045	75,000	18,500	-	-
2046-2049	55,000	4,100	-	-
Total	$ 5,275,000	$ 518,903	$ -	$ -

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Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Direct Borrowings and Placements Principal	Direct Borrowings and Placements Interest
		Business-Type Activities - Water		
2026	$ 195,000	$ 67,125	$ 37,067	$ 8,182
2027	200,000	57,250	37,873	7,440
2028	215,000	46,875	38,696	6,683
2029	220,000	36,000	39,536	5,909
2030	235,000	24,625	40,396	5,118
2031-2035	375,000	15,375	215,537	13,115
Total	$ 1,440,000	$ 247,250	$ 409,105	$ 46,447
		Business-Type Activities - Sewer		
2026	$ 370,000	$ 254,075	$ 37,488	$ 6,475
2027	380,000	242,175	38,303	5,725
2028	395,000	229,850	39,135	4,959
2029	405,000	217,100	39,986	4,176
2030	425,000	203,800	40,855	3,376
2031-2035	2,320,000	799,713	127,970	5,154
2036-2040	2,245,000	371,500	-	-
2041-2045	435,000	123,130	-	-
2046-2049	400,000	33,000	-	-
Total	$ 7,375,000	$ 2,474,343	$ 323,737	$ 29,865

Authorized and Unissued Debt – At June 30, 2025 the Town had the following authorized and unissued debt:

Project	Amount
Water mains	$ 4,050,000
High school repairs	1,175,000
Sunset beach sewer	200,000
Water tank	750,000
Sewer pump station	2,750,000
Sewer treatment plant	70,000,000
Water tower maintenance	750,000
Total authorized and unissued	$ 79,675,000

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Town of Fairhaven Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the Town and Fairhaven Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Town of Fairhaven and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2024, were issued and are available at the Retirement Office, 40 Center Street, Suite, Fairhaven, Massachusetts 02719. Disclosures applicable to the Fairhaven Housing Authority are not material.

Membership – Membership in the System as of December 31, 2024, was as follows:

Retirees and beneficiaries receiving benefits	233
Active plan members	307
Inactive plan members	62
Total	602

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the Town's school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

> Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
>
> Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

Employer contributions to the System totaled $4,362,245 for the year ended December 31, 2024. The Town contributed $4,223,792 to the System in fiscal year 2025, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was 26.9%.

Net Pension Liability – The components of the net pension liability of the System at December 31, 2024, (dollar amounts in thousands) were as follows:

Total pension liability	$ 114,352
Plan fiduciary net position	(98,667)
Net pension liability	$ 15,685
Plan fiduciary net position as a percentage of the total pension liability	86.3%

At June 30, 2025, the Town reported a liability of $15,183,080 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were rolled forward by the independent actuary to December 31, 2024. The most significant chances were to the actuarial mortality tables.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 96.8% at December 31, 2024, which was consistent with the proportion measured at January 1, 2024.

Fiduciary Net Position – The elements of the System's basic financial statements (that is, all information about the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements. The System's full audited financial statements as of and for the year ended December 31, 2024, can be obtained by contacting the Retirement Board.

The System's fiduciary net position was determined using the accrual basis of accounting. The System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized $3,091,872 in pension expense in the statement of activities in fiscal year 2025.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,059,960	$ -
Net differences between projected and actual earnings on pension plan investments	1,503,304	-
Changes of assumptions	340,736	-
Changes in proportion and differences between employers' contributions and proportionate share of contributions	160,000	24,000
Total	$ 3,064,000	$ 24,000

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

Year Ended June 30,	Amounts
2026	$ 1,291,240
2027	2,732,592
2028	(778,928)
2029	(204,904)
Total	$ 3,040,000

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2024, and rolled forward to December 31, 2024. The significant actuarial assumptions used in the actuarial valuation included:

Actuarial cost method	Individual entry age normal
Remaining amortization period	8 years from July 1, 2025
Asset valuation method	Asset smoothing
Investment rate of return	7.00% per annum
Cost of living adjustments	3.0% of the first $17,000 of benefits
Mortality rates:	
Pre-retirement	RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 (gender distinct)
Post-retirement	RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct)
Disabled retiree	RP-2014 Blue Collar Healthy Annuitant table set forward one year and projected generationally with Scale MP-2021 (gender distinct)

