City of Havre de Grace, Maryland

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
For Fiscal Year Ended
June 30, 2026

Prepared by
Department of Finance:
Abdullahi Abdi

City of Havre de Grace, Maryland
For the Fiscal Year Ended June 30, 2026

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Havre de Grace, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Havre de Grace (the "City"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2026, and the respective changes in financial position and, where applicable, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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

The City's 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 City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAAS and GAS, 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 City'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 City'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, schedule of changes in net pension liability and related ratios - civilian employees' pension plan, schedule of employer contributions – last 10 years civilian employees' pension plan, schedule of investment returns - civilian employees' pension plan, schedule of changes in the net pension liability and related ratios - sworn officers' pension plan, schedule of employer contributions – last 10 years sworn officers' pension plan, schedule of investment returns - sworn officers' pension plan, schedule of changes in the total OPEB liability and related ratios – last 10 years, notes to budgetary comparison schedule, and general fund budgetary comparison information on pages 4–10 and 55–63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statement and the combining pension trust statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the combining pension trust statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the combining pension trust statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

October 30, 2026
Harrisburg, Pennsylvania

This section of the City of Havre de Grace's annual financial report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2026. We encourage users to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by $73.8 million (net assets). Of this amount, $66.5 million is invested in capital assets, net of related debt.

- The City's overall net position increased by $2.2 million during the fiscal year. Net position for government activities increased by $0.8 million while those for business-type activities increased $1.4 million.

- Reported revenues decreased by $4.7 million. This change is primarily due to the winding down of ARPA funding recognition, which decreased from $5.8 million recognized in FY25 to $0.6 million in FY26.

- At the close of the fiscal year, the City of Havre de Grace's governmental funds reported combined ending fund balances of $10.2 million, an increase of $1.6 million from the prior year. The fund balance available for use in future year budgeting was $7.1 million.

- The City received $13.8 million in Federal funds under ARPA. The City has spent $13.6 million through June 30, 2026. Under the Act, the City had until the end of 2024 to obligate the funds and until the end of 2026 to spend the funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Havre de Grace's basic financial statements. These financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Havre de Grace.

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The **notes** section of the basic financial statements explains in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's individual funds.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City's assets, deferred inflows liabilities, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works and sanitation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and marina services offered by the City of Havre de Grace.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 City of Havre de Grace, like all other governmental entities in Maryland, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of the City of Havre de Grace can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, and what monies are left at year-end that will be available for spending in the next year. Such information may be useful in evaluating a government's near-term financing requirements. The relationship between government activities, reported in the Statement of Net Assets and the Statement of Activities, and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Havre de Grace adopts an annual budget for its General Fund and for its two *enterprise* funds, the Marina Fund and the Water and Sewer Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Mayor and Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these activities. The budgetary statement provided for the general fund demonstrates how well the City complied with budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and expenses.

The budgetary statement for the General Fund can be found on page 62 of 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 City of Havre de Grace uses enterprise funds to account for its water and sewer activity and for its marina operations. These funds are the same as those functions shown in the business-type activities column in the Statement of Net Position and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has three fiduciary funds: 1) the Community Center Fund; 2) the Civilian Employees' Pension Fund; and 3) the Sworn Officers' Pension Fund.

Summary of Significant Accounting Policies and Notes to the Financial Statements – The summary of significant accounting policies and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The summary of significant accounting policies and notes to the financial statements begin on page 22 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information is presented in the Required Supplementary Information beginning on page 55 of this report.

Government-wide Financial Analysis

The following analysis discusses the City's financial position and changes to the financial position for the year ended June 30, 2026, with comparative information for the previous year.

Statement of Net Assets

- City assets exceeded liabilities by $73.8 million as of June 30, 2026. However, the largest portion ($66.5 million or 90%) of the City's net position reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was used to acquire those assets. The City of Havre de Grace uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. The remaining net position are subject to external or internal restrictions on how they may be used.

City of Havre de Grace Net Assets

	Governmental Activities		Business-Type Activities		Total		%
	2026	2025	2026	2025	2026	2025	Change
Current Assets	$ 15,841,109	$ 12,988,138	$ 8,783,065	$ 8,163,891	$ 24,624,174	$ 21,152,029	-16.4%
Capital Assets	28,617,537	29,563,653	60,868,105	63,308,742	89,485,642	92,872,395	3.6%
Net Pension Asset	154,498	-	71,646	-	226,144	-	100.0%
Total Assets	44,613,144	42,551,791	69,722,816	71,472,633	114,335,960	114,024,424	-0.3%
Deferred outflow of resources	3,952,270	2,975,767	219,616	176,878	4,171,886	3,152,645	-32.3%
Current Liabilities	4,527,148	3,520,519	4,851,497	4,541,501	9,378,645	8,062,020	-16.3%
Noncurrent Liabilities	15,470,417	15,945,083	16,538,834	20,272,581	32,009,251	36,217,664	11.6%
Total Liabilities	19,997,565	19,465,602	21,390,331	24,814,082	41,387,896	44,279,684	6.5%
Deferred inflow of resources	2,801,017	1,111,261	469,813	115,407	3,270,830	1,226,668	-166.6%
Net Assets:							
Net Investment In Capital Assets	25,382,321	26,093,991	41,171,994	41,152,895	66,554,315	67,246,886	1.0%
Restricted	1,107,230	842,462	71,646	-	1,178,876	842,462	-39.9%
Unrestricted	(722,719)	(1,985,758)	6,838,648	5,567,127	6,115,929	3,581,369	-70.8%
Total Net Assets	$ 25,766,832	$ 24,950,695	$ 48,082,288	$ 46,720,022	$ 73,849,120	$ 71,670,717	-3.0%

The City's overall net position increased by $2.2 million during the fiscal year. Net position for government activities increased by $0.8 million while those for business-type activities increased $1.4 million. The primary driver of the increase in net position can primarily be attributed to decrease in long-term general bond obligation liabilities.

Statement of Activities

This fiscal year, revenues decreased by $4.7 million. This drop was primarily driven by the winding down of ARPA funding, which decreased from $5.8 million recognized in FY25 to $0.6 million in FY26.

Expenditures increased by $1.7 million during the fiscal year. Spending on the City's government programs rose by $1.7 million, while enterprise fund spending increased by $15,115. The primary driver of the increase in government program spending was the introduction of pay increases and pension contributions for the City's sworn officers.

