

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MERRIMAC, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2025



TOWN OF MERRIMAC, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Merrimac, Massachusetts

Opinions

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 Merrimac, 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 Merrimac Municipal Light Department “the Light Department”, “Light”, which is as of December 31, 2024). We did not audit the financial statements of the Light Department. The Light Department represents 37.81%, 48.88%, and 66.49% respectively, of the assets, net position, and operating revenues of the Town’s business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Light Department, is based solely on the report of the other auditors.

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 Merrimac Municipal Light Department which are 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, although not part of the basic financial statements is the responsibility of management, and is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 18, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Merrimac, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview 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 found in this report.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$40.7 million (*total net position*). Nearly \$16.0 million represented net position of governmental activities and approximately \$24.8 million represented net position of the business-type activities.
- The Town's total net position increased by nearly \$1.9 million year-over-year.
- The Town continues to report a deficit in its unrestricted net position in the governmental activities. This deficit was over \$3.9 million at June 30, 2025. This deficit is due primarily to the recording of amounts associated with net OPEB and net pension liabilities, which totaled approximately \$8.1 million at June 30, 2025, in the aggregate. These liabilities are applied against the Town's unrestricted net position and represent actuarial estimates of future postemployment benefits payable to the Town for retiree medical insurance and pensions.
- At June 30, 2025, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$5.5 million, which was over \$0.6 million more than the prior year due primarily to a large donation of \$510 thousand received for the Affordable Housing Trust.
- In the governmental funds financial statements, the Town reported nearly \$2.1 million unassigned fund balance at June 30, 2025.
- The Town's total long-term debt decreased nearly \$0.8 million to approximately \$11.1 million. This decrease was due to regularly scheduled maturities and amortization of bond premiums.

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, and (3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

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 the Town's assets, liabilities and deferred inflows/outflows of resources, with the end result reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the 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 various employee and retiree benefits).

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The Town reports the enterprise fund activities of its water, sewer and light department as business-type activities.

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 the funds of the Town can be divided into two 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 (e.g., 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 governmental 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. Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains several 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 and Capital Projects Fund, which are considered to be major funds, and the aggregate remaining amounts within the Nonmajor Governmental Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its General 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 in this report.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and light department activities.

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. This fund provides combined information on both the Town and Light Department OPEB Trust Funds.

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 and other postemployment benefits to its employees, as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent fiscal years were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<u>Assets</u>						
Current and other assets	\$ 8,130,568	\$ 7,730,215	\$ 11,588,723	\$ 10,897,094	\$ 19,719,291	\$ 18,627,309
Capital assets, net	26,601,945	27,124,535	19,977,944	19,237,012	46,579,889	46,361,547
Total Assets	34,732,513	34,854,750	31,566,667	30,134,106	66,299,180	64,988,856
Deferred Outflows of Resources	1,063,399	1,331,971	828,865	911,990	1,892,264	2,243,961
<u>Liabilities</u>						
Long-term liabilities	18,048,925	18,879,443	6,184,073	6,279,700	24,232,998	25,159,143
Other liabilities	1,025,625	1,122,542	1,095,783	639,094	2,121,408	1,761,636
Total Liabilities	19,074,550	20,001,985	7,279,856	6,918,794	26,354,406	26,920,779
Deferred Inflows of Resources	786,733	1,103,832	365,164	406,266	1,151,897	1,510,098
<u>Net Position</u>						
Net investment in capital assets	17,760,541	17,745,665	17,750,536	16,775,332	35,511,077	34,520,997
Restricted	2,102,999	1,384,588	4,913,208	4,484,568	7,016,207	5,869,156
Unrestricted	(3,928,911)	(4,049,349)	2,086,768	2,461,136	(1,842,143)	(1,588,213)
Total Net Position	\$ 15,934,629	\$ 15,080,904	\$ 24,750,512	\$ 23,721,036	\$ 40,685,141	\$ 38,801,940

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$40.7 million (*total net position*). This reflects an increase of nearly \$1.9 million.

The largest portion (approximately \$35.5 million) of the Town's total net position reflects its net investment in capital 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 significant portion of the Town's total net position (approximately \$7.0 million) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* is in deficit by approximately \$1.8 million. The Town continues to report a deficit in its unrestricted net position, which is entirely due to recognition of approximately \$11.9 million in long-term liabilities associated with net pension and net OPEB liabilities reported in its governmental and business-type activities.

Condensed comparative statements of activities for the two most recent fiscal years were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,799,051	\$ 1,405,149	\$ 8,768,623	\$ 8,344,877	\$ 10,567,674	\$ 9,750,026
Operating grants and contributions	1,052,344	645,457	-	-	1,052,344	645,457
Capital grants and contributions	324,827	287,156	593,633	218,454	918,460	505,610
General revenues:						
Property taxes	18,682,246	18,156,020	-	-	18,682,246	18,156,020
Intergovernmental	1,041,451	1,010,703	-	-	1,041,451	1,010,703
Other	<u>1,625,710</u>	<u>1,561,492</u>	<u>530,363</u>	<u>497,816</u>	<u>2,156,073</u>	<u>2,059,308</u>
Total Revenues	<u>24,525,629</u>	<u>23,065,977</u>	<u>9,892,619</u>	<u>9,061,147</u>	<u>34,418,248</u>	<u>32,127,124</u>
<u>Expenses</u>						
General government	2,189,224	2,065,153	-	-	2,189,224	2,065,153
Public safety	4,409,673	3,730,280	-	-	4,409,673	3,730,280
Education	13,515,584	13,109,494	-	-	13,515,584	13,109,494
Public works	1,823,202	1,449,266	-	-	1,823,202	1,449,266
Health and human services	875,898	799,085	-	-	875,898	799,085
Culture and recreation	627,929	601,601	-	-	627,929	601,601
Interest expense	230,394	207,907	-	-	230,394	207,907
Utilities	-	-	<u>8,863,143</u>	<u>7,933,775</u>	<u>8,863,143</u>	<u>7,933,775</u>
Total Expenses	<u>23,671,904</u>	<u>21,962,786</u>	<u>8,863,143</u>	<u>7,933,775</u>	<u>32,535,047</u>	<u>29,896,561</u>
Change in Net Position Before Transfers	853,725	1,103,191	1,029,476	1,127,372	1,883,201	2,230,563
<u>Transfers</u>						
Change in Net Position	-	-	-	-	-	-
Net position, beginning of year	15,080,904	13,977,713	23,721,036	22,754,366	38,801,940	36,732,079
Restatement for valuation method	-	-	-	(160,702)	-	(160,702)
Net position, beginning of year, as restated	<u>15,080,904</u>	<u>13,977,713</u>	<u>23,721,036</u>	<u>22,593,664</u>	<u>38,801,940</u>	<u>36,571,377</u>
Net position - end of year	<u>\$ 15,934,629</u>	<u>\$ 15,080,904</u>	<u>\$ 24,750,512</u>	<u>\$ 23,721,036</u>	<u>\$ 40,685,141</u>	<u>\$ 38,801,940</u>

Governmental Activities – Total revenues increased nearly \$1.5 million year-over-year. This increase was due primarily to an increase of over \$0.5 million in property tax revenues, a contribution of approximately \$0.5 million for the Affordable Housing Trust, and an increase in charges for services of nearly \$0.4 million from a mix of increased, recurring fee revenues and one-time events.

The Town's largest revenue source is from property taxes, which represented nearly 76% and 79% of total revenues in fiscal year 2025 and 2024, respectively. The dollar increase is directly related to statutory increases in the amounts that are allowed to be billed. No other revenue categories were greater than 10% of total revenues in fiscal years 2025 or 2024.

Education expenses of approximately \$13.5 million continue to represent the largest expense for the Town and represented approximately 57% of total 2025 expenses versus 60% in the prior year. Public safety expenses of over \$4.4 million, represented nearly 19% of total 2025 expenses versus almost 17% for 2024. No other expense categories were greater than 10% of fiscal years 2025 or 2024 total expenses and their functional percentage of total 2025 expenses were similar to prior year levels.

Business-type Activities – The activities of the Water, Sewer, and Light Enterprise Funds increased net position by over \$1.0 million. Total revenues increased over \$0.8 million while expenses increased over \$0.9 million in comparison to 2024 activity; accordingly, revenues and expenses were significantly able to offset each other. Charges for services increased by approximately \$0.4 million and represented nearly 89% of business-type revenues. Additionally, current year revenues were positively impacted by approximately \$0.6 million from grant and contribution funding to support water and light infrastructure construction in the current year.

Of the total expenses within the three enterprise funds, approximately 84% pertains to direct operational costs with remaining costs represented by debt service interest expense (approximately 1%) and current year depreciation (approximately 15%), a non-cash current year activity.

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.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$5.5 million. This represents an increase of over \$0.6 million from the prior year.

The General Fund is the chief operating fund of the Town. The total fund balance in the General Fund decreased nearly \$0.1 million in fiscal year 2025. This decrease was not significant and represents a comparable matching of revenue and expenditure activity for the year.

At June 30, 2025, the unassigned fund balance of the General Fund was nearly \$2.1 million, while the total fund balance in the General Fund was approximately \$3.4 million. As a measure of the General Fund's liquidity, it can be useful to compare the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 9.1% of total fiscal year 2025 General Fund expenditures, while the total fund balance represents 14.7% of that same amount.

The Capital Projects Fund is used to account for the construction of the Town's building and infrastructure capital assets. All projects recorded in the capital projects fund were completed in a prior year. As such, fiscal year 2025, remaining financial surpluses in the fund were transferred to the General Fund in the current year to close out all present governmental Capital Project Fund activities.

The Nonmajor Governmental Funds are comprised of the remaining governmental funds not reported in the two previously described major funds. In fiscal year 2025, the fund balance in the Town's Nonmajor Governmental Funds increased by more than \$0.7 million. The Town reports nearly \$0.4 million as nonspendable (endowment corpus) and over \$1.7 million as monies with usage restrictions.

Proprietary Funds – The Town's proprietary funds consist of the Water and Sewer Enterprise Funds; as well as the Light Department Enterprise Fund which functions with some dissimilar operational autonomies compared to other Town departments and utilizes a December 31 year end. These funds provide the same type of information found in the government-wide financial statements under business-type activities. At their fiscal year ends, the Water, Sewer, and Light net positions were approximately \$5.4 million, \$7.3 million, and \$12.1 million, respectively. In addition, their overall operations resulted in changes to net position of over \$0.2 million, -\$0.2 million, and \$1.0 million, respectively.

Fiduciary Fund – The Town's sole fiduciary fund is comprised of the Town's and Light Department's OPEB Trust Funds. The whole OPEB Trust increased over \$0.5 million due to contributions in excess of the pay-as-you-go expense funded by the Town and Light Department of nearly \$0.2 million and net investment gains of over \$0.3 million. The current balance in the account is approximately \$3.5 million. This fund is comprised of amounts reported by the Town as of June 30, 2025, and the Light Department as of December 31, 2024; a more detailed breakout of each portion can be found in notes to these basic financial statements.

General Fund Budgetary Highlights

Differences between the original and the final amended budget were not significant. 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 as of June 30, 2025, totaled approximately \$46.6 million, net of accumulated depreciation. Investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of over \$0.2 million year-over-year, as current year capital asset additions of approximately \$3.3 million exceeded depreciation expense of nearly \$2.9 million and net disposal impacts.