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	31% to 41%	6.9% to 9.0%
Core fixed income	12% to 18%	4.4% to 5.3%
Value-added fixed income	6% to 12%	8.00%
Private equity	13% to 19%	10.5%
Real estate	7% to 13%	6.8%
Timberland	1% to 7%	6.8%
Portfolio completion	7% to 13%	6.80%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2024 actuarial valuation report was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System'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 Analysis – The following presents net pension liability of the System calculated using the discount rate of 7.00% as well as the System's net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

Current Rate	System Net Pension Liability at 1% Decrease	Current	1% Increase
7.00%	$ 28,200	$ 15,685	$ 5,100

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

Current Rate	Town's Proportionate Net Pension Liability at 1% Decrease	Current	1% Increase
7.00%	$ 27,298	$ 15,183	$ 4,937

B. Massachusetts Teachers' Retirement System

Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2025, the Commonwealth contributed $3,970,275 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.164228%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	Commonwealth Portion	Paid (or Assumed) On Behalf of the Town	Town Portion
Net pension liability	$ 41,642,501	$ (41,642,501)	$ -
Pension expense	3,437,239	(3,437,239)	-

The Town has recognized intergovernmental revenue and pension expense of $3,437,239 associated with this arrangement.

C. Other Postemployment Benefits (OPEB)

The Town administers a single employer, defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's OPEB Plan. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

OPEB Plan disclosures that impact the Town's net OPEB liability using a measurement date of June 30, 2025, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of the July 1, 2024, actuarial valuation date:

Retirees and beneficiaries currently receiving benefits	405
Active members	300
Total	705

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town, through negotiation with the Town employee unions. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions which vary annually. The costs of administering the Plan are paid by the Town.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2025, using an actuarial valuation as of July 1, 2024. The components of the net OPEB liability of the Town were as follows:

Total OPEB Liability	$ 60,246,064
Plan fiduciary net position	(3,150,948)
Net OPEB liability	$ 57,095,116
Plan fiduciary net position as a percentage of the total OPEB liability	5.23%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.59%, net of OPEB plan investment expense, including inflation
Muncipal bond rate	4.81% as of June 30, 2025
Discount rate	6.24% as of June 30, 2025
Inflation	2.50%
Health care trend rate	10.00%
Salary increases	3.00%
Pre-retirement mortality	Non-teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021, set forward 1 year for females Teachers: Pub-2010 Teachers Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2021
Post-retirement mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021, set forward 1 year for females Teachers: Pub-2010 Teachers Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021
Disabled mortality	Non-teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021, set forward 1 year for males and 2 years for females. Teachers: Pub-2010 Teachers Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021
Actuarial cost method	Individual entry age normal - level percentage of payroll

Discount Rate – The discount rate used to measure the total OPEB liability was 6.24%.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table and are part of the Town's OPEB investment policy:

Asset Class	Target Allocation	Expected Real Investment Rate of Return
Domestic equity - large cap	36.75%	4.60%
Domestic equity - small/mid cap	1.75%	4.98%
International equity - developed markets	16.50%	4.95%
International equity - emergency markets	7.00%	5.51%
Domestic fixed income	22.50%	2.70%
International fixed income	2.75%	2.36%
Alternatives	9.25%	6.10%
Real estate	3.00%	3.98%
Cash	0.50%	0.00%
	100.00%	

Sensitivity Analysis – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Discount Rate			
Current Rate	1% Decrease	Current	1% Increase
6.24%	$ 67,604,123	$ 57,095,116	$ 50,128,411

Health Care Trend Rate			
Current Rate	1% Decrease	Current	1% Increase
10.00%	$ 49,466,808	$ 57,095,116	$ 66,648,601

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2024	$ 49,983,003	$ 2,644,869	$ 47,338,134
Changes for the year:			
Service cost	1,084,017	-	1,084,017
Interest	2,947,686	-	2,947,686
Change in benefit terms	9,619,242	-	9,619,242
Difference between expected and actual experience	(3,485,491)	-	(3,485,491)
Changes in assumptions	2,170,075	-	2,170,075
Net investment income	-	2,272,468	(2,272,468)
Employer contributions	-	306,079	(306,079)
Benefit payments withdrawn from trust	-	(2,072,468)	2,072,468
Benefit payments	(2,072,468)	-	(2,072,468)
Net changes	10,263,061	506,079	9,756,982
Balances at June 30, 2025	$ 60,246,064	$ 3,150,948	$ 57,095,116

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – The Town recognized OPEB expense of $13,650,995. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Ouflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 3,991,223	$ 1,937,921
Differences between projected and actual earnings	-	138,380
Differences between actual and expected experience	-	4,624,858
Totals	$ 3,991,223	$ 6,701,159