City of Havre de Grace Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		%
	2026	2025	2026	2025	2026	2025	Change
Program Revenues							
Charges for Services	$ 798,241	$ 880,792	$ 14,766,093	$ 14,106,046	$ 15,564,334	$ 14,986,838	3.9%
Operating Grants and Contributions	2,920,594	7,822,138	97,438	97,798	3,018,032	7,919,936	-61.9%
Capital Grants and Contributions	1,914,123	3,329,769	-	-	1,914,123	3,329,769	-42.5%
General Revenues:							
Taxes	15,863,054	15,202,055	-	-	15,863,054	15,202,055	4.3%
Unrestricted investment earnings	1,665,072	1,500,166	25,893	29,761	1,690,965	1,529,927	10.5%
Other	523,077	324,676	-	8,627	523,077	333,303	56.9%
Total Revenues	23,684,161	29,059,596	14,889,424	14,242,232	38,573,585	43,301,828	-10.9%
Expenses:							
General Government	6,569,104	6,528,632	-	-	6,569,104	6,528,632	0.6%
Public Safety	8,779,032	7,664,534	-	-	8,779,032	7,664,534	14.5%
Public Works	6,188,588	5,742,585	-	-	6,188,588	5,742,585	7.8%
Parks, Recreation, and Culture	488,439	405,373	-	-	488,439	405,373	20.5%
Economic Development and Culture	590,770	479,592	-	-	590,770	479,592	23.2%
Miscellaneous	217,705	264,849	-	-	217,705	264,849	-17.8%
Interest Long-Term Debt	88,958	104,792	-	-	88,958	104,792	-15.1%
Total Governmental Activities	22,922,596	21,190,357	-	-	22,922,596	21,190,357	8.2%
Water and Sewer	-	-	12,500,784	12,602,179	12,500,784	12,602,179	-0.8%
Dockage	-	-	971,802	855,292	971,802	855,292	13.6%
Total Expenses	22,922,596	21,190,357	13,472,586	13,457,471	36,395,182	34,647,828	5.0%
Transfers In/(Out)	54,572	(1,562,219)	(54,572)	1,562,219	-	-	0.0%
Change in Net Position	816,137	6,307,020	1,362,266	2,346,980	2,178,403	8,654,000	-74.8%
Net Assets, Beginning	24,950,695	18,643,675	46,720,022	44,373,042	71,670,717	63,016,717	13.7%
Net Assets, Ending	$ 25,766,832	$ 24,950,695	$ 48,082,288	$ 46,720,022	$ 73,849,120	$ 71,670,717	3.0%

Financial Analysis of the City's Funds

As noted earlier, the City of Havre de Grace uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City Charter requires the City to include any remaining funds at year end as a revenue source for the taxation and spending budget for the ensuing fiscal year, one of the definitions of a fund commitment. Therefore, the City's unrestricted fund balance is treated as either committed or assigned for encumbrances under generally accepted accounting principles.

The general fund is the chief operating fund of the City of Havre de Grace. At the end of the fiscal year, the total general fund balance was $9.3 million. The City's total governmental funds reported a combined ending fund balance of $10.2 million, an increase of $1.6 million from the prior year. The portion of the general fund balance available for inclusion in future fiscal year taxation and spending budgets was $7.1 million at year-end, a increase of $1.4 million compared to that available for the prior year.

The entire fund balance is restricted, committed or in a nonspendable form. These amounts include $952,732 resulting from special assessments and contributions for which usage is restricted.

Proprietary Funds - The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The enterprise funds reported a gain in net position of $1.4 million. Unrestricted net position increased $1.3 million; while net investment in capital assets of enterprise funds increased by $19,099.

Capital Assets and Debt Administration

Capital Assets - The City of Havre de Grace's investment in capital assets for its governmental and business-type activities as of June 30, 2026 was $89.5 million (net of accumulated depreciation.) These assets include land, buildings, water and sewer facilities, park facilities, machinery and equipment, and vehicles. The City spent $3.7 million during 2026 for capital improvements.

Capital Assets City of Havre de Grace

	Governmental Activities		Business-Type Activities		Total		%
	2026	2025	2026	2025	2026	2025	Change
Land	$ 3,844,181	$ 3,844,181	$ 37,811	$ 37,811	$ 3,881,992	$ 3,881,992	0.0%
Buildings	14,699,508	14,639,274	81,298,019	81,229,101	95,997,527	95,868,375	0.1%
Improvements Other Than Buildings	17,062,270	16,801,973	34,155,344	33,784,465	51,217,614	50,586,438	1.2%
Machinery and Equipment	4,108,788	4,114,283	6,513,837	5,617,202	10,622,625	9,731,485	9.2%
Right-to-Use Lease Asset	3,404,923	2,716,149	963,755	963,755	4,368,678	3,679,904	18.7%
Infrastructure	10,285,706	10,035,302	-	-	10,285,706	10,035,302	2.5%
Construction in Progress	7,265,558	6,560,841	2,767,125	2,461,671	10,032,683	9,022,512	11.2%
Less Accumulated Depreciation	(32,053,397)	(29,148,350)	(64,867,785)	(60,785,263)	(96,921,182)	(89,933,613)	7.8%
Total Capital Assets	28,617,537	29,563,653	60,868,106	63,308,742	89,485,643	92,872,395	-3.6%

Long-Term Debt

- As of June 30, 2026, the City of Havre de Grace had total general obligation debt outstanding of $23.0 million, a decrease of $2.8 million from the prior year. In addition, the City has a postemployment benefit obligations totaling $7.5 million, a compensated absences liability totaling $3.5 million, and a net pension liability of $2.2 million.

City of Havre de Grace Outstanding Debt

	Governmental Activities		Business-Type Activities		Total		%
	2026	2025	2026	2025	2026	2025	Change
General Obligation Bonds	$ 779,333	$ 952,500	$ 19,490,325	$ 21,998,852	$ 20,269,658	$ 22,951,352	-11.7%
Notes and Loans Payable	1,404,000	1,505,207	-	-	1,404,000	1,505,207	-6.7%
Lease Payable	1,051,883	1,011,955	205,785	304,032	1,257,668	1,315,987	-4.4%
Compensated Absences	2,958,961	3,059,005	499,277	433,162	3,458,238	3,492,167	-1.0%
Postemployment Benefits	7,511,899	7,919,526	-	-	7,511,899	7,919,526	-5.1%
Net Pension Liability	2,245,044	2,254,192	(71,646)	143,309	2,173,398	2,397,501	-9.3%
Total	15,951,120	16,702,385	20,123,741	22,879,355	36,074,861	39,581,740	-8.9%

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Havre de Grace, 711 Pennington Avenue, Havre de Grace, MD 21078.

City of Havre de Grace, Maryland
Statement of Net Position
June 30, 2026

	Governmental Activities	Business - Type Activities	Total
Current Assets:			
Cash and cash equivalents	$ 13,052,135	$ 7,476,322	$ 20,528,457
Receivables, net of allowance for uncollectibles	306,329	1,282,171	1,588,500
Due from other governments	2,305,912	-	2,305,912
Notes receivable, net of allowance for uncollectibles	27,078	-	27,078
Inventory of fuel	53,344	24,572	77,916
Prepaid expenses and deposits	96,311	-	96,311
Total Current Assets	15,841,109	8,783,065	24,624,174
Noncurrent Assets:			
Capital assets			
Land	3,844,181	37,811	3,881,992
Construction in progress	7,265,558	2,767,125	10,032,683
Infrastructure	10,285,706	-	10,285,706
Buildings	14,699,508	81,298,018	95,997,526
Leased equipment	3,404,923	963,755	4,368,678
Improvements other than buildings	17,062,270	34,155,344	51,217,614
Equipment	4,108,788	6,513,837	10,622,625
Less accumulated depreciation	(32,053,397)	(64,867,785)	(96,921,182)
Total Capital Assets	28,617,537	60,868,105	89,485,642
Net Pension Asset	154,498	71,646	226,144
Total Assets	44,613,144	69,722,816	114,335,960
Deferred Outflows of Resources			
OPEB	1,012,596	-	1,012,596
Pensions	2,939,674	219,616	3,159,290
Total Deferred Outflows of Resources	3,952,270	219,616	4,171,886
Current Liabilities			
Accounts payable	1,385,660	528,942	1,914,602
Accrued expenses	576,129	241,001	817,130
Unearned revenue	1,930,157	425,000	2,355,157
Leases payable	382,814	101,914	484,728
Notes and loans payable - current	103,055	-	103,055
General obligation bonds - current	149,333	3,554,640	3,703,973
Total Current Liabilities	4,527,148	4,851,497	9,378,645
Noncurrent Liabilities			
Compensated absences	2,958,962	499,277	3,458,239
Leases payable	669,069	103,871	772,940
Notes and loans payable	1,300,945	-	1,300,945
General obligation bonds	630,000	15,935,686	16,565,686
OPEB liability	7,511,899	-	7,511,899
Net pension liability	2,399,542	-	2,399,542
Total Noncurrent Liabilities	15,470,417	16,538,834	32,009,251
Total Liabilities	19,997,565	21,390,331	41,387,896
Deferred Inflows of Resources:			
OPEB	1,326,410	-	1,326,410
Pensions	1,474,607	469,813	1,944,420
Total Deferred Inflows of Resources	2,801,017	469,813	3,270,830
Net Position:			
Net Investment in Capital Assets	25,382,321	41,171,994	66,554,315
Restricted	1,107,230	71,646	1,178,876
Unrestricted	(722,719)	6,838,648	6,115,929
Total Net Position	$ 25,766,832	$ 48,082,288	$ 73,849,120