Additional information on the Town capital assets can be found in notes to these basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$11.1 million comprised of debt principal, unamortized debt premiums and capital leases. The Town's total long-term debt decreased by nearly \$0.8 million during the fiscal year as a result of regular scheduled maturities and amortization.

Standard & Poor's Financial Services LLC ("S&P") assigned the Town an AA+ credit rating, which signifies that the Town's general obligation bonds are of investment grade, high quality and very low credit risk. Furthermore, this is the second highest credit S&P issues on long-term debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$71.5 million, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in notes to these basic 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 in fiscal year 2025 comprised 96.3% of the Town's real estate tax base. The remainder of the Town's property tax base, is from commercial and industrial property taxes and 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 anticipates net state aid to support General Fund operations of approximately \$1.1 million, which is similar to the prior year.
- The Town enters fiscal year 2026 with the following financial reserves and available resources:
 - Certified free cash was approved during 2026 for approximately \$477,000
 - General stabilization funds balance of approximately \$1,099,000
 - Special stabilization funds balance of approximately \$335,000
- The Town's housing market has been very strong for the past several years. This had been bolstered by some of the lowest mortgage rates of the last 20 years. More recent actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to rise. 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.

Each of these factors were considered in preparing the Town's budget for the 2026 fiscal year, which was adopted at Town Meeting in April 2025. The Town set its fiscal year 2026 tax rate on December 2, 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 Finance Director, 4 School Street, Merrimac, Massachusetts 01860.

TOWN OF MERRIMAC, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,350,396	\$ 2,966,227	\$ 6,316,623
Investments	2,834,275	4,771,152	7,605,427
Receivables, net of allowance for uncollectibles:			
Property taxes	993,230	-	993,230
User fees	-	2,017,123	2,017,123
Betterments	-	29,098	29,098
Departmental and other	367,106	-	367,106
Intergovernmental	109,986	400,444	510,430
Interfund balances	116,983	(116,983)	-
Tax foreclosures	358,592	-	358,592
Inventory	-	248,997	248,997
Prepaid items	-	11,320	11,320
Purchased power working capital	-	855,765	855,765
Other assets	-	2,088	2,088
Capital assets, not being depreciated	2,806,877	353,192	3,160,069
Capital assets, net of depreciation	23,795,068	19,624,752	43,419,820
Net other postemployment benefits asset	-	403,492	403,492
Total Assets	<u>34,732,513</u>	<u>31,566,667</u>	<u>66,299,180</u>
Deferred Outflows of Resources:			
Related to net pension liability	770,554	689,471	1,460,025
Related to net other postemployment benefits liability	292,845	139,394	432,239
Total Deferred Outflows of Resources	<u>1,063,399</u>	<u>828,865</u>	<u>1,892,264</u>
Liabilities:			
Current liabilities:			
Warrants and accounts payable	393,377	920,002	1,313,379
Accrued payroll and withholdings	166,020	21,540	187,560
Accrued interest expense	75,458	39,776	115,234
Customer deposits	-	114,465	114,465
Other liabilities	92,870	-	92,870
Short-term notes payable	297,900	-	297,900
Noncurrent liabilities:			
Due in one year or less	602,227	276,942	879,169
Due in more than one year	17,446,698	5,907,131	23,353,829
Total Liabilities	<u>19,074,550</u>	<u>7,279,856</u>	<u>26,354,406</u>
Deferred Inflows of Resources:			
Related to leases	10,484	-	10,484
Related to net pension liability	178,440	128,825	307,265
Related to net other postemployment benefits liability	597,809	236,339	834,148
Total Deferred Inflows of Resources	<u>786,733</u>	<u>365,164</u>	<u>1,151,897</u>
Net Position:			
Net investment in capital assets	17,760,541	17,750,536	35,511,077
Restricted for:			
Nonexpendable permanent funds	392,517	-	392,517
Expendable permanent funds	836,927	-	836,927
Revolving funds	249,896	-	249,896
Depreciation	-	4,771,152	4,771,152
Other purposes	623,659	142,056	765,715
Unrestricted	(3,928,911)	2,086,768	(1,842,143)
Total Net Position	<u>\$ 15,934,629</u>	<u>\$ 24,750,512</u>	<u>\$ 40,685,141</u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,189,224	\$ 747,694	\$ 151,284	\$ -	\$ (1,290,246)		\$ (1,290,246)
Public safety	4,409,673	824,665	68,315	-	(3,516,693)		(3,516,693)
Education	13,515,584	-	61,538	-	(13,454,046)		(13,454,046)
Public works	1,823,202	205,362	24,528	324,827	(1,268,485)		(1,268,485)
Health and human services	875,898	12,330	707,675	-	(155,893)		(155,893)
Culture and recreation	627,929	9,000	39,004	-	(579,925)		(579,925)
Debt service	230,394	-	-	-	(230,394)		(230,394)
Total Governmental Activities	23,671,904	1,799,051	1,052,344	324,827	(20,495,682)		(20,495,682)
Business-Type Activities:							
Water	1,566,671	1,393,321	-	414,344		\$ 240,994	240,994
Sewer	1,836,361	1,546,270	-	-		(290,091)	(290,091)
Electric Light Department	5,460,111	5,829,032	-	179,289		548,210	548,210
Total Business-Type Activities	8,863,143	8,768,623	-	593,633		499,113	499,113
Total Primary Government	\$ 32,535,047	\$ 10,567,674	\$ 1,052,344	\$ 918,460		499,113	(19,996,569)
General Revenues:							
					18,682,246	-	18,682,246
					1,242,624	-	1,242,624
					1,041,451	-	1,041,451
					58,468	-	58,468
					324,618	530,363	854,981
Total General Revenues					21,349,407	530,363	21,879,770
Change in Net Position					853,725	1,029,476	1,883,201
Net Position:							
Beginning of Year, as restated					15,080,904	23,721,036	38,801,940
End of Year					\$ 15,934,629	\$ 24,750,512	\$ 40,685,141

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,477,435	\$ -	\$ 1,989,944	\$ 3,467,379
Investments	2,309,435	-	524,840	2,834,275
Receivables, net of allowance				
Property taxes	993,230	-	-	993,230
Excise taxes	173,964	-	-	173,964
Leases	10,484	-	-	10,484
Departmental and other	134,904	-	47,754	182,658
Intergovernmental	-	-	109,986	109,986
Tax foreclosures	358,592	-	-	358,592
Total Assets	<u>5,458,044</u>	<u>-</u>	<u>2,672,524</u>	<u>8,130,568</u>
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,458,044</u>	<u>\$ -</u>	<u>\$ 2,672,524</u>	<u>\$ 8,130,568</u>
Liabilities:				
Warrants and accounts payable	\$ 191,432	\$ -	\$ 201,945	\$ 393,377
Accrued payroll and withholdings	144,094	-	21,926	166,020
Other liabilities	92,870	-	-	92,870
Short-term notes payable	-	-	297,900	297,900
Total Liabilities	<u>428,396</u>	<u>-</u>	<u>521,771</u>	<u>950,167</u>
Deferred Inflows of Resources:				
Unearned revenue - property taxes	993,230	-	-	993,230
Unearned revenue - excise taxes	173,964	-	-	173,964
Unearned revenue - leases	10,484	-	-	10,484
Unearned revenue - departmental and other	493,496	-	47,754	541,250
Total Deferred Inflows of Resources	<u>1,671,174</u>	<u>-</u>	<u>47,754</u>	<u>1,718,928</u>
Fund Balances:				
Nonspendable	-	-	390,117	390,117
Restricted	-	-	1,712,882	1,712,882
Committed	1,174,755	-	-	1,174,755
Assigned	101,573	-	-	101,573
Unassigned	2,082,146	-	-	2,082,146
Total Fund Balances	<u>3,358,474</u>	<u>-</u>	<u>2,102,999</u>	<u>5,461,473</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,458,044</u>	<u>\$ -</u>	<u>\$ 2,672,524</u>	<u>\$ 8,130,568</u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2025

Total Governmental Fund Balances		\$ 5,461,473
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		26,601,945
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds.		1,708,444
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	770,554	
Deferred inflows related to net pension liability	(178,440)	
Deferred outflows related to net other postemployment benefits liability	292,845	
Deferred inflows related to net other postemployment benefits liability	<u>(597,809)</u>	
Net effect of reporting deferred outflows and inflows of resources		287,150
In the statement of position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(75,458)
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	(8,302,684)	
Unamortized bond premiums	(538,720)	
Landfill postclosure	(728,000)	
Compensated absences	(337,699)	
Net pension liability	(7,052,396)	
Net other postemployment benefits liability	<u>(1,089,426)</u>	
Net effect of reporting long-term liabilities		<u>(18,048,925)</u>
Net Position of Governmental Activities		<u><u>\$ 15,934,629</u></u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

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

	General Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes, net	\$ 18,780,050	\$ -	\$ -	\$ 18,780,050
Intergovernmental	1,187,843	-	640,648	1,828,491
Motor vehicle and other excises	1,211,365	-	-	1,211,365
Departmental and other revenue	1,018,553	-	657,843	1,676,396
License and permits	66,664	-	-	66,664
Penalties and interest on taxes	58,468	-	-	58,468
Fines and forfeitures	23,098	-	-	23,098
Investment income	245,908	-	78,710	324,618
Contributions and donations	-	-	590,131	590,131
Total Revenues	<u>22,591,949</u>	<u>-</u>	<u>1,967,332</u>	<u>24,559,281</u>
Expenditures:				
Current:				
General government	1,647,615	-	93,631	1,741,246
Public safety	2,875,467	-	431,711	3,307,178
Education	13,314,282	-	-	13,314,282
Public works	1,415,592	-	380,221	1,795,813
Health and human services	524,012	-	94,632	618,644
Culture and recreation	617,209	-	31,633	648,842
Pensions and other fringes	1,574,867	-	-	1,574,867
State and county tax assessments	121,294	-	-	121,294
Debt service:				
Principal	490,705	-	-	490,705
Interest	299,113	-	-	299,113
Total Expenditures	<u>22,880,156</u>	<u>-</u>	<u>1,031,828</u>	<u>23,911,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(288,207)</u>	<u>-</u>	<u>935,504</u>	<u>647,297</u>
Other Financing Sources (Uses):				
Transfers in	243,498	-	10,082	253,580
Transfers out	(10,082)	(16,323)	(227,175)	(253,580)
Total Other Financing Sources (Uses)	<u>233,416</u>	<u>(16,323)</u>	<u>(217,093)</u>	<u>-</u>
Change in Fund Balances	(54,791)	(16,323)	718,411	647,297
Fund Balances - Beginning of year	3,413,265	16,323	1,384,588	4,814,176
Fund Balances - End of year	<u>\$ 3,358,474</u>	<u>\$ -</u>	<u>\$ 2,102,999</u>	<u>\$ 5,461,473</u>

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, 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 **\$ 647,297**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated/amortized over their estimated useful lives and reported as depreciation expense. The net amounts are presented here as reconciling items:

Capital outlays, net	\$ 1,044,854	
Depreciation expense, net	<u>(1,567,444)</u>	
Net effect of reporting capital assets		(522,590)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Amortization of premium on bonds and notes	63,084	
Principal payments of debt	<u>490,705</u>	
Net effect of reporting long-term debt		553,789

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.