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended June 30,	Recognition Amount
2026	$ 23,434
2027	(914,305)
2028	(1,041,448)
2029	(731,906)
2030	(45,711)
Total	$ (2,709,936)

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town trust funds. Notably, it can be invested in accordance with State Statutes that govern the Trust investments including PRIM, which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 10.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

The Town reports a pension and other postemployment benefit trust funds in a single column in the Statement of Net Position and Statement of Changes in Net Position in the Fiduciary Funds. The Town's Other Postemployment Benefits Trust Fund does not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the Town's pension and other postemployment benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2024)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	$ 701,780	$ 14,734	$ 716,514
Investments (at fair value):			
Domestic equity mutual funds	-	1,462,422	1,462,422
Fixed income mutual funds	-	889,023	889,023
PRIT	97,823,983	92,676	97,916,659
Exchange traded funds - equitiy	-	692,093	692,093
Total Investments	97,823,983	3,136,214	100,960,197
Receivables:			
Employer and employee contributions	142,319	-	142,319
Total Receivables	142,319	-	142,319
Total Assets	98,668,082	3,150,948	101,819,030
Liabilities:			
Warrants and accounts payable	1,445	-	1,445
Total Liabilities	1,445	-	1,445
Net Position:			
Restricted for pensions	98,666,637	-	98,666,637
Restricted for other postemployment benefits	-	3,150,948	3,150,948
Total Net Position	$ 98,666,637	$ 3,150,948	$ 101,817,585

The Statement of Changes in Net Position of the Town's pension and other postemployment benefit trust funds are as follows:

		Pension Trust Fund (December 31, 2024)		Other Postemployment Benefits Trust Fund		Total
Additions						
Contributions:						
Employer	$	4,362,245	$	2,272,468	$	6,634,713
Employee		1,640,050		-		1,640,050
Other		597,405		-		597,405
Total Contributions		6,599,700		2,272,468		8,872,168
Other income		23,723		-		23,723
Investment income:						
Interest and dividends		2,442,601		-		2,442,601
Net appreciation/(decline) in fair value of investments		6,174,460		306,079		6,480,539
Less - investment management fees		(454,799)		-		(454,799)
Net investment earnings		8,162,262		306,079		8,468,341
Total Additions (net)		14,785,685		2,578,547		17,364,232
Deductions						
Benefit payments to pensioners and beneficiaries		6,397,623		2,072,468		8,470,091
Member refunds		152,611		-		152,611
Transfers and reimbursements to other systems		601,321		-		601,321
Payroll expenses of the System		122,994		-		122,994
Other administrative expenses		38,648		-		38,648
Total Deductions		7,313,197		2,072,468		9,385,665
CHANGE IN NET POSITION		7,472,488		506,079		7,978,567
NET POSITION AT BEGINNING OF YEAR		91,194,149		2,644,869		93,839,018
NET POSITION AT END OF YEAR	$	98,666,637	$	3,150,948	$	101,817,585

E. Risk Financing

The Town is self-insured for its health and dental insurance activities. The health and dental insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Under the terms of its insurance coverage, the Town is liable for claims up to $110,000 per individual. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR), which represent an estimate based on past historical costs and claims paid subsequent to year-end.

The liability at June 30, 2024, totaled over $858,000. Changes in the reported liability since July 1, 2023, are as follows:

	Balance at Beginning of Year	Claims Incurred	Claims Payments	Balance at Year-End
Fiscal year 2024	956,168	7,865,391	(8,018,175)	803,384
Fiscal year 2025	803,384	8,369,711	(8,314,677)	858,418

F. Commitments and Contingencies

General - The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2025, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2025.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). As of June 30, 2025, the Town has estimated a potential liability of $289,464 for previously assessed property taxes (and interest) that may be refunded to these taxpayers. However, the Town cannot determine the likelihood of the taxpayers' success at the ATB.

Grant Compliance - Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage - Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town actively monitors compliance with arbitrage laws.

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; $125,000 has been recorded in the government-wide financial statements; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Implementation of GASB Pronouncements

Current Year Implementations

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement was to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement became effective in fiscal year 2025. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement was to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement became effective in fiscal year 2025. The adoption of this accounting standard did not have a material effect on the Town's financial statements.