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

City of Havre de Grace, Maryland
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General government	$ 6,569,104	$ 494,022	$ 856,913	$ -	$ (5,218,169)	$ -	$ (5,218,169)
Public safety	8,779,032	5,825	2,063,681	112,438	(6,597,088)	-	(6,597,088)
Public works	6,188,588	236,432	-	1,584,708	(4,367,448)	-	(4,367,448)
Parks, recreation, and culture	488,439	61,962	-	-	(426,477)	-	(426,477)
Economic development and opportunity	590,770	-	-	216,977	(373,793)	-	(373,793)
Miscellaneous	217,705	-	-	-	(217,705)	-	(217,705)
Interest expense	88,958	-	-	-	(88,958)	-	(88,958)
Total Governmental Activities	22,922,596	798,241	2,920,594	1,914,123	(17,289,638)	-	(17,289,638)
Business - Type Activities:							
Water and sewer	12,500,784	13,950,272	97,438	-	-	1,546,926	1,546,926
Dockage	971,802	815,821	-	-	-	(155,981)	(155,981)
Total business-type activities	13,472,586	14,766,093	97,438	-	-	1,390,945	1,390,945
Total Government	$ 36,395,182	$ 15,564,334	$ 3,018,032	$ 1,914,123	(17,289,638)	1,390,945	(15,898,693)
General Revenues:							
Taxes:							
Property taxes					11,935,246	-	11,935,246
Income taxes					3,616,502	-	3,616,502
Other taxes					311,306	-	311,306
Unrestricted investment earnings					1,665,072	25,893	1,690,965
Miscellaneous					527,577	-	527,577
Transfers					54,572	(54,572)	-
Unusual or infrequent item:							
Return of funds to the state					(4,500)	-	(4,500)
Total general revenues, transfers, and unusual or infrequent item					18,105,775	(28,679)	18,077,096
Change in Net Position					816,137	1,362,266	2,178,403
Net position at beginning of year					24,950,695	46,720,022	71,670,717
Net position at end of year					$ 25,766,832	$ 48,082,288	$ 73,849,120

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

City of Havre de Grace, Maryland
Balance Sheet - Governmental Funds
June 30, 2026

	General	American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 11,915,084	185,819	$ 951,232	$ 13,052,135
Receivables, net of allowance for uncollectibles	304,829	-	1,500	306,329
Due from other governments	2,305,912	-	-	2,305,912
Notes receivable, net of allowance for uncollectibles	-	-	27,078	27,078
Inventory of fuel	53,344	-	-	53,344
Prepaid expenses and deposits	96,311	-	-	96,311
Due from other funds	13,342	-	-	13,342
Total Assets	14,688,822	185,819	979,810	15,854,451
Liabilities:				
Accounts payable	1,383,267	-	2,393	1,385,660
Accrued expenses	530,299	-	45,830	576,129
Unearned revenues	1,744,338	185,819	-	1,930,157
Due to other funds	-	-	13,342	13,342
Total Liabilities	3,657,904	185,819	61,565	3,905,288
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	222,719	-	-	222,719
Unavailable revenue - income taxes	1,518,719	-	-	1,518,719
Total Deferred Inflows of Resources	1,741,438	-	-	1,741,438
Fund balances:				
Nonspendable:				
RAD loans	-	-	27,078	27,078
Inventory	53,344	-	-	53,344
Prepaid items and deposits	96,311	-	-	96,311
Restricted:				
American Rescue Plan	-	-	-	-
Community Development Block Grant	-	-	64,886	64,886
Promenade Repair	-	-	88,943	88,943
Critical Area	-	-	292,005	292,005
Slip Users	-	-	306,541	306,541
Local Law Enforcement Block Grant	-	-	131,001	131,001
Forest Conservation	-	-	734	734
Opioid Fund	-	-	68,622	68,622
Unassigned:				
Community Center	-	-	(61,565)	(61,565)
Committed:				
Subsequent year funding commitments	7,071,195	-	-	7,071,195
Emergency reserve	2,068,630	-	-	2,068,630
Total fund balances	9,289,480	-	918,245	10,207,725
Total Liabilities Deferred Inflows of Resources and Fund Balances	$ 14,688,822	$ 185,819	$ 979,810	$ 15,854,451

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

City of Havre de Grace, Maryland
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Year Ended June 30, 2026

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 10,207,725
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:	
Capital assets	28,617,537
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:	
Unavailable revenue - property taxes	222,719
Unavailable revenue - income taxes	1,518,719
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:	
Compensated absences	(2,958,962)
OPEB Liability	(7,511,899)
Notes and loans payable	(1,404,000)
General obligation bonds	(779,333)
Lease	(1,051,883)
Net pension asset	154,498
Net pension liability	(2,399,542)
Deferred outflows of resources	3,952,270
Deferred inflows of resources	(2,801,017)
Net position of governmental activities	$ 25,766,832

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

City of Havre de Grace, Maryland
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2026