5,635

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds (33,652)

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, net	(72,169)	
Landfill postclosure	52,000	
Pension benefits	68,292	
Other postemployment benefits	<u>155,123</u>	
Net effect of reporting long-term liabilities		<u>203,246</u>

Change in Net Position of Governmental Activities **\$ 853,725**

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Business-Type Activities			Totals
	Water Fund	Sewer Fund	Electric Light (a)	
Assets:				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,729,874	\$ 1,236,353	\$ 2,966,227
User fees, net of allowance	584,599	618,589	813,935	2,017,123
Intergovernmental receivables	400,444	-	-	400,444
Inventory	-	-	248,997	248,997
Prepaid items	-	-	11,320	11,320
Purchased power working capital deposit	-	-	855,765	855,765
Total current assets	985,043	2,348,463	3,166,370	6,499,876
Noncurrent assets:				
Investments, restricted	-	-	4,771,152	4,771,152
Betterments receivable	-	29,098	-	29,098
Preliminary survey and investigation	-	-	2,088	2,088
Capital assets, not being depreciated	31,621	209,479	112,092	353,192
Capital assets, net of depreciation	7,301,575	5,570,177	6,753,000	19,624,752
Net other postemployment benefits asset	-	261,436	142,056	403,492
Total noncurrent assets	7,333,196	6,070,190	7,009,236	20,412,622
Total Assets	8,318,239	8,418,653	10,175,606	26,912,498
Deferred Outflows of Resources:				
Related to net pension liability	84,047	113,085	492,339	689,471
Related to net other postemployment benefits liability	22,922	28,487	87,985	139,394
Total Deferred Outflows of Resources	106,969	141,572	580,324	828,865
Liabilities:				
Current liabilities:				
Warrants and accounts payable	16,355	35,471	868,176	920,002
Accrued payroll and withholdings	10,010	11,530	-	21,540
Customer deposits	-	-	114,465	114,465
Due to other fund	116,983	-	-	116,983
Accrued interest expense	19,819	-	19,957	39,776
Current portion of long-term debt	98,081	34,326	75,000	207,407
Compensated absences	2,989	7,211	59,335	69,535
Total current liabilities	264,237	88,538	1,136,933	1,489,708
Noncurrent liabilities:				
Long-term debt	1,834,337	61,056	150,000	2,045,393
Compensated absences	11,956	18,673	29,569	60,198
Net other postemployment benefits liability	99,787	-	-	99,787
Net pension liability	769,234	1,034,998	1,897,521	3,701,753
Total noncurrent liabilities	2,715,314	1,114,727	2,077,090	5,907,131
Total Liabilities	2,979,551	1,203,265	3,214,023	7,396,839
Deferred Inflows of Resources:				
Related to net pension liability	19,463	26,188	83,174	128,825
Related to net other postemployment benefits liability	46,792	58,152	131,395	236,339
Total Deferred Inflows of Resources	66,255	84,340	214,569	365,164
Net Position:				
Net investment in capital assets	5,426,170	5,684,274	6,640,092	17,750,536
Restricted for depreciation	-	-	4,771,152	4,771,152
Restricted for other post employment benefits	-	-	142,056	142,056
Unrestricted	(46,768)	1,588,346	545,190	2,086,768
Total Net Position	\$ 5,379,402	\$ 7,272,620	\$ 12,098,490	\$ 24,750,512

(a) As of December 31, 2024.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

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

	Business-Type Activities			Totals
	Water Fund	Sewer Fund	Electric Light (a)	
Operating Revenues:				
Usage charges	\$ 1,381,806	\$ 1,528,569	\$ 5,633,685	\$ 8,544,060
Other operating revenues	11,515	16,052	195,347	222,914
Total Operating Revenues	<u>1,393,321</u>	<u>1,544,621</u>	<u>5,829,032</u>	<u>8,766,974</u>
Operating Expenses:				
Operating costs	1,075,776	1,371,348	4,858,048	7,305,172
Depreciation	446,357	457,164	387,055	1,290,576
Total Operating Expenses	<u>1,522,133</u>	<u>1,828,512</u>	<u>5,245,103</u>	<u>8,595,748</u>
Total Operating Income (Loss)	<u>(128,812)</u>	<u>(283,891)</u>	<u>583,929</u>	<u>171,226</u>
Nonoperating Income (Expenses):				
Intergovernmental	411,944	-	-	411,944
Betterments	-	1,649	-	1,649
Other	-	-	(38,000)	(38,000)
Loss on retirement of plant	-	-	(164,441)	(164,441)
Investment income (loss)	667	5,191	524,505	530,363
Interest expense	(44,538)	(7,849)	(12,567)	(64,954)
Total Nonoperating Revenues (Expenses)	<u>368,073</u>	<u>(1,009)</u>	<u>309,497</u>	<u>676,561</u>
Income (Loss) Before Capital Contributions	239,261	(284,900)	893,426	847,787
Capital contributions	2,400	-	179,289	181,689
Total Capital Contributions	<u>2,400</u>	<u>-</u>	<u>179,289</u>	<u>181,689</u>
Change in Net Position	241,661	(284,900)	1,072,715	1,029,476
Net Position - Beginning of year	<u>5,137,741</u>	<u>7,557,520</u>	<u>11,025,775</u>	<u>23,721,036</u>
Net Position - End of year	<u>\$ 5,379,402</u>	<u>\$ 7,272,620</u>	<u>\$ 12,098,490</u>	<u>\$ 24,750,512</u>

(a) As of and for the year ended December 31, 2024.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

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

	Business-Type Activities			
	Water Fund	Sewer Fund	Electric Light (a)	Totals
Cash Flows from Operating Activities:				
Receipts from users	\$ 1,328,589	\$ 1,503,527	\$ 5,680,107	\$ 8,512,223
Payments to vendors	(575,285)	(798,526)	(3,847,956)	(5,221,767)
Payments to employees	(537,673)	(597,493)	(1,043,788)	(2,178,954)
Net Cash Provided by Operating Activities	<u>215,631</u>	<u>107,508</u>	<u>788,363</u>	<u>1,111,502</u>
Cash Flows from Noncapital Related Financing Activities:				
Payment in lieu of tax to Town	-	-	(38,000)	(38,000)
Net Cash Used in Noncapital Related Financing Activities	<u>-</u>	<u>-</u>	<u>(38,000)</u>	<u>(38,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Grant received from Commonwealth	11,500	-	-	11,500
Capital contribution	2,400	-	179,289	181,689
Temporary contributions from other funds	116,983	-	-	116,983
Betterments	-	1,649	-	1,649
Acquisition and construction of capital assets	(510,777)	(38,518)	(1,304,967)	(1,854,262)
Principal payments on long-term debt	(99,892)	(59,380)	(75,000)	(234,272)
Interest paid	(45,366)	(7,849)	(12,567)	(65,782)
Net Cash Used in Capital and Related Financing Activities	<u>(525,152)</u>	<u>(104,098)</u>	<u>(1,213,245)</u>	<u>(1,842,495)</u>
Cash Flows from Investing Activities:				
Investment income (loss)	667	5,191	251,405	257,263
Purchase of investments	-	-	(380,533)	(380,533)
Sales of investments	-	-	607,259	607,259
Net Cash Provided by Investing Activities	<u>667</u>	<u>5,191</u>	<u>478,131</u>	<u>483,989</u>
Change in Cash and Cash Equivalents	(308,854)	8,601	15,249	(285,004)
Cash and Cash Equivalents:				
Beginning of year	308,854	1,721,273	5,031,165	7,061,292
End of year	<u>\$ -</u>	<u>\$ 1,729,874</u>	<u>\$ 5,046,414</u>	<u>\$ 6,776,288</u>
Reconciliation of Operating Income to Net Cash Provided Operating Activities:				
Operating Income	\$ (128,812)	\$ (283,891)	\$ 583,929	\$ 171,226
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	446,357	457,164	387,055	1,290,576
Changes in assets, deferred outflows (inflows) of resources and liabilities:				
Receivables and other current assets	(64,732)	(41,094)	(373,133)	(478,959)
Warrants payable and other current liabilities	(31,195)	8,764	136,285	113,854
Accrued and deferred benefits	(5,987)	(33,435)	54,227	14,805
Net Cash Provided By Operating Activities	<u>\$ 215,631</u>	<u>\$ 107,508</u>	<u>\$ 788,363</u>	<u>\$ 1,111,502</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts:				
Cash and investments, unrestricted	\$ -	\$ -	\$ 1,099,498	\$ 1,099,498
Cash and investments, restricted	-	-	136,855	136,855
Depreciation account, restricted	-	-	4,771,152	4,771,152
Total cash and investments	<u>-</u>	<u>-</u>	<u>6,007,505</u>	<u>6,007,505</u>
Less noncash equivalents	<u>-</u>	<u>-</u>	<u>(961,091)</u>	<u>(961,091)</u>
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,046,414</u>	<u>\$ 5,046,414</u>

(a) As of and for the year ended December 31, 2024.

See accompanying notes to basic financial statements.

TOWN OF MERRIMAC, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>OPEB Trust Funds</u>
Assets:	
Cash and cash equivalents	\$ 18,548
Investments (at fair value):	
Mutual funds - fixed income	976,142
Mutual funds - equity	1,529,360
Exchange traded funds - fixed income	125,585
Exchange traded funds - equity	606,640
Common stock - equity	249,513
Total Investments	<u>3,487,240</u>
Total Assets	<u>3,505,788</u>
Liabilities:	
Accounts payable and accrued expenses	<u>-</u>
Total Liabilities	<u>-</u>
Net Position:	
Restricted for other postemployment benefits	<u>3,505,788</u>
Total Net Position	<u><u>\$ 3,505,788</u></u>

See accompanying notes to basic financial statements.

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

	OPEB Trust Funds
Additions:	
Contributions:	
Employer	\$ 385,593
Total contributions	385,593
Investment income:	
Interest and dividends	335,045
Net investment earnings	335,045
Total Additions	720,638
 Deductions:	
Benefit payments to retirees and beneficiaries	186,987
Total Deductions	186,987
Change in Net Position	533,651
Net Position - Beginning of Year	2,972,137
Net Position - Ending of Year	\$ 3,505,788

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

TOWN OF MERRIMAC, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

I. Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Merrimac (the “Town”) 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 governmental entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town is located in Essex County, approximately forty miles north of Boston, Massachusetts and bordering the State of New Hampshire. Merrimac was incorporated as a town in 1876.

The Town is governed by an elected five-member Select Board. Members of the Select Board serve three-year staggered terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades kindergarten to twelve through a regional school district, street maintenance, and parks and recreational facilities. Water, sewer and light services are also provided to the Town’s residents through enterprise funds established for these purposes.

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. Pursuant to these criteria there are no component units required to be included in the financial statements.

Availability of Financial Information of Town Light Department Enterprise Fund – The Merrimac Municipal Light Department (the “Light Department” or “Light”), which provides electricity services to the Town’s inhabitants, accounts for its operations on a calendar year basis. The net position and results of the Light Department’s operations as of and for the year ended December 31, 2024, have been included in the Town’s proprietary funds financial statements. The Light Department issued stand-alone audited financial statements from another auditor, which can be obtained from the Light Department. The Light Department is located at 10 West Main Street, Merrimac, Massachusetts 01860.