Future Implementations

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statements is to provide users of government financial statements with essential information about certain types of capital assets. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Restatement of Prior Year Balances

During fiscal year 2025, the Town determined that there were several prior period adjustments related to GASB 84 reporting requirement, debt premiums, accrued interest and to conform to current year reporting. The effect of these error corrections is shown in the table below.

During fiscal year 2025, changes to or within the financial reporting entity and the error corrections resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	Governmental Activities	Nonmajor Governmental Funds	Business-type Activities	Water Enterprise	Sewer Enterprise	Custodial Funds
Prior year as presented	$ 67,510,232	$ 13,807,540	$ 38,992,376	$ 5,834,623	$ 33,157,753	$ 2,116,142
Restate - GASB 84	(22,613)	(22,613)	-	-	-	(238,748)
Restate - Debt premiums	36,672		36,987	36,987		
Restate - Accrued interest			(91,705)		(91,705)	-
Restate - to conform to current year reporting	-	-	33,420	-	33,420	-
As restated	$ 67,524,291	$ 13,784,927	$ 38,971,078	$ 5,871,610	$ 33,099,468	$ 1,877,394

V. Subsequent Event

On September 17, 2025, the Town issued $10,725,000 of bond anticipation notes (BAN's) for sewer treatment ($1,200,000), water meters ($600,000), sewer upgrades (2,500,000), high school repair ($2,175,000), water tank maintenance ($550,000), water main replacement ($1,100,000), pump station improvements ($1,000,000), and Glenhaven water main ($800,000) Of the $10,725,000, $6,200,000 of the BANs issued were rolled over from the prior year and $4,525,000 were new BAN's issued for various projects noted above.

TOWN OF FAIRHAVEN, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS ENDED JUNE 30, 2025

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	96.80%	$ 15,183,080	$ 15,462,832	98.19%	86.30%
2023	95.99%	18,547,000	15,333,000	120.96%	82.52%
2022	96.15%	21,631,000	13,501,000	160.22%	78.61%
2021	96.39%	7,266,000	13,534,000	53.69%	92.56%
2020	96.38%	14,609,000	12,561,000	116.30%	83.85%
2019	96.41%	19,020,000	12,565,000	151.37%	78.22%
2018	96.49%	21,457,000	11,358,000	188.92%	73.47%
2017	96.96%	16,953,000	11,413,000	148.54%	78.38%
2016	96.71%	21,500,000	10,760,000	199.81%	70.97%
2015	96.56%	18,463,000	10,201,000	180.99%	72.75%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 4,223,792	$ 4,223,792	$ -	$ 15,694,774	26.91%
2024	3,931,000	4,082,000	(151,000)	15,562,995	26.23%
2023	3,755,000	3,819,000	(64,000)	13,703,515	27.87%
2022	3,558,000	3,558,000	-	13,737,010	25.90%
2021	3,388,000	3,388,000	-	12,749,415	26.57%
2020	3,228,000	3,228,000	-	12,753,475	25.31%
2019	3,079,000	3,079,000	-	11,528,370	26.71%
2018	2,947,000	2,947,000	-	11,584,195	25.44%
2017	2,800,000	2,860,000	(60,000)	10,921,400	26.19%
2016	2,662,000	2,679,000	(17,000)	10,354,015	25.87%

See accompanying independent auditors' report.

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM (MTRS)