	General	American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 15,777,548	$ -	$ -	$ 15,777,548
Licenses and permits	370,970	-	16,600	387,570
Intergovernmental	1,885,495	851,825	9,566	2,746,886
Fines and forfeitures	10,965	-	-	10,965
Fees	-	-	116,394	116,394
Interest	1,663,161	-	1,911	1,665,072
Charges for services	283,313	-	-	283,313
Grants	2,087,831	-	-	2,087,831
Miscellaneous	509,789	-	17,788	527,577
Total Revenues	22,589,072	851,825	162,259	23,603,156
Expenditures:				
Current operations:				
General government	6,877,993	-	-	6,877,993
Public safety	8,129,248	-	-	8,129,248
Public works	5,138,720	-	-	5,138,720
Parks, recreation, and culture	407,960	-	80,479	488,439
Economic development and opportunity	574,919	-	-	574,919
Miscellaneous	217,705	-	-	217,705
Capital outlay:				-
General government	173,178	-	-	173,178
Public safety	633,660	-	-	633,660
Public works	1,027,624	-	-	1,027,624
Parks, recreation, and culture	260,297	-	-	260,297
Debt service:				-
Principal	813,304	-	-	813,304
Interest	88,958	-	-	88,958
Distributed expenses and administrative fees charged to other funds	(1,830,696)	-	-	(1,830,696)
Total Expenditures	22,512,870	-	80,479	22,593,349
Revenues Over (Under) Expenditures	76,202	851,825	81,780	1,009,807
Other Financing Sources (Uses)				
Lease Proceeds	578,857	-	-	578,857
Transfers in	896,012	-	-	896,012
Transfers out	-	(851,825)	10,385	(841,440)
Total Other Financing Sources (Uses)	1,474,869	(851,825)	10,385	633,429
Unusual or Infrequent Item:				
Return of funds to State of Maryland	-	-	(4,500)	(4,500)
Total unusual or infrequent items	-	-	(4,500)	(4,500)
Net Changes in Fund Balances	1,551,071	-	87,665	1,638,736
Fund Balances:				
Beginning of year	7,738,409	-	830,580	8,568,989
End of year	$ 9,289,480	$ -	$ 918,245	$ 10,207,725

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

City of Havre de Grace, Maryland
Reconciliation of The Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 1,638,736
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlays	2,094,759
Depreciation expense	(3,040,875)
Loss on Disposal of Capital Assets	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:	
Property taxes	13,251
Income taxes	72,255
The issuance of long-term liabilities provide financial resources to governmental funds and contribute to the change in fund balance. However, the issuance of debt does not affect the Statement of Activities since it increases long-term liabilities in the Statement of Net Position. Accordingly, the repayment of principal and the proceeds of bond issuance are reported as an expenditure and revenue in the governmental funds, respectively, but reduce/increase the liability in the Statement of Net Position. The amounts related to the above items that make up differences are:	
Principal payments on long-term debt	274,374
Proceeds from leases	(578,857)
Principal payments on leases	538,929
Pursuant to the modified accrual basis of accounting, governmental funds do not recognize expenditures for transactions that are not normally paid with expendable available financial resources. Pursuant to the accrual basis of accounting, the Statement of Activities reports expenses and liabilities regardless of when financial resources are available. In addition, interest on long-term debt is not recognized in the governmental funds until due, while it is accrued in the Statement of Activities. The net differences for the items discussed above are:	
OPEB Expense	(397,188)
Pension Expense	100,710
Change in accrued compensated absences	100,043
Change in net position of governmental activities	$ 816,137

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

City of Havre de Grace, Maryland
Statement of Net Position - Proprietary Funds
June 30, 2026

	Water and Sewer	Dockage	Total Business-Type Activities
Current Assets:			
Cash and cash equivalents	$ 6,284,433	$ 1,191,889	$ 7,476,322
Receivables, net of allowance for uncollectibles	1,266,650	15,521	1,282,171
Due from other governments	-	-	-
Inventory of fuel	-	24,572	24,572
Total Current Assets	7,551,083	1,231,982	8,783,065
Noncurrent Assets:			
Capital assets			
Land	37,811	-	37,811
Construction in progress	2,767,125	-	2,767,125
Buildings	81,298,018	-	81,298,018
Leased equipment	963,755	-	963,755
Improvements other than buildings	28,640,625	5,514,719	34,155,344
Equipment	5,580,974	932,863	6,513,837
Less accumulated depreciation	(59,452,169)	(5,415,616)	(64,867,785)
Total Capital Assets	59,836,139	1,031,966	60,868,105
Net Pension Asset	66,578	5,068	71,646
Total Assets	67,453,800	2,269,016	69,722,816
Deferred Outflows of Resources			
Pensions	204,080	15,536	219,616
Current Liabilities			
Accounts payable	494,332	34,610	528,942
Accrued expenses	236,439	4,562	241,001
Due to other funds	-	-	-
Unearned Revenues	425,000	-	425,000
Leases payable	101,914	-	101,914
General obligation bonds - current	3,554,640	-	3,554,640
Total Current Liabilities	4,812,325	39,172	4,851,497
Noncurrent Liabilities			
Compensated absences	396,028	103,249	499,277
Leases payable	103,871	-	103,871
General obligation bonds	15,935,686	-	15,935,686
Total Noncurrent Liabilities	16,435,585	103,249	16,538,834
Total Liabilities	21,247,910	142,421	21,390,331
Deferred Inflows of Resources:			
Pensions	436,578	33,235	469,813
Net Position:			
Net Investment in Capital Assets	40,140,028	1,031,966	41,171,994
Restricted Net Pension Asset	66,578	5,068	71,646
Unrestricted	5,766,786	1,071,862	6,838,648
Total Net Position	$ 45,973,392	$ 2,108,896	$ 48,082,288

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

City of Havre de Grace, Maryland
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2026

	Water and Sewer	Dockage	Total Business-Type Activities
Operating Revenues:			
Charges for services and sales	$ 13,950,272	$ 554,221	$ 14,504,493
Fuel sales	-	248,718	248,718
Miscellaneous	-	12,882	12,882
Total Operating Revenues	13,950,272	815,821	14,766,093
Operating Expenses:			
Personnel services	2,756,534	268,182	3,024,716
Chemicals and supplies	1,299,836	-	1,299,836
Utilities	501,344	50,174	551,518
Repairs and maintenance	584,031	6,835	590,866
Depreciation	3,784,981	297,540	4,082,521
Distributed expenses and administrative fees	1,750,296	80,400	1,830,696
Other operating expenses	1,194,899	54,621	1,249,520
Cost of fuel sold	-	214,050	214,050
Total Operating Expenses	11,871,921	971,802	12,843,723
Operating (Loss)/Income	2,078,351	(155,981)	1,922,370
Noncapital Subsidies:			
Grant proceeds	97,438	-	97,438
Transfers out	(54,572)	-	(54,572)
Total Noncapital Subsidies	42,866	-	42,866
Operating (Loss)/Income and Noncapital Subsidies	2,121,217	(155,981)	1,965,236
Other Nonoperating Revenues (Expenses):			
Interest income	11,106	14,787	25,893
Interest charges	(628,863)	-	(628,863)
Total Other Nonoperating Revenues (Expenses)	(617,757)	14,787	(602,970)
Increase (Decrease) in Net Position	1,503,460	(141,194)	1,362,266
Net position at beginning of year	44,469,932	2,250,090	46,720,022
Net position at end of year	$ 45,973,392	$ 2,108,896	$ 48,082,288

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

City of Havre de Grace, Maryland
Statement of Cash Flows - Proprietary Funds
For The Year Ended June 30, 2026