Joint Ventures – The Pentucket Regional School District is a joint venture between the Town and the towns of Groveland and West Newbury. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2025, the Town’s assessment was \$12,384,517. There is no equity interest reported in these financial statements for this joint venture. Complete audited financial statements for this joint venture can be obtained directly through the Superintendent’s Office, 22 Main Street, West Newbury, Massachusetts 01985.

In addition, the Town is a member community of the Whittier Regional Vocational Technical High School. This joint venture assesses each of the eleven member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2025, the Town was assessed \$706,624. There is no equity interest reported in these financial statements for this joint venture. Complete audited financial statements for this school district can be obtained directly through the Superintendent's Office, 115 Amesbury Line Road, Haverhill, Massachusetts 01830.

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 nonfiduciary 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 and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the governmental funds financial statements. Nonmajor governmental 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) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% 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 the proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred. 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 are 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*. The effect of material interfund activity has been removed from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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 interest on general long-term debt which is recognized when payment is 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 applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. 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 Light Department’s rates are proposed by the Light Department and approved by the Board of Light Commissioners. The rates may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (“DPU”). While the DPU exercises general supervisory authority over the Light Department, rates are not subject to DPU approval. Rates must be set such that net earnings from operations do not exceed 8% of the cost of the utility plant.

The Town 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.

Capital Projects Fund – was used to account for the purchase or construction of the Town’s capital assets. The Fund was closed out during fiscal year 2025.

Nonmajor Governmental Funds – consist of other special revenue, capital projects 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.

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 nonoperating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its water, sewer and light (electricity) activities as major proprietary funds.

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

The Town reports its other postemployment benefits trust fund in its fiduciary funds. The other postemployment benefits trust fund is used to accumulate funds for future payments of other postemployment benefits, or OPEB, for retirees such as health and life insurance.

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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly annually and are due on November 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to 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.

Real estate taxes may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories not material to the basic financial statements are considered to be expenditures at the time of purchase. When inventories are deemed material or significant that have been reported as an asset when purchased and expensed when the inventory is utilized or placed into service; the only fund reporting inventory is the Light Department. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and business-type financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, sidewalks and similar items), are reported in the government-wide 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.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. 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-progress) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 to 40 years
Machinery and equipment	3 to 10 years
Vehicles	5 to 10 years
Infrastructure	15 to 100 years

Additionally, the statutory provision for depreciation of Light Department utility plant is computed on the straight-line basis at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights, which the Light Department has consistently used. This method approximates GAAP based on the average age of the utility plant assets and was approved by the DPU.

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. Any residual balances outstanding between the governmental activities, business-type activities and fiduciary funds 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 – Exclusive of the permanent funds, 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 may be voluntarily assigned to the General Fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick time. Unused vacation time is accrued when it is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. Sick leave is accumulated at various rates based on individual collective bargaining agreements and is accrued only to the extent that leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. It is assumed that when sick leave is taken, the leave hours earned last are the first ones utilized or paid. Compensated absence liabilities related to both governmental and business-type activities are normally liquidated from the funds reporting payroll and related expenditures. Amounts related to these benefits are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues if material.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. 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 financial 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 has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and changes in the net other postemployment liabilities. The deferred pensions and OPEB items will be recognized in pension expense and benefits expense in future years as more fully described later in this report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of financial 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 has three types of items that are reported on the government-wide statement of net position which relate to inflows from lease receivables, and from changes in the net pension liability and the net other postemployment benefit liability. The deferred leases will be recognized as departmental revenue in future years as received, and deferred pensions and OPEB items will be recognized in pension and benefits expense in future years as more fully described later in this report.

The Town also reports one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: (1) property taxes, (2) excise taxes, and (3) other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, unavailable revenue relative to future cash flows from lease receivable agreements is reported here.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are 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 the spendable portion of donor restricted trusts that support governmental programs.

Revolving funds represent amounts that are restricted by state law for expenditures that are directly related to the revenues that are being collected.

Other purposes represent assets that are restricted by donors and state laws for specific governmental programs and uses.

Fund Equity – In the governmental fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on 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 below:

Nonspendable represents 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 as the corpus of the 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 do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

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 not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains three stabilization funds – a General Stabilization Fund, a Capital Stabilization Fund, and a Fire and Ambulance Apparatus Stabilization Fund. The use of stabilization funds requires a two-third vote of the Town Meeting before use for general and capital-related purposes. The fund balances for these three stabilization funds totaled \$1,433,791 at June 30, 2025, and were included as components of unassigned fund balance in the General Fund.

Encumbrances – The Town's encumbrance policy regarding the general fund is to (i) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (ii) 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 \$1,174,755 of articles from Town Meeting votes in the General Fund as committed and \$101,573 of encumbrances from normal purchasing activity in the General Fund as assigned at June 30, 2025. Encumbrances are not reported in any other funds.

The following represent the categorizations of fund balance:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Perpetual permanent funds	\$ -	\$ 392,517	\$ 392,517
Restricted:			
General government	-	538,684	538,684
Public safety	-	176,892	176,892
Education	-	-	-
Public works	-	227,987	227,987
Health and human services	-	716,923	716,923
Culture and recreation	-	49,996	49,996
Committed:			
General government	259,619	-	259,619
Public safety	291,827	-	291,827
Education	34,341	-	34,341
Public works	320,582	-	320,582
Health and human services	17,491	-	17,491
Culture and recreation	69,550	-	69,550
Pension and other fringes	160,523	-	160,523
Debt Service	20,822	-	20,822
Assigned:			
General government	5,961	-	5,961
Public safety	95,612	-	95,612
Unassigned	2,082,146	-	2,082,146
Totals	<u>\$ 3,358,474</u>	<u>\$ 2,102,999</u>	<u>\$ 5,461,473</u>

E. Excess of Expenditures Over Appropriations and Fund Deficits

The Town did not report any material expenditures in excess of appropriations within the General Fund during the year ended June 30, 2025.

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.

Massachusetts General Law ("MGL") require the Town to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool"). 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.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the "MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

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 \$4,145,545, and the bank balance was \$4,639,997. The Town relies on depository insurance at its banking institutions to mitigate this risk. At June 30, 2025, \$3,093,559 of the bank deposits were uninsured and uncollateralized.

Because the Light Department pools much of its cash and short-term investments with the Town and bank accounts are maintained in the name of the Town, the amount of this balanced exposed to custodial credit risk at December 31, 2024, cannot be reasonably determined.

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. The Town does maintain an investment policy for custodial credit risk relative to investment holdings. 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 Town's investments in negotiable certificates of deposit are fully covered by federal depository insurance. Investments in the MMDT are not subject to custodial credit risk.

Fair Value of Investments – The Town reports its investments 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 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:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. government obligations	\$ 1,023,929	\$ 1,023,929	\$ -	\$ -
Municipal bonds	67,264	67,264	-	-
Corporate fixed income securities	715,818	-	715,818	-
Fixed income exchange traded funds	11,088	-	11,088	-
Fixed income mutual funds	799,310	-	799,310	-
Total debt securities	<u>2,617,409</u>	<u>1,091,193</u>	<u>1,526,216</u>	<u>-</u>
Other investments:				
Equity common stock	906,969	906,969	-	-
Equity exchange traded funds	606,640	-	606,640	-
Equity mutual funds	1,499,432	-	1,499,432	-
Total investments measured at fair value	<u>5,630,450</u>	<u>\$ 1,998,162</u>	<u>\$ 3,632,288</u>	<u>\$ -</u>
Investments measured at amortized cost:				
State investment pool	877,156			
Money market mutual funds	<u>72,573</u>			
Total Town investments	<u>\$ 6,580,179</u>			

Investments in the MMDT are valued at amortized cost, which approximates fair value.

The following table presents the Light Department's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2024:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. government obligations	\$ 551,742	\$ 551,742	\$ -	\$ -
Total debt securities	551,742	551,742	-	-
Other investments:				
Equity securities	216,491	216,491	-	-
Equity mutual funds	3,711,150	3,711,150	-	-
Exchange traded funds	125,585	125,585	-	-
Fixed income mutual funds	429,648	429,648	-	-
Total investments measured at fair value	\$ 5,034,616	\$ 5,034,616	\$ -	\$ -

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. The Town's investments in the MMDT represented approximately 13% of total investments held at June 30, 2025. No other individual investment exceeded 5% of the Town's total investments.

Interest Rate Risk: Investments – Debt security investments 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 Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

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

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. government obligations	\$ 1,023,929	\$ 736,357	\$ 221,754	\$ 65,818
Municipal bonds	67,264	-	9,024	58,240
Corporate fixed income securities	715,818	212,440	503,378	-
State investment pool	877,156	877,156	-	-
Certificates of deposit	34,665	34,665	-	-
Total Town investments with maturities	2,718,832	1,860,618	734,156	124,058
Other investments:				
Equity common stock	906,969			
Equity exchange traded funds	606,640			
Equity mutual funds	1,499,432			
Fixed income exchange traded funds	11,088			
Fixed income mutual funds	799,310			
Money market mutual funds	72,573			
Total Town investments	\$ 6,614,844			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws. The following table summarizes the credit ratings assigned by Standard and Poor’s Global Ratings (S&P) for investments in fixed income securities at June 30, 2025:

Quality Rating (S&P)	U.S. Government Obligations	Municipal Bonds	Corporate Fixed Income
AAA	\$ -	\$ -	\$ 37,624
AA+	1,023,929	-	-
AA	-	67,264	-
AA-	-	-	19,985
A+	-	-	97,546
A	-	-	206,359
A-	-	-	129,447
BBB+	-	-	29,848
BBB	-	-	195,009
Totals	\$ 1,023,929	\$ 67,264	\$ 715,818

B. Receivables

Receivables as of June 30, 2025, for the Town’s governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 297,127	\$ -	\$ 297,127
Tax liens	696,103	-	696,103
Motor vehicle and other excise	173,964	-	173,964
Leases	10,484	-	10,484
Departmental and other	182,658	-	182,658
Intergovernmental	109,986	-	109,986
Totals	\$ 1,470,322	\$ -	\$ 1,470,322

Receivables as of June 30, 2025, for the Town’s proprietary funds (the Light Department’s balances are as of December 31, 2024) were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water users fees	\$ 584,599	\$ -	\$ 584,599
Sewer user fees	618,589	-	618,589
Sewer betterment fees	29,098	-	29,098
Electric department fees	981,535	(167,600)	813,935
Totals	\$ 2,213,821	\$ (167,600)	\$ 2,046,221

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

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 297,127	\$ -	\$ 297,127
Tax liens	696,103	-	696,103
Motor vehicle and other excise	173,964	-	173,964
Departmental and other	134,904	47,754	182,658
Tax Foreclosures	358,592	-	358,592
Totals	<u>\$ 1,660,690</u>	<u>\$ 47,754</u>	<u>\$ 1,708,444</u>

Lease Receivables – The Town leases property to a telecommunication provider that is set to mature in early fiscal year 2026. Lease receivables have been recorded in the Town’s General Fund related to this lease agreement. The net present value of future receipts from the leased property totaled \$10,484 at June 30, 2025, and is reported as lease receivables and deferred inflows. Lease revenues and interest income related to this lease transactions totaled \$122,010 and \$4,390, respectively, in fiscal year 2025. The deferred inflows are amortized to revenue over the life of the lease. The following is a schedule of payments on lease receivables to be received in future years:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 10,484	\$ 49	\$ 10,533
Total	<u>\$ 10,484</u>	<u>\$ 49</u>	<u>\$ 10,533</u>

C. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	\$ 2,806,877	\$ -	\$ -	\$ 2,806,877
Total capital assets not being depreciated/amortized	<u>2,806,877</u>	<u>-</u>	<u>-</u>	<u>2,806,877</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	27,446,808	232,064	-	27,678,872
Infrastructure	12,179,075	489,603	-	12,668,678
Machinery and equipment	2,200,561	268,730	-	2,469,291
Vehicles	4,202,263	54,457	-	4,256,720
Total capital assets being depreciated/amortized	<u>46,028,707</u>	<u>1,044,854</u>	<u>-</u>	<u>47,073,561</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(12,591,045)	(724,318)	-	(13,315,363)
Infrastructure	(5,284,537)	(303,346)	-	(5,587,883)
Machinery and equipment	(1,526,649)	(138,955)	-	(1,665,604)
Vehicles	(2,308,818)	(400,825)	-	(2,709,643)
Total accumulated depreciation/amortization	<u>(21,711,049)</u>	<u>(1,567,444)</u>	<u>-</u>	<u>(23,278,493)</u>
Total capital assets being depreciated, net	<u>24,317,658</u>	<u>(522,590)</u>	<u>-</u>	<u>23,795,068</u>
Governmental activities capital assets, net	<u>\$ 27,124,535</u>	<u>\$ (522,590)</u>	<u>\$ -</u>	<u>\$ 26,601,945</u>
Business-Type Activities - Combined	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	\$ 353,192	\$ -	\$ -	\$ 353,192
Total capital assets not being depreciated/amortized	<u>353,192</u>	<u>-</u>	<u>-</u>	<u>353,192</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	5,545,357	14,346	-	5,559,703
Infrastructure	31,478,648	1,539,007	(376,389)	32,641,266
Machinery and equipment	2,990,097	665,594	(262,982)	3,392,709
Vehicles	432,280	-	-	432,280
Total capital assets being depreciated/amortized	<u>40,446,382</u>	<u>2,218,947</u>	<u>(639,371)</u>	<u>42,025,958</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(2,447,047)	(243,043)	-	(2,690,090)
Infrastructure	(17,665,807)	(840,381)	352,587	(18,153,601)
Machinery and equipment	(1,288,731)	(153,566)	99,345	(1,342,952)
Vehicles	(160,977)	(53,586)	-	(214,563)
Total accumulated depreciation/amortization	<u>(21,562,562)</u>	<u>(1,290,576)</u>	<u>451,932</u>	<u>(22,401,206)</u>
Total capital assets being depreciated, net	<u>18,883,820</u>	<u>928,371</u>	<u>(187,439)</u>	<u>19,624,752</u>
Business-Type activities capital assets, net	<u>\$ 19,237,012</u>	<u>\$ 928,371</u>	<u>\$ (187,439)</u>	<u>\$ 19,977,944</u>

<u>Business-Type Activities - Water</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized:				
Land	\$ 31,621	\$ -	\$ -	\$ 31,621
Total capital assets not being depreciated/amortized	<u>31,621</u>	<u>-</u>	<u>-</u>	<u>31,621</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	3,327,412	11,250	-	3,338,662
Infrastructure	8,307,730	484,068	-	8,791,798
Machinery and equipment	255,794	15,458	-	271,252
Vehicles	160,399	-	-	160,399
Total capital assets being depreciated/amortized	<u>12,051,335</u>	<u>510,776</u>	<u>-</u>	<u>12,562,111</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,227,142)	(165,196)	-	(1,392,338)
Infrastructure	(3,355,661)	(238,812)	-	(3,594,473)
Machinery and equipment	(159,475)	(21,793)	-	(181,268)
Vehicles	(71,902)	(20,555)	-	(92,457)
Total accumulated depreciation/amortization	<u>(4,814,180)</u>	<u>(446,356)</u>	<u>-</u>	<u>(5,260,536)</u>
Total capital assets being depreciated, net	<u>7,237,155</u>	<u>64,420</u>	<u>-</u>	<u>7,301,575</u>
Water capital assets, net	<u>\$ 7,268,776</u>	<u>\$ 64,420</u>	<u>\$ -</u>	<u>\$ 7,333,196</u>
<u>Business-Type Activities - Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized:				
Land	\$ 209,479	\$ -	\$ -	\$ 209,479
Total capital assets not being depreciated/amortized	<u>209,479</u>	<u>-</u>	<u>-</u>	<u>209,479</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	1,417,567	-	-	1,417,567
Infrastructure	12,854,876	26,800	-	12,881,676
Machinery and equipment	948,901	11,719	-	960,620
Vehicles	271,881	-	-	271,881
Total capital assets being depreciated/amortized	<u>15,493,225</u>	<u>38,519</u>	<u>-</u>	<u>15,531,744</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(535,287)	(53,835)	-	(589,122)
Infrastructure	(8,412,556)	(292,087)	-	(8,704,643)
Machinery and equipment	(467,484)	(78,212)	-	(545,696)
Vehicles	(89,075)	(33,031)	-	(122,106)
Total accumulated depreciation/amortization	<u>(9,504,402)</u>	<u>(457,165)</u>	<u>-</u>	<u>(9,961,567)</u>
Total capital assets being depreciated, net	<u>5,988,823</u>	<u>(418,646)</u>	<u>-</u>	<u>5,570,177</u>
Sewer capital assets, net	<u>\$ 6,198,302</u>	<u>\$ (418,646)</u>	<u>\$ -</u>	<u>\$ 5,779,656</u>

<u>Business-Type Activities - Light Department</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized:				
Land	\$ 112,092	\$ -	\$ -	\$ 112,092
Capital assets being depreciated/amortized:				
Buildings and improvements	800,378	3,096	-	803,474
Infrastructure	10,316,042	1,028,139	(376,389)	10,967,792
Machinery and equipment	1,785,402	638,418	(262,982)	2,160,838
Total capital assets being depreciated/amortized	<u>12,901,822</u>	<u>1,669,653</u>	<u>(639,371)</u>	<u>13,932,104</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(684,618)	(24,012)	-	(708,630)
Infrastructure	(5,897,590)	(309,482)	352,587	(5,854,485)
Machinery and equipment	(661,772)	(53,562)	99,345	(615,989)
Total accumulated depreciation/amortization	<u>(7,243,980)</u>	<u>(387,056)</u>	<u>451,932</u>	<u>(7,179,104)</u>
Total capital assets being depreciated, net	<u>5,657,842</u>	<u>1,282,597</u>	<u>(187,439)</u>	<u>6,753,000</u>
Light Department capital assets, net	<u>\$ 5,769,934</u>	<u>\$ 1,282,597</u>	<u>\$ (187,439)</u>	<u>\$ 6,865,092</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 177,608	Water	\$ 446,356
Public safety	550,293	Sewer	457,164
Education	233,962	Light	<u>387,056</u>
Public works	426,902	Total	<u>\$ 1,290,576</u>
Health and human services	36,288		
Culture and recreation	142,391		
Total	<u>\$ 1,567,444</u>		

D. Interfund Transfers

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

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
General Fund	\$ -	\$ 10,082	\$ 10,082 (1)
Capital Projects Fund	16,323	-	16,323 (2)
Nonmajor Governmental Funds	227,175	-	227,175 (3)
Totals	<u>\$ 243,498</u>	<u>\$ 10,082</u>	<u>\$ 253,580</u>

- (1) Cable transfer of unspent funds to original funding source.
- (2) Transfer of unspent capital project funds to close out the funds.
- (3) Budgeted transfers to the General Fund to supplement the budget.

E. Temporary Debt

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

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. 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 summarizes the Town’s temporary borrowings for the fiscal year ended June 30, 2025:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
MVPC Note	3.00%	N/A	\$ 297,900	\$ -	\$ -	\$ 297,900
			<u>\$ 297,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,900</u>

Temporary notes were issued and outstanding at year end for the Brownfield project.

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 the 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, the 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:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 8,585,000	\$ -	\$ (375,000)	\$ 8,210,000	\$ 395,000
Unamortized bond premiums	601,804	-	(63,084)	538,720	58,739
Direct borrowings and placements	208,389	-	(115,705)	92,684	28,948
Landfill monitoring	780,000	-	(52,000)	728,000	52,000
Compensated absences	265,530	167,090	(94,921)	337,699	67,540
Net OPEB liability	1,159,043	748,216	(817,833)	1,089,426	-
Net pension liability	7,279,677	1,550,106	(1,777,387)	7,052,396	-
Total Governmental Activities	\$ 18,879,443	\$ 2,465,412	\$ (3,295,930)	\$ 18,048,925	\$ 602,227
<i>Water:</i>					
Direct borrowings and placements	\$ 2,032,310	\$ -	\$ (99,892)	\$ 1,932,418	\$ 98,081
Compensated absences	14,327	5,632	(5,014)	14,945	2,989
Net OPEB liability	92,251	75,293	(67,757)	99,787	-
Net pension liability	794,024	169,076	(193,866)	769,234	-
Total Water	\$ 2,932,912	\$ 250,001	\$ (366,529)	\$ 2,816,384	\$ 101,070
<i>Sewer:</i>					
Direct borrowings and placements	\$ 154,762	\$ -	\$ (59,380)	\$ 95,382	\$ 34,326
Compensated absences	17,284	14,649	(6,049)	25,884	5,177
Net pension liability	1,068,353	227,491	(260,846)	1,034,998	-
Total Sewer	\$ 1,240,399	\$ 242,140	\$ (326,275)	\$ 1,156,264	\$ 39,503
<i>Light:</i>					
General obligation bonds	\$ 300,000	\$ -	\$ (75,000)	\$ 225,000	\$ 75,000
Compensated absences	12,387	76,517	-	88,904	59,335
Net OPEB liability	130,494	-	(130,494)	-	-
Net pension liability	1,663,508	234,013	-	1,897,521	-
Total Light	\$ 2,106,389	\$ 310,530	\$ (205,494)	\$ 2,211,425	\$ 134,335

The governmental activities liabilities will be liquidated by the General Fund. The business-type liabilities will be liquidated by the respective enterprise funds.