Year Ended June 30, *	Commonwealth's Proportionate Share of the Collective Net Pension Liability	Town's Proportion Share of the Collective Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	100.0%	0.0%	$ 41,642,501	$ 3,437,239	61.45%
2024	100.0%	0.0%	44,751,155	4,178,421	58.48%
2023	100.0%	0.0%	46,983,051	3,864,814	57.75%
2022	100.0%	0.0%	40,900,327	3,149,422	62.03%
2021	100.0%	0.0%	52,272,220	2,844,696	50.67%
2020	100.0%	0.0%	46,594,344	2,667,909	53.95%
2019	100.0%	0.0%	43,176,990	2,394,150	54.84%
2018	100.0%	0.0%	40,992,054	2,213,041	54.25%
2017	100.0%	0.0%	39,384,609	1,981,009	52.73%
2016	100.0%	0.0%	37,054,975	1,848,133	55.38%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:									
Service cost	$ 1,675,109	$ 2,036,749	$ 1,922,291	$ 1,689,925	$ 1,715,857	$ 1,644,124	$ 2,745,280	$ 2,878,388	$ 2,271,868
Interest	4,939,203	4,544,346	4,297,620	4,081,917	3,575,462	2,858,149	2,797,539	2,605,037	2,318,511
Differences between expected and actual experience	(1,801,462)	-	(6,074,188)	-	7,130,677	(21,360,138)	(4,193,285)	10,185,326	-
Changes in assumptions	652,177	(8,481,601)	6,273,241	3,955,548	(995,329)	(189,504)	3,901,717	(2,828,435)	-
Benefit payments	(3,087,162)	(2,824,427)	(2,749,691)	(2,588,372)	(2,597,151)	(2,425,926)	(2,410,966)	(2,080,905)	(1,867,100)
Net change in total OPEB liability	2,377,865	(4,724,933)	3,669,273	7,139,018	8,829,516	(19,473,295)	2,840,285	10,759,411	2,723,279
Total OPEB liability - beginning of year	57,798,998	62,523,931	58,854,658	51,715,640	42,886,124	62,359,419	59,519,134	48,759,723	46,036,444
Total OPEB liability - end of year (a)	$ 60,176,863	$ 57,798,998	$ 62,523,931	$ 58,854,658	$ 51,715,640	$ 42,886,124	$ 62,359,419	$ 59,519,134	$ 48,759,723
Plan fiduciary net position:									
Contributions - employer	$ 3,212,162	$ 2,949,427	$ 2,874,691	$ 2,713,372	$ 2,597,151	$ 2,525,926	$ 2,535,966	$ 2,180,905	$ 2,117,100
Net investment income	178,066	171,501	95,467	(216,268)	260,069	30,846	51,320	31,319	42,673
Benefit payments	(3,087,162)	(2,824,427)	(2,749,691)	(2,588,372)	(2,597,151)	(2,425,926)	(2,410,966)	(2,080,905)	(1,867,100)
Net change in Plan fiduciary net position	303,066	296,501	220,467	(91,268)	260,069	130,846	176,320	131,319	292,673
Plan fiduciary net position - beginning of year	1,758,554	1,462,053	1,241,586	1,332,854	1,072,785	941,939	765,619	634,300	341,627
Plan fiduciary net position - end of year (b)	$ 2,061,620	$ 1,758,554	$ 1,462,053	$ 1,241,586	$ 1,332,854	$ 1,072,785	$ 941,939	$ 765,619	$ 634,300
Net OPEB liability - end of year (a) - (b)	$ 58,115,243	$ 56,040,444	$ 61,061,878	$ 57,613,072	$ 50,382,786	$ 41,813,339	$ 61,417,480	$ 58,753,515	$ 48,125,423
Plan fiduciary net position as a percentage of the total OPEB liability	3.43%	3.04%	2.34%	2.11%	2.58%	2.50%	1.51%	1.29%	1.30%
Covered-employee payroll	$ 32,962,862	$ 34,239,210	$ 33,241,951	$ 31,033,699	$ 30,129,805	$ 28,110,619	$ 27,291,862	$ 27,807,179	$ 26,997,261
Net OPEB liability as a percentage of covered-employee payroll	176.31%	163.67%	183.69%	185.65%	167.22%	148.75%	225.04%	211.29%	178.26%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - OPEB (UNAUDITED)
YEARS ENDED JUNE 30, 2025

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	$ 3,961,553	$ 3,487,746	$ 3,455,945	$ 3,310,419	$ 2,869,856	$ 3,527,717	$ 3,528,492	$ 4,327,970	$ 4,143,844
Contributions in relation to the actuarially-determined contribution	(2,272,468)	(2,259,830)	(2,296,401)	(1,997,470)	(2,198,148)	(2,127,756)	(1,968,831)	(1,420,582)	(1,302,254)
Contribution deficiency (excess)	$ 1,689,085	$ 1,227,916	$ 1,159,544	$ 1,312,949	$ 671,708	$ 1,399,961	$ 1,559,661	$ 2,907,388	$ 2,841,590
Covered-employee payroll	$ 32,962,862	$ 34,239,210	$ 33,241,951	$ 31,033,699	$ 30,129,805	$ 28,110,619	$ 27,291,862	$ 27,807,179	$ 26,997,261
Contribution as a percentage of covered-employee payroll	6.89%	6.60%	6.91%	6.44%	7.30%	7.57%	7.21%	5.11%	4.82%