	Water and Sewer	Dockage	Total Business-Type Activities
Cash Flows from Operating Activities			
Receipts from customers and users	$ 13,724,000	$ 808,252	$ 14,532,252
Payments to employees for services	(1,814,335)	(153,643)	(1,967,978)
Payments of benefits on behalf of employees	(811,320)	(82,590)	(893,910)
Payments to suppliers for goods and services	(5,574,199)	(384,407)	(5,958,606)
Other operating receipts	-	12,882	12,882
Net Cash Provided by Operating Activities	5,524,146	200,494	5,724,640
Cash Flows from Noncapital Financing Activities			
Noncapital grant proceeds	97,438	-	97,438
Transfers from/(to) other funds	(54,572)	-	(54,572)
Net Cash Provided by/(Used in) Noncapital Financing Activities	42,866	-	42,866
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,621,885)	(20,000)	(1,641,885)
Principal paid on bonds, notes, and leases	(2,424,125)	-	(2,424,125)
Interest paid on bonds, notes, and capital leases	(811,510)	-	(811,510)
Payment of Bond Issuance Costs	-	-	-
Proceeds from bonds and notes	147,037	-	147,037
Capital grant proceeds	-	-	-
Capital contributions	-	-	-
Net Cash Provided by/(Used In) Capital and Related Financing Activities	(4,710,483)	(20,000)	(4,730,483)
Cash Flows from Investing Activities			
Interest	11,106	14,787	25,893
Net Cash Provided by Investing Activities	11,106	14,787	25,893
Net Increase/(Decrease) in Cash and Cash Equivalents	867,635	195,281	1,062,916
Cash and Cash Equivalents, Beginning of Year	5,416,798	996,608	6,413,406
Cash and Cash Equivalents, End of Year	$ 6,284,433	$ 1,191,889	$ 7,476,322
Reconciliation of Operating Income/(Loss) To Net Cash Provided By Operating Activities			
Operating income/(loss)	$ 2,078,351	$ (155,981)	$ 1,922,370
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities			
Depreciation	3,784,981	297,540	4,082,521
Changes in assets and liabilities			
(Increase)/decrease in accounts receivable	298,727	5,313	304,040
(Increase)/decrease in fuel inventory	-	(7,335)	(7,335)
(Increase)/decrease in deferred outflows pensions	(37,714)	(5,024)	(42,738)
Increase/(decrease) in accounts payable	(229,833)	28,789	(201,044)
Increase/(decrease) in accrued operating expenses	(13,959)	219	(13,740)
Increase/(decrease) in unearned revenue	(525,000)	-	(525,000)
Increase/(decrease) in compensated absences	41,933	24,182	66,115
Increase/(decrease) in net pension liability	(201,370)	(13,585)	(214,955)
Increase/(decrease) in deferred inflows pensions	328,030	26,376	354,406
Net Cash Provided by Operating Activities	$ 5,524,146	$ 200,494	$ 5,724,640

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

City of Havre de Grace, Maryland
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2026

	Component Unit
	Pension Trust Funds
Assets:	
Cash and cash equivalents	$ 363,050
Investments, at fair value:	
Mutual funds - equity	15,303,167
Mutual funds - fixed income	6,926,276
Other receivables	198,112
Total Assets	22,790,605
Net Position	
Net position restricted for pensions	$ 22,790,605

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

City of Havre de Grace, Maryland
Statement of Changes in Fiduciary Net Position - Pension Funds
For the Year Ended June 30, 2026

	Component Unit Pension Trust Funds
Additions:	
Contributions:	
Employer	$ 1,563,475
Employee	377,114
Net investment income	2,643,837
Total Additions	4,584,426
Deductions	
Benefit payments	2,992,856
Total Deductions	2,992,856
Change in net position	1,591,570
Net position at beginning of year	21,199,035
Net position at end of year	$ 22,790,605

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

1. Summary of significant accounting policies:

The City of Havre de Grace (the City) was incorporated on April 5, 1878, under the provisions of the Code of Public Local Laws of Harford County, Maryland. The City operates under a Mayor-Council supervised form of government and provides the following services as authorized by its charter: public safety (police, volunteer fire and ambulance company), highways and streets, sanitation, water and sewage facilities, recreation, urban development and housing, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles for local governments. The City's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, in conformance with generally accepted accounting principles (GAAP), the reporting entity includes the primary government governed by the Mayor and Council and the following two fiduciary component units:

City of Havre de Grace, Civilian Employees Pension Trust. This pension plan is a defined benefit pension plan established by the City to provide benefits at retirement to employees of the City.

City of Havre de Grace, Sworn Officers Pension Trust. This pension plan is a defined benefit plan established by the City to provide benefits at retirement to sworn officers of the City.

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 activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City are not included in these statements.

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 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 as general revenues.

1. Summary of significant accounting policies (continued):

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net position, revenue, and expenditures/expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements by fund types as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the City. All financial resources are accounted for in this fund except those required to be accounted for in another fund.

American Rescue Plan Fund

The American Rescue Plan Fund was established to account for the proceeds received from the Federal Government under the American Rescue Plan Act that are legally restricted by the provisions of the act.

Nonmajor Funds

All Special Revenue Funds other than the American Rescue Plan Fund are considered nonmajor funds. The following seven funds are all considered nonmajor funds:

The Critical Area Fund is used to account for critical area revenue that is legally restricted to expenditures for the critical area.

The Community Development Block Grant Fund (CDBG) is used to account for the proceeds from the Maryland Department of Housing and Community Development that are legally restricted to expenditures for rehabilitating urban areas and expanding economic opportunities for the benefit of low and moderate income persons.

The Slip User Fund is used to account for Slip User tax revenue. Such revenue is legally restricted to fund expenditures necessary to maintain and enhance water quality, water and waste water facilities, marinas, law enforcement, public safety and fire protection services.

The Local Law Enforcement Restricted Fund is used to account for the proceeds from abandoned property and from the Bureau of Justice Assistance, U.S. Department of Justice, that are legally restricted to expenditures directly related to basic law enforcement functions.

The Forest Conservation Fund is used to account for revenue from the deforestation of property by landowners who have not pursued the option of replanting trees. Proceeds are legally restricted to reforestation of the City.

The Promenade Repair Fund is used to account for a portion of building permit revenues. Such revenues are legally restricted to fund expenditures related to the repair and maintenance of the Promenade.

The Community Center Fund is used to account for the rental fee revenue of the Community Activity Center. Such revenues are legally restricted to fund expenditures related to operating and capital costs of the Community Activity Center.

1. Summary of significant accounting policies (continued):

Nonmajor Funds (continued):

The Opioid Fund is used to account for the proceeds from the Maryland State-Subdivision Agreement that are legally restricted to expenditures for opioid remediation under terms of several nation-wide settlements to resolve opioid litigation with manufacturers and distributors.

Proprietary Fund Types - Enterprise Funds

Water and Sewer Fund

The Water and Sewer Fund is used to account for the operations of the water and sewer systems in a manner whereby the costs of providing services to the general public are recovered primarily through user charges.

Dockage Fund

The Dockage Fund is used to account for the operations of the dock facilities in a manner whereby the costs of maintaining the dock area are recovered primarily through user charges or provided from government funds.

Fiduciary Component Units

Pension Trust Funds

The City maintains Pension Trust Funds to account for the Civilian employees' and the Sworn Officer employees' benefits. These funds are accounted for in essentially the same manner as a proprietary fund type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to measurable and available only when cash is received.

1. Summary of significant accounting policies (continued):

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services such as payments-in-lieu of taxes and other charges between certain City functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of the statement of cash flows the City'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 date of acquisition.

Budgets and Budgetary Accounting

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

1. Prior to the first Monday in June, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimates of anticipated revenue, which shall equal the total proposed expenditures.
2. Prior to July 1, the property tax rate is approved by the City Council and is legally enacted through passage of an ordinance. The budget is adopted by the City Council at this time.
3. From the date of budget enactment, proposed expenditures become appropriations authorized by the City Council. Budgeted amounts presented are as adopted by the City Council. Any revision that alters the expenditure of any fund, in total or among functions or departments, must be approved by the City Council. Budget transfers within departments can be made without approval by the City Council; therefore, the legal level of budgetary control has been effectively lowered to the department level for legal compliance.