General obligation bonds and notes payable outstanding at June 30, 2025 (December 31, 2024, for the Light Department) were as follows:

Description of Issue	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 8,585,000	\$ -	\$ (375,000)	\$ 8,210,000
Total general obligation bonds		8,585,000	-	(375,000)	8,210,000
Unamortized bond premiums		601,804	-	(63,084)	538,720
Total general obligation bonds, net		9,186,804	-	(438,084)	8,748,720
Lease purchase financing	2.65 - 4.27%	208,389	-	(115,705)	92,684
Total notes from direct borrowings and placements		208,389	-	(115,705)	92,684
Total Governmental Activities debt		\$ 9,395,193	\$ -	\$ (553,789)	\$ 8,841,404

Business-Type Activities:

Water

MA Clean Water Trust notes	2.00 - 2.65%	\$ 1,970,224	\$ -	\$ (82,173)	\$ 1,888,051
Lease purchase financing	2.65%	62,086	-	(17,719)	44,367
Total notes from direct borrowings and placements		<u>2,032,310</u>	<u>-</u>	<u>(99,892)</u>	<u>1,932,418</u>
Total Water debt		<u>\$ 2,032,310</u>	<u>\$ -</u>	<u>\$ (99,892)</u>	<u>\$ 1,932,418</u>

Sewer:

Lease purchase financing	2.65%	154,762	-	(59,380)	95,382
Total notes from direct borrowings and placements		<u>154,762</u>	<u>-</u>	<u>(59,380)</u>	<u>95,382</u>
Total Sewer debt		<u>\$ 154,762</u>	<u>\$ -</u>	<u>\$ (59,380)</u>	<u>\$ 95,382</u>

Light:

General obligation bonds	3.00 - 5.00%	300,000	-	(75,000)	225,000
Total general obligation bonds		<u>300,000</u>	<u>-</u>	<u>(75,000)</u>	<u>225,000</u>
Total Light debt		<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 225,000</u>
Total Business-Type Activities debt		<u>\$ 2,487,072</u>	<u>\$ -</u>	<u>\$ (234,272)</u>	<u>\$ 2,252,800</u>

Debt service requirements on long-term debt were as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 395,000	\$ 267,458	\$ 662,458	\$ 28,948	\$ 6,099	\$ 35,047
2027	405,000	247,458	652,458	30,853	4,194	35,047
2028	380,000	226,833	606,833	32,883	2,164	35,047
2029	395,000	207,458	602,458	-	-	-
2030	405,000	192,508	597,508	-	-	-
2031-2035	2,085,000	753,100	2,838,100	-	-	-
2036-2040	2,195,000	437,473	2,632,473	-	-	-
2041-2045	1,950,000	148,500	2,098,500	-	-	-
	<u>\$ 8,210,000</u>	<u>\$ 2,480,788</u>	<u>\$ 10,690,788</u>	<u>\$ 92,684</u>	<u>\$ 12,457</u>	<u>\$ 105,141</u>

Year Ending June 30,	Business-Type Activities - Combined					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 75,000	\$ 9,000	\$ 84,000	\$ 132,407	\$ 51,378	\$ 183,785
2027	75,000	6,000	81,000	137,211	46,725	183,936
2028	75,000	3,000	78,000	128,559	41,865	170,424
2029	-	-	-	90,272	38,472	128,744
2030	-	-	-	92,418	35,569	127,987
2031-2035	-	-	-	496,146	146,342	642,488
2036-2040	-	-	-	337,106	95,540	432,646
2041-2045	-	-	-	323,490	58,510	382,000
2046-2049	-	-	-	290,191	17,633	307,824
	<u>\$ 225,000</u>	<u>\$ 18,000</u>	<u>\$ 243,000</u>	<u>\$ 2,027,800</u>	<u>\$ 532,034</u>	<u>\$ 2,559,834</u>

Year Ending June 30,	Water					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ -	\$ -	\$ -	\$ 98,081	\$ 45,840	\$ 143,921
2027	-	-	-	100,900	43,172	144,072
2028	-	-	-	103,814	40,412	144,226
2029	-	-	-	90,272	38,472	128,744
2030	-	-	-	92,418	35,569	127,987
2031-2035	-	-	-	496,146	146,342	642,488
2036-2040	-	-	-	337,106	95,540	432,646
2041-2045	-	-	-	323,490	58,510	382,000
2046-2049	-	-	-	290,191	17,633	307,824
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,932,418</u>	<u>\$ 521,490</u>	<u>\$ 2,453,908</u>

Year Ending June 30,	Sewer					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ -	\$ -	\$ -	\$ 34,326	\$ 5,538	\$ 39,864
2026	-	-	-	36,311	3,553	39,864
2027	-	-	-	24,745	1,453	26,198
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,382</u>	<u>\$ 10,544</u>	<u>\$ 105,926</u>

Year Ending December 31,	Light Department					
	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 75,000	\$ 9,000	\$ 84,000	\$ -	\$ -	\$ -
2026	75,000	6,000	81,000	-	-	-
2027	75,000	3,000	78,000	-	-	-
	<u>\$ 225,000</u>	<u>\$ 18,000</u>	<u>\$ 243,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2024, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

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

Active members	2,945
Inactive members entitled to a return of their contributions	1,390
Retired members, beneficiaries and survivors	<u>2,118</u>
Total	<u><u>6,453</u></u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

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. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, 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 group classification.

Contributions Requirements – The System 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 (the System’s current funding schedule allows for full funding by June 30, 2035). 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.

The Town (including the Light Department) contributed \$1,306,185 to the System in fiscal year 2025, which equaled the actuarially determined contribution requirement for the year. The Town’s contributions as a percentage of covered payroll was approximately 28.03% in fiscal year 2025.

Net Pension Liability – As of June 30, 2025, the Town reported a liability of \$8,856,627 for its proportionate share of the net pension liability. The net pension liability reported by the Light Department at December 31, 2024 (used for fiscal year end June 30, 2025) is \$1,897,521. The difference between these two figures is attributable to the difference in fiscal year ends between the Town and Light Department, which results in a one-year lag.

The Town’s (excluding the Light Department) net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. These figures were updated by the independent actuary as of December 31, 2024. The Light Department’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. These figures were updated by the independent actuary as of December 31, 2023. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

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 and Light Department’s proportionate share of the System was approximately 2.59% as of December 31, 2024.

Pension Expense – The Town (excluding the Light Department) recognized \$978,987 in pension expense in the statement of activities in fiscal year 2025; and the Light Department recognized \$202,216 at December 31, 2024 (using the System’s report for December 31, 2023).

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2025, the Town and Light Department (as of December 31, 2024) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Town		Light Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,900	\$ 56,038	\$ 35,115	\$ (22,722)
Net difference between projected and actual earnings	276,117	-	105,081	-
Changes of assumptions	128,463	-	52,089	-
Changes in proportion differences	433,207	168,053	86,671	(60,452)
Contributions made subsequent to the measurement date	-	-	213,383	-
Totals	\$ 967,687	\$ 224,091	\$ 492,339	\$ (83,174)

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

Town		Light Department	
June 30,	Amount	December 31,	Amount
2025	\$ -	2025	\$ 248,935
2026	211,533	2026	44,974
2027	520,081	2027	107,907
2028	23,024	2028	7,349
2029	(11,042)	2029	-
Totals	\$ 743,596	Total	\$ 409,165

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2024. The significant actuarial assumptions used in the January 1, 2024, actuarial valuation included:

Investment rate of return	7.0% per year, net of investment expenses
Discount rate	7.00%
Wage inflation	2.75%
Salary increases	7.5% decreasing to 3.75% after 5 years of service
Cost of living adjustment	3% on first \$16,000
Pre-retirement mortality	RP-2014 Employee Mortality Table projected generationally using Scale MP-2021
Post-retirement mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally using Scale MP-2021
Disabled retiree mortality	RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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 allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic equity	23.50%	5.82%
International developed markets equity	9.00%	5.91%
International emerging markets equity	3.50%	7.06%
Core fixed income	15.00%	1.81%
High-yield fixed income	9.00%	3.34%
Private equity	16.00%	9.20%
Real estate	10.00%	3.34%
Timberland	4.00%	3.82%
Hedge funds, PCS and Overlay	10.00%	2.77%
Total	100.00%	

Discount Rate – The discount rate used to measure the Town’s and Light Department’s pension liability 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 Retirement 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 the Town’s proportionate shares of the net pension liability calculated using the current discount rate as well as using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability			
Discount Rate			
Current Rate	1% Decrease	Current Rate	1% Increase
7.00%	\$ 14,354,613	\$ 10,864,885	\$ 7,938,008

The above amounts include the sensitivity analysis for both the Town and Light Department as reflected in the actuarially report. The amounts vary from the recorded amounts due to the reported Light Department amounts lagging by one year.

B. Other Postemployment Benefits

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 policies. All benefits are provided through the Town’s premium-based insurance program. 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 net OPEB liability using a measurement and plan year-end date of June 30, 2025, for the Town and December 31, 2024, for the Light Department are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms in the following table for the Town’s measurement date of June 30, 2025, and the Light Department’s measurement date of December 31, 2024:

	Town	Light Department
Active employees	60	8
Inactive employees	26	5
Totals	<u>86</u>	<u>13</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the set premium for medical, dental and life insurance. The remainder of the cost is funded by general revenues of the Town and Light Department.

The Town and Light Department currently contribute enough money to the Plan to satisfy current service cost. The costs of administering the OPEB Plan are paid by the Town. The Town and Light Department average contribution rate was 5.75% and 12.89%, respectively of covered-employee payroll for their year ends.

Net OPEB Liability (Asset) – The Town’s net OPEB liability was measured as of June 30, 2025, using an actuarial valuation as of July 1, 2023, and the Light Department net OPEB asset was measured as of December 31, 2024, using an actuarial valuation as of January 1, 2024. The components of the net OPEB liability were as follows:

	Town	Light Department
Total OPEB liability	\$ 3,738,957	\$ 552,552
Plan fiduciary net position	(2,811,180)	(694,608)
Net OPEB liability (asset)	<u>\$ 927,777</u>	<u>\$ (142,056)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	75.2%	125.7%

Within the Town’s net OPEB liability shown above, the Sewer Enterprise Fund reports a net OPEB asset of nearly \$0.3 million that is blended in with the Town’s overall calculation.

The total OPEB liability in the most recent actuarial valuations for both the Town and Light Department were determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified. The information shown is the same for both the Town and the Light Department unless otherwise noted.

Valuation date - Town	July 1, 2023
Valuation date - Light	January 1, 2024
Actuarial cost method	Individual entry age normal
Asset valuation method - Town	Market Value of Assets as of the Measurement Date - June 30, 2025
Asset valuation method - Light	Market Value of Assets as of the Measurement Date - December 31, 2024
Single equivalent discount rate - Town	6.53% (previously 6.86%)
Single equivalent discount rate - Light	6.60% (previously 6.79%)
Municipal bond rate - Town	4.81% as of June 30, 2025
Municipal bond rate - Light	4.28% as of December 31, 2024
	Both utilizing the S&P Municipal Bond 20-Year High Grade Index - SAPIHG
Investment rate of return - Town	6.53%, net of OPEB plan investment expense, including inflation
Investment rate of return - Light	6.60%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Salary increases	3.00%
Healthcare trend rate - Town	Getzen Model: 4.96%, reducing down to 4.77% in fiscal years 2030 - 2037, and then reducing down to 3.63% in fiscal year 2060 and thereafter
Healthcare trend rate - Light	Getzen Model: 8.00%
Pre-retirement mortality	RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016, set forward 1 year for females
Post-retirement mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016, set forward 1 year for females
Disabled mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016, set forward 1 year

Significant Changes in Assumptions – The Town’s discount rate was decreased from 6.86% to 6.53% as of June 30, 2025; and the Light Department’s discount rate was decreased from 6.79% to 6.60% as of December 31, 2024.

The Light Department adopted the Getzen model for future projected healthcare costs.

There were no other significant changes in assumptions during their most recent fiscal year.