Valuation Date	July 1, 2024
Investment rate of return	6.59%
Municipal Bond Rate	4.81%
Single Equivalent Discount Rate	6.24%
Inflation	2.50%
Healthcare cost trend rates	10.00%
Salary increases	3.00%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	10.96%	10.60%	9.60%	-15.19%	26.21%	3.19%	5.82%	3.98%	9.14%

Note: These schedules are presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual		Actual	Variance
	Original Budget	Final Budget	Budgetary Amounts	Encumbrances	Budgetary Adjusted	Positive (Negative)
REVENUES						
Real estate and personal property taxes	$ 34,719,278	$ 34,837,308	$ 34,973,340	$ -	$ 34,973,340	$ 136,032
Intergovernmental	13,427,956	13,427,956	13,507,978	-	13,507,978	80,022
Motor vehicle and other excises	3,379,928	3,379,928	3,738,725	-	3,738,725	358,797
License and permits	551,943	551,943	873,471	-	873,471	321,528
Departmental and other revenue	4,918,784	4,918,784	4,788,107	-	4,788,107	(130,677)
Penalties and interest on taxes	257,063	257,063	294,615	-	294,615	37,552
Fines and forfeitures	6,599	6,599	2,260	-	2,260	(4,339)
Investment income	489,347	489,347	733,958	-	733,958	244,611
Total Revenues	57,750,898	57,868,928	58,912,454	-	58,912,454	1,043,526
EXPENDITURES						
General government	5,153,994	5,850,970	4,630,182	774,312	5,404,494	446,476
Public safety	11,263,826	11,275,063	10,494,461	546,902	11,041,363	233,700
Education	28,774,070	28,892,101	27,916,973	941,297	28,858,270	33,831
Public works	5,912,394	5,904,294	5,160,996	532,316	5,693,312	210,982
Health and human services	1,066,591	1,063,252	868,240	8,711	876,951	186,301
Culture and recreation	2,032,414	2,040,752	1,445,222	538,530	1,983,752	57,000
Pension and other fringe benefits	11,147,292	10,977,292	10,661,982	7,471	10,669,453	307,839
State and county tax assessments	707,916	707,916	741,349	-	741,349	(33,433)
Debt service	1,094,605	1,102,164	1,102,164	-	1,102,164	-
Total Expenditures	67,153,102	67,813,804	63,021,569	$ 3,349,539	66,371,108	1,442,696
OTHER FINANCING SOURCES (USES)						
Transfers in	3,204,016	3,204,016	3,204,016		3,204,016	-
Transfers out	(400,000)	(400,000)	(492,424)		(492,424)	(92,424)
Total Other Financing Sources (Uses)	2,804,016	2,804,016	2,711,592		2,711,592	(92,424)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(6,598,188)	(7,140,860)	$ (1,397,523)		$ (4,747,062)	$ 2,393,798
Other budgetary items:						
Use of unassigned fund balance (free cash)	2,427,967	2,970,639				
Use of overlay surplus	-	-				
Prior year encumbrances and carryovers	4,238,896	4,238,896				
Miscellaneous	(68,675)	(68,675)				
Variance	$ -	$ -				

See accompanying notes to required supplementary information.

Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Select Board and Finance Committee and approved by the Town Meeting members at the Town's annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unassigned fund balance. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town's accounting system. During fiscal year 2025, Town Meeting adjustments to the original budget were not significant.

Appropriation deficits – During the fiscal year, the Town reported no appropriation deficits.

Budgetary-to-GAAP Reconciliation – The Town's general fund budget is prepared on a basis other than GAAP to confirm to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2025, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			$ 58,912,454
MTRS on-behalf pension payments	$ 3,437,239	$ -	3,437,239
Revenue recognition differences	39,453	-	39,453
Stabilization funds investment and other income	-	705,760	705,760
Revenue on a GAAP basis	$ 3,476,692	$ 705,760	$ 63,094,906
Expenditures on a budgetary basis			$ 63,021,569
MTRS on-behalf pension payments	$ 3,437,239	$ -	3,437,239
OPEB funding contributions	-	200,000	200,000
Indirect cost impact	-	(1,355,495)	(1,355,495)
Expenditures on a GAAP basis	$ 3,437,239	$ (1,155,495)	$ 65,303,313
Other financing sources (uses) on a budgetary basis			$ 2,711,592
Stabilization fund transfers	$ -	$ 200,000	200,000
OPEB funding contributions	-	200,000	200,000
Indirect cost impact	-	(1,355,495)	(1,355,495)
Other financing sources (uses) on a GAAP basis	$ -	$ (955,495)	$ 1,756,097