1. Summary of significant accounting policies (continued):

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each year and amended as required for the General Fund and the Proprietary Funds. The annual budgets are prepared utilizing the same basis of accounting used to reflect actual revenue and expenditures on a generally accepted accounting principles basis except that, for budgetary purposes:

(1) designations of prior fiscal year's fund balances are treated as revenue;

(2) encumbrances are budgeted as expenditures;

(3) loan proceeds are treated as revenue in the proprietary funds; and

(4) capital acquisitions are budgeted as expenses in the proprietary funds.

The budget for the Special Revenue Funds is made on a project basis since these projects may span more than one fiscal year; therefore, no comparison of budgetary information with actual results for these funds is presented in these financial statements.

Actual expenditures may not exceed budgeted amounts for any fund except in emergency circumstances. Unencumbered appropriations lapse at year-end.

Receivables and Payables

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

"Receivables (net of allowance for uncollectibles)" for the Water and Sewer Fund includes water and sewer services used by customers but not yet billed. Unbilled revenues are estimated based on the billing cycles of each customer.

All taxes, assessments, service charges and other receivables are shown net of an allowance for uncollectibles. The City's allowance for uncollectibles is based upon historical collection experience and a review of the status of current accounts receivable.

Compensated Absences

Employees may accumulate all unused sick leave. Accumulated unpaid annual leave at December 31 of each year cannot exceed 280 hours or it is forfeited. Upon termination, up to 280 hours of accumulated annual leave will be paid to the employee. Unused sick leave will be allowed to accumulate indefinitely. Retirees will be entitled to receive their accumulated sick leave, which will be calculated in their retirement formula. Employees who resign from city service will receive their accumulated sick leave, which will be calculated along with their retirement fund reimbursement.

1. Summary of significant accounting policies (continued):

Capital Assets

Tangible Assets

Capital assets, which include land, construction-in-progress, buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets for the primary government are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements.

Intangible Assets

Intangible assets, included in improvements other than building, (e.g., easements, water rights, timber rights, trademarks, and computer software, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Intangible assets for the City are defined as all intangible assets which lack physical substance, are nonfinancial in nature, are identifiable, have an initial, individual costs of more than $5,000 and have an initial useful life extending beyond a single reporting period. Intangible assets are depreciated using the straight-line method over their estimated useful lives.

Capital assets of the city are depreciated or amortized using the straight-line method over the following estimated lives:

Infrastructure	5-10 years
Buildings	5-40 years
Improvements other than buildings	5-50 years
Equipment	3-20 years

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting under this category. The governmental funds report unavailable revenue from taxes and other receivables. The government has two types of items, which arises under the accrual basis of accounting that qualifies for reporting under this category, the deferred inflows related to pensions and OPEB.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The City has two items that arise under the accrual basis of accounting, that qualify for reporting under this category, the deferred outflows related to pensions and OPEB.

1. Summary of significant accounting policies (continued):

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond issuance costs, are expensed in the period incurred. Bond premiums and discounts are amortized as a component of interest expense over the lives of the bonds issued.

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board Statements

The City adopted the provisions of GASB Statement No. 103 "*Financial Reporting Model Improvements*". The adoption of this statement had no effect on previously reported amounts.

The City adopted the provisions of GASB Statement No. 104 *"Disclosure of Certain Capital Assets"*. The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In December 2025, the GASB issued Statement No. 105, "*Subsequent Events".* The City is required to adopt the provisions of Statement No. 105 for its fiscal year 2027 financial statements.

The City has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

1. Reserve for Emergency

The City has established a reserve for emergency account (also known as a Rainy Day Fund) to provide funding in emergency situations or in cases of revenue shortfalls. On February 6, 2006, Resolution 2006-2 was adopted and the contingency reserve fund is to be funded each year by an amount equal to 2% of the prior fiscal year's General Fund operating budget until it reaches 10% of the prior fiscal year's General Fund operating budget. At that time, funding is required to be that amount necessary to fulfill the 10% obligation. As of June 30, 2026, the reserve for emergency was $2,068,630.

2. Cash and Investments

Deposits

At year-end, the carrying amount of the City's deposits was $20,508,776 and the bank balance was $20,625,523. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in Maryland. Such banks must also secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at least equal to the deposits. As of June 30, 2026, the City's bank balance was not exposed to any custodial risk as all deposits in excess of Federal Depository Insurance were fully collateralized.

Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the Maryland Local Government Investment Pool (MLGIP), which invests in U.S. Treasuries.

The City is a participant of the MLGIP, which provides all local government units of the State an investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22 G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Institutional Investments. The pool has an AAA rating from Standard and Poor's and maintains a $1.00 per share value. A MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares.

The City's investments in the local government investment pool of $19,681 are included in cash and cash equivalents on the financial statements. There is no custodial credit risk for these investments.

3. Cash and Investments (continued)

In addition to the investments authorized for the governmental and proprietary funds, the City's fiduciary funds also have investments in various mutual funds, none of which are subject to custodial credit risk.

As of June 30, 2026, the City had the following debt investments and maturities within its pension funds:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Funds	$ 6,926,276	$ -	$ -	$ 6,926,276	$ -
Total	$ 6,926,276	$ -	$ -	$ 6,926,276	$ -

Interest rate risk:

The City has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

As of June 30, 2026, none of the City's pension fund's investments in fixed income mutual funds were rated by Standard and Poor's.

Concentration of credit risk:

The City places no limit on the amounts invested in any one issuer. As of June 30, 2026 none of the City's pension fund investments were subject to concentration of credit risk.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's and pension trust funds money market funds of $363,050 are valued using quoted market prices (Level 1 inputs), as of June 30, 2026.

The pension trust funds investments in mutual funds of $22,229,444 are valued using quoted market prices (Level 1 inputs), as of June 30, 2026.

4. Property Taxes

The taxes levied on July 1 become a lien on that date, and are payable by October 1. City property tax revenues are recognized when levied to the extent that they result in current receivables. Delinquency in paying property taxes results in property being put up for sale by Harford County in June of the respective tax year. Resolution No. 128 was passed February 15, 1982, by the Mayor and City Council which enabled the City to levy up to $2.00 per $100 of assessed valuation for general governmental services, including principal and interest on long-term debt for subsequent years beginning July 1, 1982. The City's tax rate for fiscal year 2026 was $0.5650 per $100 of assessed value.

The City's personal property taxes are levied annually. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value multiplied by that year's assessment rate. The rate per $100 of assessed value was $1.705 in fiscal year 2026.

All receivables are reported at gross value and, where appropriate, reduced by the estimate considered to be uncollectible. At June 30, 2026 all property taxes were considered collectible.

5. Due from Other Governments

Amounts due from other governments totaling $2,305,912 at June 30, 2026, include shared General Fund revenue from both State and County sources, as well as certain bond proceeds due to the City.

6. Notes Receivable

The City administers a revolving program that was originally funded by a Community Development Block Grant (CDBG) to assist in rehabilitating the City's commercial entities. The loans bear interest of 5.0% per annum and are secured by deeds of trust.