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 for the Town’s measurement date of June 30, 2025, and the Light Department’s measurement date of December 31, 2024:

Asset Class	Town		Light Department	
	Target Allocation	Expected Investment Rate of Return	Target Allocation	Expected Investment Rate of Return
Domestic equity - large cap	35.75%	4.52%	33.25%	4.52%
Domestic equity - small/mid cap	1.75%	5.06%	10.50%	5.06%
International equity - developed markets	17.00%	5.08%	12.50%	5.08%
International equity - emerging markets	7.00%	5.80%	6.50%	5.80%
Domestic fixed income	22.25%	2.44%	20.50%	2.44%
International fixed income	3.25%	2.13%	3.00%	2.13%
Alternatives	9.50%	6.09%	10.25%	6.09%
Real estate	3.00%	3.73%	3.00%	3.73%
Cash and cash equivalents	0.50%	0.00%	0.50%	0.00%
	100.00%		100.00%	
Real rate of return		4.28%		4.35%
Inflation assumption		2.50%		2.50%
Total nominal return		6.78%		6.85%
Investment expense		0.25%		0.25%
Net investment return		6.53%		6.60%

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s and the Light Department’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 as of their current measurement dates:

	Current Discount Rate	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town (June 30, 2025)	6.53%	\$ 1,450,055	\$ 927,777	\$ 501,178
Light (December 31, 2024)	6.60%	(87,517)	(142,056)	(187,541)

	Healthcare Cost Trend Rate	Net OPEB Liability (Asset) At		
		1% Decrease	Current Rate	1% Increase
Town (June 30, 2025)	4.96%	\$ 439,855	\$ 927,777	\$ 1,535,996
Light (December 31, 2024)	8.00%	(193,522)	(142,056)	(79,383)

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability the Town’s fiscal year ended June 30, 2025, and the Light Department’s fiscal year ended December 31, 2024:

	Town			Light Department		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 3,401,198	\$ 2,387,645	\$ 1,013,553	\$ 714,986	\$ 584,492	\$ 130,494
Changes for the year:						
Service cost	114,561	-	114,561	24,482	-	24,482
Interest	236,281	-	236,281	48,816	-	48,816
Change in benefit terms	-	-	-	-	-	-
Change in assumptions	132,171	-	132,171	(169,593)	-	(169,593)
Difference between expected and actual experience	-	-	-	(24,406)	-	(24,406)
Employer contributions	-	255,254	(255,254)	-	84,733	(84,733)
Net investment income (loss)	-	313,535	(313,535)	-	67,116	(67,116)
Benefit payments withdrawn	-	(145,254)	145,254	-	(41,733)	41,733
Benefit payments	(145,254)	-	(145,254)	(41,733)	-	(41,733)
Net changes	337,759	423,535	(85,776)	(162,434)	110,116	(272,550)
Balances at end of year	\$ 3,738,957	\$ 2,811,180	\$ 927,777	\$ 552,552	\$ 694,608	\$ (142,056)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – The Town recognized net OPEB expense of \$68,963 as of its measurement date of June 30, 2025; and the Light Department recognized net OPEB expense of \$224,394 as of its measurement date of December 31, 2024. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Town		Light Department	
	June 30, 2025		December 31, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 481,668	\$ -	\$ 72,942
Changes in assumptions	344,253	104,026	87,985	34,628
Differences between expected and actual earnings	-	117,060	-	23,825
	\$ 344,253	\$ 702,754	\$ 87,985	\$ 131,395

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

	Town		Light Department	
	Year Ended June 30,	Amount	Year Ended December 31,	Amount
2026		\$ (47,546)	2025	\$ (6,880)
2027		(105,038)	2026	(3,146)
2028		(98,953)	2027	(13,084)
2029		(77,215)	2028	(5,944)
2030		(48,634)	2029	(10,304)
Thereafter		18,885	Thereafter	(4,052)
Total		\$ (358,501)	Total	\$ (43,410)

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and is a member of the established OPEB Board of Trustees 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 Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – The annual money-weighted rate of return on investments, net of investment expense, was 12.70% and 11.19%, respectively for the Town and Light Department as of their current measurement dates. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Other Postemployment Benefit (OPEB) Trust Funds

The Town reports two other employee 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 and the Light Department’s Other Postemployment Benefits Trust Fund do not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the Other Postemployment Benefit Trust Funds are as follows:

	(June 30, 2025)	(Dec. 31, 2024)	
	Town OPEB Trust Fund	Light OPEB Trust Fund	Total OPEB Trust Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 15,005	\$ 3,543	\$ 18,548
Investments (at fair value):			
Mutual funds - fixed income	799,310	176,832	976,142
Mutual funds - equity	1,191,905	337,455	1,529,360
Exchange traded funds	606,640	125,585	732,225
Common stock - equity	198,320	51,193	249,513
Total Investments	<u>2,796,175</u>	<u>691,065</u>	<u>3,487,240</u>
Total Assets	<u>2,811,180</u>	<u>694,608</u>	<u>3,505,788</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>			
Restricted for other postemployment benefits	<u>2,811,180</u>	<u>694,608</u>	<u>3,505,788</u>
Total Net Position	<u>\$ 2,811,180</u>	<u>\$ 694,608</u>	<u>\$ 3,505,788</u>

The Statement of Changes in Net Position of the Other Postemployment Benefit Trust Funds are as follows:

	(June 30, 2025)	(Dec. 31, 2024)	
	Town OPEB Trust Fund	Light OPEB Trust Fund	Total OPEB Trust Funds
<u>Additions</u>			
Contributions:			
Employer	\$ 300,860	\$ 84,733	\$ 385,593
Total Contributions	<u>300,860</u>	<u>84,733</u>	<u>385,593</u>
Investment income (loss)	<u>267,929</u>	<u>67,116</u>	<u>335,045</u>
Total Additions (net)	<u>568,789</u>	<u>151,849</u>	<u>720,638</u>
<u>Deductions</u>			
Payments for retiree health benefits	<u>145,254</u>	<u>41,733</u>	<u>186,987</u>
Total Deductions	<u>145,254</u>	<u>41,733</u>	<u>186,987</u>
Change in Net Position	423,535	110,116	533,651
Net Position - Beginning of Year	<u>2,387,645</u>	<u>584,492</u>	<u>2,972,137</u>
Net Position - End of Year	<u>\$ 2,811,180</u>	<u>\$ 694,608</u>	<u>\$ 3,505,788</u>

D. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; environmental matters; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

E. 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 determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2025.

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 – The 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 expects the amount if any, in these situations, to be immaterial.

Light Department Commitments – The Light Department purchases its power through contracts with various power suppliers. These contracts are subject to certain market factors. Based on current market conditions, management of the Light Department anticipates some stability to its power cost expenses over the next few years.

In addition to its traditional power suppliers, the Light Department entered into an agreement on July 26, 2015, with Merrimac Solar LLC to purchase all of the power produced by a solar unit recently constructed in the Town of Merrimac. The agreement is for twenty years, and the contract price is \$0.055 per kilowatt-hour. In 2024, this solar agreement provided approximately 7% of the Light Department’s power needs.

F. Landfill Closure and Post-Closure Care Costs

The Town operated a solid waste landfill that ceased operations and was subsequently capped. State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town reported \$780,000 as the estimate of the landfill post-closure care liability as of June 30, 2025, and is expected to amortize this liability through fiscal year 2039. Actual costs may vary due to inflation, changes in technology or changes in regulations.

IV. Implementation of New 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.

TOWN OF MERRIMAC, 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	2.588%	\$ 10,864,885	\$ 4,590,496	236.68%	64.51%
2023	2.528%	11,215,033	4,311,644	260.11%	61.13%
2022	2.388%	11,080,383	3,824,513	289.72%	57.57%
2021	2.457%	8,531,666	3,964,240	215.22%	67.01%
2020	2.577%	10,228,754	3,769,921	271.33%	59.73%
2019	2.499%	10,529,627	3,623,368	290.60%	55.46%
2018	2.360%	9,969,699	3,200,358	311.52%	51.89%
2017	2.458%	9,250,743	3,079,919	300.36%	55.40%
2016	2.465%	9,499,256	3,066,691	309.76%	51.12%
2015	2.434%	8,843,732	3,066,196	288.43%	51.01%

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	\$ 1,306,185	\$ 1,306,185	\$ -	\$ 4,659,353	28.03%
2024	1,197,989	1,197,989	-	4,376,319	27.37%
2023	1,062,552	1,062,552	-	3,881,881	27.37%
2022	1,018,150	1,018,150	-	4,023,704	25.30%
2021	868,390	868,390	-	3,826,470	22.69%
2020	904,792	904,792	-	3,677,719	24.60%
2019	834,826	834,826	-	3,248,363	25.70%
2018	806,361	806,361	-	3,126,118	25.79%
2017	752,567	752,567	-	3,112,691	24.18%
2016	704,032	704,032	-	3,112,189	22.62%

These schedules include the Light Department's proportionate allocated information in the most current year; these amounts may not reconcile to amounts recorded since the Light Department has a December 31 year-end and may use the prior year valuation.

These schedules are presented to illustrate the requirement to show information for ten years.

See accompanying independent auditors' report.

TOWN OF MERRIMAC, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - TOWN (UNAUDITED)
YEAR ENDED JUNE 30, 2025

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	\$ 114,561	\$ 149,412	\$ 142,942	\$ 120,443	\$ 98,735	\$ 95,655	\$ 109,903	\$ 104,442	\$ 94,549	
Interest	236,281	269,477	255,607	258,284	233,583	226,104	213,286	231,125	220,885	
Changes of benefit terms	-	(696,719)	-	-	-	-	-	-	-	
Changes of assumptions	132,171	(138,755)	4,486	532,925	-	(34,417)	-	-	-	
Difference between expected and actual plan experience	-	(333,826)	-	(532,026)	17,058	(147,902)	11,345	(40,899)	194,887	
Benefit payments	(145,254)	(131,073)	(132,252)	(145,063)	(102,971)	(105,264)	(116,997)	(97,460)	(198,835)	
Net change in total OPEB liability	337,759	(881,484)	270,783	234,563	246,405	34,176	217,537	197,208	311,486	
Total OPEB liability - beginning of year	3,401,198	4,282,682	4,011,899	3,777,336	3,530,931	3,496,755	3,279,218	3,082,010	2,770,524	
Total OPEB liability - end of year (a)	<u>\$ 3,738,957</u>	<u>\$ 3,401,198</u>	<u>\$ 4,282,682</u>	<u>\$ 4,011,899</u>	<u>\$ 3,777,336</u>	<u>\$ 3,530,931</u>	<u>\$ 3,496,755</u>	<u>\$ 3,279,218</u>	<u>\$ 3,082,010</u>	
Plan fiduciary net position:										
Contributions - employer	\$ 255,254	\$ 151,073	\$ 332,252	\$ 260,063	\$ 227,417	\$ 222,864	\$ 232,997	\$ 287,597	\$ 455,335	
Net investment income (loss)	313,535	241,236	146,825	(264,924)	379,148	34,029	62,292	14,019	53,866	
Benefit payments	(145,254)	(131,073)	(132,252)	(145,063)	(102,971)	(105,264)	(116,997)	(97,460)	(198,835)	
Net change in Plan fiduciary net position	423,535	261,236	346,825	(149,924)	503,594	151,629	178,292	204,156	310,366	
Plan fiduciary net position - beginning of year	2,387,645	2,126,409	1,779,584	1,929,508	1,425,914	1,274,285	1,095,993	891,837	581,471	
Plan fiduciary net position - end of year (b)	<u>\$ 2,811,180</u>	<u>\$ 2,387,645</u>	<u>\$ 2,126,409</u>	<u>\$ 1,779,584</u>	<u>\$ 1,929,508</u>	<u>\$ 1,425,914</u>	<u>\$ 1,274,285</u>	<u>\$ 1,095,993</u>	<u>\$ 891,837</u>	
Net OPEB liability - end of year (a) - (b)	<u>\$ 927,777</u>	<u>\$ 1,013,553</u>	<u>\$ 2,156,273</u>	<u>\$ 2,232,315</u>	<u>\$ 1,847,828</u>	<u>\$ 2,105,017</u>	<u>\$ 2,222,470</u>	<u>\$ 2,183,225</u>	<u>\$ 2,190,173</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	75.19%	70.20%	49.65%	44.36%	51.08%	40.38%	36.44%	33.42%	28.94%	
Covered-employee payroll	\$ 4,436,748	\$ 4,307,522	\$ 3,716,465	\$ 3,950,032	\$ 3,079,270	\$ 3,083,237	\$ 2,400,727	\$ 3,298,221	\$ 2,345,155	
Net OPEB liability as a percentage of covered-employee payroll	20.91%	23.53%	58.02%	56.51%	60.01%	68.27%	92.57%	66.19%	93.39%	

Note: Light Department amounts are not included in these amounts.