At June 30, 2026, the outstanding balance of notes receivable were as follows:

Loan receivable	$	27,078
Allowance for loan losses		-
Balance, end of year	$	27,078

7. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended June 30, 2026 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 3,844,181	$ -	$ -	$ 3,844,181
Construction-in-progress	6,560,841	704,717	-	7,265,558
Total Capital Assets, Not Being Depreciated	10,405,022	704,717	-	11,109,739
Capital Assets, Being Depreciated				
Infrastructure	10,035,302	250,404	-	10,285,706
Buildings	14,639,274	60,234	-	14,699,508
Right-To-Use Leased Equipment	2,716,149	688,774	-	3,404,923
Improvements other than buildings	16,801,973	260,297	-	17,062,270
Equipment	4,114,283	130,333	(135,828)	4,108,788
Total Capital Assets, Being Depreciated	48,306,981	1,390,042	(135,828)	49,561,195
Less Accumulated Depreciation for:				
Infrastructure	7,875,188	445,269	-	8,320,457
Buildings	8,343,176	575,732	-	8,918,908
Right-To-Use Leased Equipment	1,461,812	534,395	-	1,996,207
Improvements other than buildings	8,248,157	1,256,521	-	9,504,678
Equipment	3,220,017	228,958	(135,828)	3,313,147
Total Accumulated Depreciation	29,148,350	3,040,875	(135,828)	32,053,397
Total Capital Assets, Being Depreciated, Net	19,158,631	(1,650,833)	-	17,507,798
Total Governmental Activities Capital Assets, Net	$ 29,563,653	$ (946,116)	$ -	$ 28,617,537

Depreciation expense was charged to function/programs of the City as follows:

Governmental Activities

General Government	$ 692,036
Public Safety	429,617
Public Works	1,919,222
Total Depreciation Expense, Governmental Activities	$ 3,040,875

7. Capital Assets (continued)

A summary of changes in capital assets for business-type activities for the year ended June 30, 2026 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 37,811	$ -	$ -	$ 37,811
Construction In Progress	2,461,671	305,454	-	2,767,125
Total Capital Assets, Not Being Depreciated	2,499,482	305,454	-	2,804,936
Capital Assets, Being Depreciated				
Buildings	81,229,101	68,918	-	81,298,019
Right-To-Use Leased Equipment	963,755	-	-	963,755
Improvements other than buildings	33,784,465	370,879	-	34,155,344
Equipment	5,617,202	896,635	-	6,513,837
Total Capital Assets, Being Depreciated	121,594,523	1,336,432	-	122,930,955
Less Accumulated Depreciation for:				
Buildings	39,376,680	2,174,711	-	41,551,391
Right-To-Use Leased Equipment	476,148	153,502	-	629,650
Improvements other than buildings	17,421,237	1,380,875	-	18,802,112
Equipment	3,511,198	373,434	-	3,884,632
Total Accumulated Depreciation	60,785,263	4,082,522	-	64,867,785
Total Capital Assets, Being Depreciated, Net	60,809,260	(2,746,090)	-	58,063,170
Total Governmental Activities Capital Assets, Net	$ 63,308,742	$ (2,440,636)	$ -	$ 60,868,106

Depreciation Expense was charged as follows:

Business-Type Activities

Water and Sewer Fund	$ 3,784,981
Dockage Fund	297,541
Total Depreciation Expense, Business-Type Activities	$ 4,082,522

8. Long-Term Liabilities

A summary of changes in long-term liabilities of governmental activities, which includes debt, compensated absences, net pension liability, and other post-employment benefits, for the year ended June 30, 2026, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	$ 952,500	$ -	$ 173,167	$ 779,333	$ 149,333
Notes and loans payable	1,505,207	-	101,207	1,404,000	103,055
Lease Payable	1,011,955	578,857	538,929	1,051,883	382,814
Compensated absences	3,059,005	-	100,044	2,958,961	-
Total OPEB liability	7,919,526	-	407,627	7,511,899	-
Net pension liability	2,254,192	-	9,148	2,245,044	-
	$ 16,702,385	$ 578,857	$ 1,330,122	$ 15,951,120	$ 635,202

Compensated absences, the total OPEB liability, and the net pension liability are liquidated by the General Fund.

A summary of changes in the general obligation bonds payable, compensated absences, and net pension liability of business-type activities for the year ended June 30, 2026 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	$ 20,327,333	$ -	$ 2,325,879	$ 18,001,454	$ 3,381,463
Premium on general obligation bonds	1,671,519	-	182,648	1,488,871	173,177
Lease Payable	304,032	-	98,247	205,785	101,914
Compensated absences	433,162	66,115	-	499,277	-
Net pension asset	143,309	-	214,955	(71,646)	-
	$ 22,879,355	$ 66,115	$ 2,821,729	$ 20,123,741	$ 3,656,554

8. Long-Term Liabilities (continued)

Governmental Activities bonds, notes, and loans payable at June 30, 2026 are comprised of the following:

	Current	Long-Term	Total
Long-Term Debt - Bonds Payable			
2016 Series A - Bonds dated August 31, 2016 in the amount of $4,500,000 (of which $2,100,000 is included in Governmental Activities and $2,400,000 is included in the Water and Sewer Fund) to provide financing for the water treatment plant and Opera House. Bears interest at a rate of 2.2% throughout the course of the loan with a ceiling of 3%. Semiannual interest payments are due on the first day of October and April. The bonds mature on April 1, 2031.	$ 149,333	$ 630,000	$ 779,333
Total long-term debt - bonds payable	149,333	630,000	779,333
Long-Term Debt - Notes and Loan Payable			
Note Payable - Loan issued by a related party to the City on August 13, 2013, in the amount of $1,250,000. The loan bears interest at 4.0% and is to be repaid in annual installments of $80,015 until maturity in August 2038.	48,055	750,945	799,000
Note Payable Harford County - Installment purchase agreement with Harford County in the amount of $1,100,000 to facilitate the purchase of real property located within the City limits. The agreement "Note" bears no interest and requires the City to make annual principal payments of $55,000 until maturity in September 2036.	55,000	550,000	605,000
Total notes and loans payable	103,055	1,300,945	1,404,000
Total governmental activities - long-term debt	$ 252,388	$ 1,930,945	$ 2,183,333

8. Long-Term Liabilities (continued)

Business-type activities bonds payable at June 30, 2026 are comprised of the following:

	Current	Long-Term	Total
Water and Sewer Fund - Bonds Payable			
MDE 2008 ENR Bonds Payable - Bond issued January 31, 2008 in the amount of $26,328,354 to provide financing for a water treatment plant. Bears interest at 2.10% annual rate, payable in semiannual installments with payments due on the first day of February and August. An annual principal payment in varying amounts is due on February 1, beginning August 1, 2011, and is due until maturity on February 1, 2029.	$ 2,592,296	$ 2,493,991	$ 5,086,287
Refunding Bonds, 2013 Series - Bonds dated May 31, 2013 in the amount of $3,831,000 (of which $2,210,000 is included in Governmental Activities and $1,621,000 is included in the Water and Sewer Fund) to provide financing for various City projects. Bear interest at a rate of 1.97%. Annual principal and interest payments are due on June 30. The bonds mature on June 30, 2027.	55,000	-	55,000
2016 Series A - Bonds dated August 31, 2016 in the amount of $4,500,000 (of which $2,100,000 is included in Governmental Activities and $2,400,000 is included in the Water and Sewer Fund) to provide financing for the water treatment plant and Opera House. Bears interest at a rate of 2.2% throughout the course of the loan with a ceiling of 3%. Semiannual interest payments are due on the first day of October and April. The bonds mature on April 1, 2031.	170,667	720,000	890,667
Infrastructure Bond 2020 Series A dated August 20, 2020 in the amount of $8,082,618 to provide financing for improving the City's water and wastewater infrastructure. Bears interest at a rate of 2.29% throughout the course of the loan. Semiannual interest payments are due on the first day of October and April. The bond matures on April 1, 2040.	343,500	6,006,000	6,349,500
Infrastructure Bond 2023 Series A-1 and A-2 dated April 1, 2023 in the amount of $6,183,173 to provide financing for improving the City's water and wastewater infrastructure. Bears interest at a rate of 3.83% throughout the course of the loan. Semiannual interest payments are due on the first day of October and April. The bond matures on April 1, 2043.	220,000	5,400,000	5,620,000
Total water and sewer fund - bonds payable	$ 3,381,463	$ 14,619,991	$ 18,001,454