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.

TOWN OF MERRIMAC, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - TOWN (UNAUDITED)
YEAR 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	\$ 162,890	\$ 204,190	\$ 250,743	\$ 233,079	\$ 210,975	\$ 272,616	\$ 284,204	\$ 277,548	\$ 285,996	
Contributions in relation to the actuarially-determined contribution	(255,254)	(151,073)	(332,252)	(260,063)	(227,417)	(222,864)	(232,997)	(287,597)	(455,335)	
Contribution deficiency (excess)	\$ (92,364)	\$ 53,117	\$ (81,509)	\$ (26,984)	\$ (16,442)	\$ 49,752	\$ 51,207	\$ (10,049)	\$ (169,339)	
Covered-employee payroll	\$ 4,436,748	\$ 4,307,522	\$ 3,716,465	\$ 3,950,032	\$ 3,079,270	\$ 3,083,237	\$ 2,400,727	\$ 3,298,221	\$ 2,345,155	
Contribution as a percentage of covered-employee payroll	5.75%	3.51%	8.94%	6.58%	7.39%	7.23%	9.71%	8.72%	19.42%	
Valuation Date	July 1, 2023									
Actuarial Cost Method	Individual Entry Age Normal									
Asset Valuation Method	Market Value of Assets as of the Measurement Date - June 30, 2025									
Single Equivalent Discount Rate	6.53%									
Municipal Bond Rate	4.81% as of June 30, 2025 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG)									
Investment Rate of Return	6.53%, net of OPEB plan investment expense, including inflation									
Inflation	2.50% as of June 30, 2025 and for future periods									
Salary Increases	3.00% annually as of June 30, 2025 and for future periods									
Healthcare cost trend rates	4.96%, Getzen model - reducing down to 4.77% in fiscal years 2030 - 2037, and then reducing down to 3.63% in fiscal year 2060 and thereafter									

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	12.70%	11.26%	7.89%	-13.19%	25.33%	2.50%	5.54%	4.18%	7.94%	

Note: Light Department amounts are not included in these balances.

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 MERRIMAC, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - LIGHT DEPARTMENT (UNAUDITED)
YEAR ENDED JUNE 30, 2025

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

	Year ended December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:								
Service cost	\$ 24,482	\$ 27,273	\$ 18,429	\$ 17,839	\$ 17,282	\$ 12,181	\$ 11,576	\$ 14,388
Interest	48,816	44,539	42,047	47,500	36,969	34,226	1,748	2,918
Changes in benefit terms	(165,671)	-	-	-	-	-	-	-
Changes of assumptions	(3,922)	-	153,970	-	-	-	-	-
Difference between expected and actual plan experience	(24,406)	(43,770)	(87,107)	(17,058)	33,572	(11,345)	27,124	(234,001)
Benefit payments	(41,733)	(38,500)	(12,557)	(9,758)	(9,975)	(9,685)	(8,142)	(16,158)
Net change in total OPEB liability	(162,434)	(10,458)	114,782	38,523	77,848	25,377	32,306	(232,853)
Total OPEB liability - beginning of year	714,986	725,444	610,662	572,139	494,291	468,914	436,608	669,461
Total OPEB liability - end of year (a)	\$ 552,552	\$ 714,986	\$ 725,444	\$ 610,662	\$ 572,139	\$ 494,291	\$ 468,914	\$ 436,608
Plan fiduciary net position:								
Contributions - employer	\$ 84,733	\$ 74,500	\$ 42,557	\$ 45,758	\$ 45,975	\$ 24,685	\$ 38,762	\$ 55,229
Net investment income (loss)	67,116	66,164	(55,285)	99,416	8,815	19,961	37,857	13,527
Benefit payments	(41,733)	(38,500)	(12,557)	(9,758)	(9,975)	(9,685)	(8,142)	(16,158)
Net change in Plan fiduciary net position	110,116	102,164	(25,285)	135,416	44,815	34,961	68,477	52,598
Plan fiduciary net position - beginning of year	584,492	482,328	507,613	372,197	327,382	292,421	223,944	171,346
Plan fiduciary net position - end of year (b)	\$ 694,608	\$ 584,492	\$ 482,328	\$ 507,613	\$ 372,197	\$ 327,382	\$ 292,421	\$ 223,944
Net OPEB liability - end of year (a) - (b)	\$ (142,056)	\$ 130,494	\$ 243,116	\$ 103,049	\$ 199,942	\$ 166,909	\$ 176,493	\$ 212,664
Plan fiduciary net position as a percentage of the total OPEB liability	125.71%	81.75%	66.49%	83.13%	65.05%	66.23%	62.36%	51.29%
Covered-employee payroll	\$ 657,342	\$ 569,085	\$ 552,510	\$ 755,713	\$ 640,047	\$ 647,683	\$ 623,544	\$ 561,400
Net OPEB liability as a percentage of covered-employee payroll	-21.61%	22.93%	44.00%	13.64%	31.24%	25.77%	28.30%	37.88%

Note: Light Department amounts are included in these balances.

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.

TOWN OF MERRIMAC, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - LIGHT DEPARTMENT (UNAUDITED)
 YEAR ENDED JUNE 30, 2025

SCHEDULE OF CONTRIBUTIONS
 LAST 10 FISCAL YEARS

	Year ended December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 24,482	\$ 34,271	\$ 30,443	\$ 9,758	\$ 9,975	\$ 9,685	\$ 8,142	\$ 16,158
Contributions in relation to the actuarially-determined contribution	(84,733)	(74,500)	(42,557)	(45,758)	(45,975)	(24,685)	(38,762)	(55,229)
Contribution deficiency (excess)	\$ (60,251)	\$ (40,229)	\$ (12,114)	\$ (36,000)	\$ (36,000)	\$ (15,000)	\$ (30,620)	\$ (39,071)
Covered-employee payroll	\$ 657,342	\$ 569,085	\$ 552,510	\$ 755,713	\$ 640,047	\$ 647,683	\$ 623,544	\$ 561,400
Contribution as a percentage of covered-employee payroll	12.89%	13.09%	7.70%	6.05%	7.18%	3.81%	6.22%	9.84%
Valuation Date	January 1, 2024							
Actuarial Cost Method	Individual Entry Age Normal							
Asset Valuation Method	Market Value of Assets as of the Measurement Date - December 31, 2024							
Single Equivalent Discount Rate	6.60%							
Municipal Bond Rate	4.28% as of December 31, 2024 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG)							
Investment Rate of Return	6.60%, net of OPEB plan investment expense, including inflation							
Inflation	2.50% as of December 31, 2024 and for future periods							
Salary Increases	3.00% annually as of December 31, 2024 and for future periods							
Healthcare cost trend rates	8.00%, Getzen model							

SCHEDULE OF INVESTMENT RETURNS
 LAST 10 FISCAL YEARS

	Year ended December 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.19%	13.20%	-10.56%	25.33%	2.50%	5.54%	4.18%	7.94%

Note: Light Department amounts are included in these balances.

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 MERRIMAC, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Favorable (Unfavorable)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property taxes, net	\$ 18,293,815	\$ 18,780,915	\$ 18,780,050		\$ 35,124,995	\$ (865)
Intergovernmental	1,177,651	1,177,651	1,187,843		1,187,843	10,192
Motor vehicle and other excises	1,140,000	1,140,000	1,211,365		1,211,365	71,365
License and permits	77,500	77,500	66,664		66,664	(10,836)
Departmental and other revenue	928,289	928,289	980,553		980,553	52,264
Penalties and interest on taxes	29,000	29,000	58,468		58,468	29,468
Fines and forfeitures	25,717	25,717	23,098		23,098	(2,619)
Investment income	225,000	225,000	185,735		185,735	(39,265)
Total Revenues	21,896,972	22,384,072	22,493,776		38,838,721	109,704
Expenditures:						
General government	2,014,298	2,017,425	1,647,615	\$ 265,580	1,913,195	104,230
Public safety	3,117,499	3,302,506	2,875,467	387,439	3,262,906	39,600
Education	13,332,142	13,355,797	13,314,282	34,341	13,348,623	7,174
Public works	1,146,634	1,753,705	1,415,592	320,582	1,736,174	17,531
Health and human services	547,661	566,661	524,012	17,491	541,503	25,158
Culture and recreation	644,152	689,152	617,209	69,550	686,759	2,393
Pension and fringe benefits	1,631,889	1,681,572	1,439,261	160,523	1,599,784	81,788
State and county tax assessments	121,294	121,294	121,294	-	121,294	-
Debt service	789,818	810,640	789,818	20,822	810,640	-
Total Expenditures	23,345,387	24,298,752	22,744,550	1,276,328	24,020,878	277,874
Other Financing Sources (Uses):						
Transfers in	215,910	215,910	281,498	-	281,498	65,588
Transfers out	(90,000)	(145,688)	(145,688)	-	(145,688)	-
Total Other Financing Sources (Uses)	125,910	70,222	135,810	-	135,810	65,588
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Finance Uses	(1,322,505)	(1,844,458)	\$ (114,964)	\$ (1,276,328)	\$ 14,953,653	\$ 453,166
Other Budgetary Items:						
Prior year encumbrances	1,342,705	1,342,705				
Undesignated surplus (free cash)	-	524,123				
Other Misc	(20,200)	(22,370)				
Total other budget items	1,322,505	1,844,458				
Net budget	\$ -	\$ -				

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

TOWN OF MERRIMAC, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

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, which is generally held each April. Expenditures may not legally exceed appropriations at the department level. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. 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.

The Town’s general fund is prepared on a basis other than GAAP. 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
Revenues on a budgetary basis			\$ 22,493,776
Electric Light PILOT	\$ 38,000	\$ -	38,000
Interest earned on stabilization funds	-	60,173	60,173
Revenues on a GAAP basis	<u>\$ 38,000</u>	<u>\$ 60,173</u>	<u>\$ 22,591,949</u>
Expenditures on a budgetary basis			\$ 22,744,550
Reclass of OPEB transfers to expenditures	\$ -	\$ 135,606	135,606
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ 135,606</u>	<u>\$ 22,880,156</u>
Net transfers on a budgetary basis			\$ 135,810
Electric Light PILOT	\$ (38,000)	\$ -	(38,000)
Reclass of OPEB transfers to expenditures	-	135,606	135,606
Net transfers on a GAAP basis	<u>\$ (38,000)</u>	<u>\$ 135,606</u>	<u>\$ 233,416</u>