8. Long-Term Liabilities (continued)

The following tables show the annual debt service requirements for Governmental Activities general obligation bonds and notes and loans payable outstanding for the year ended June 30, 2026, assuming current interest rates remain the same:

	Long-Term Debt - Governmental Activities General Obligation Bonds Payable		
Maturity, years ending June 30	Principal	Interest	Total
2027	$ 149,333	$ 20,408	$ 169,741
2028	151,667	17,018	168,685
2029	156,333	13,348	169,681
2030	158,667	9,408	168,075
2031	163,333	5,250	168,583
Total	$ 779,333	$ 65,432	$ 844,765

	Notes and Loans Payable		
Maturity, years ending June 30	Principal	Interest	Total
2027	$ 103,055	$ 31,960	$ 135,015
2028	104,977	30,038	135,015
2029	106,976	28,039	135,015
2030	109,055	25,960	135,015
2031	111,217	23,798	135,015
2032-2036	591,672	83,403	675,075
2037-2041	277,048	17,996	295,044
Total	$ 1,404,000	$ 241,194	$ 1,645,194

8. Long-Term Liabilities (continued)

The following table shows the annual debt service requirements for Business-Type Activities general obligation bonds outstanding for the year ended June 30, 2026, assuming current interest rates remain the same:

	Long-Term Debt - Business-Type Activities General Obligation Bonds Payable		
Maturity, years ending June 30	Principal	Interest	Total
2027	$ 3,381,463	$ 771,515	$ 4,152,978
2028	3,250,324	686,409	3,936,733
2029	796,167	525,192	1,321,359
2030	819,333	492,478	1,311,811
2031	856,167	460,211	1,316,378
2032-2036	3,817,000	1,784,255	5,601,255
2037-2041	4,161,000	822,339	4,983,339
2042-2044	920,000	78,923	998,923
Total	$ 18,001,454	$ 5,621,322	$ 23,622,776

9. Leases

The City leases various vehicles for its operations. Terms of each lease vary with fixed monthly payments ranging from $464 to $1,378 and yearly payments of $54,676, with lease periods of 5 years. Interest rates ranged from 3.06% to 4.57%.

The future principal and interest lease payments on the City's leased vehicles as of June 30, 2026, were as follows:

	Governmental Activities		Business Type Activities	
Year	Principal	Interest	Principal	Interest
2027	$ 382,814	$ 35,924	$ 101,914	$ 7,750
2028	294,200	21,753	81,892	3,070
2029	167,568	12,487	21,979	209
2030	134,764	5,713	-	-
2031	72,537	1,207	-	-
	$ 1,051,883	$ 77,084	$ 205,785	$ 11,029

10. Defined Benefit Pension Plans

City Employees

General

The Mayor and City Council of Havre de Grace, Maryland, established the City of Havre de Grace Civilian Employees' Pension Plan (the "Civilian Plan"), a trust-administered, single-employer, defined-benefit, contributory pension plan effective February 1, 1961, for eligible City employees. The Civilian Plan Committee, which consists of the Mayor and the Director of Administration of the City, is responsible for determining benefits under the plan.

Benefits Provided

The Civilian Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for normal retirements are calculated as 1.5% of Final Average Earnings times Years of Credited Service (up to 55% of Final Average Earnings as of date of termination. Final Average Earnings is 1/36th of the total of the highest 36 months out of the last 120 months worked, and shall be increased by the number of hours of unused sick leave multiplied by the rate of pay in effect at termination divided by the number of months used in final average earnings. A member is eligible for normal retirement after attainment of age 65 and completion of 5 years of service, or after 30 years of service regardless of age. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or eligible child, equal to 50% of the amount payable to the member at the time of death.

The Civilian Plan assets may be used only for the payment of benefits to members and expenses of the plan, in accordance with the terms of the Civilian Plan. The Civilian Plan does not issue a stand-alone financial report.

Basis of Accounting

The Civilian Plan's financial statements are prepared using the accrual basis of accounting. Employer and Plan member contributions are recognized in the period the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Civilian Plan.

Method Used to Value Investments

Civilian Plan investments are reported at fair value based on quoted market prices.

The annual money-weighted rate of return was 13.44% for the year ended June 30, 2026. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

10. Defined Benefit Pension Plans (continued)

Plan Membership

As of July 1, 2025, the Civilian Plan's membership consisted of the following**:**

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	73
	114

Contribution Information and Funding Policy

The Civilian Plan covers all civilian employees with at least one year of credited service who have worked 1,000 or more hours per year, regardless of age, are eligible to participate in the Civilian Plan. Civilian Plan participants begin vesting after three years of credited service. Full vesting occurs after seven years of participation.

Article X of the City of Havre de Grace, Maryland Civilian Employees Pension Plan establishes contribution rates to the Civilian Plan. Contributions to the Civilian Plan made by the City are based on an actuarially determined rate. The actuarially determined contributions consider the normal retirement benefit (a fixed percentage of monthly compensation), years of service and the employee's age, among other factors. The actuarially required contribution and the amount paid into the Civilian Plan for the year ended June 30, 2026 were $403,032 and $439,875, respectively. Participants must contribute 4% of their compensation each year until the participant has earned 30 years of vesting service. Administrative costs are paid by the plan through investment earnings.

Investment Policy

The Civilian Plan’s investment policy is to invest in a balanced portfolio that, over time, has the potential to balance the capital appreciation offered by stocks with income and relative stability of fixed income securities. The objective is to provide capital appreciation, current income and preservation of capital through a portfolio of stocks and fixed income securities. The Civilian Plan may be amended by the City Council.

The Civilian Plan's target asset allocation was as follows at June 30, 2026:

Asset Class	Target Allocation
Stocks	50% - 70%
Bonds	30% - 50%
Reserves	0% - 20%

10. Defined Benefit Pension Plans (continued)

Net Pension Liability

The net pension liability was allocated amongst the funds based on the percentage of contributions made by each fund. The components of the net pension liability of the City at June 30, 2026 were as follows:

		Business-Type Activities		
	Governmental Activities	Water and Sewer	Dockage	Total
Total pension liability	$ 10,105,338	$ 4,354,705	$ 331,485	$ 14,791,528
Plan fiduciary net position	10,259,836	4,421,283	336,553	15,017,672
City's net pension liability/(asset)	$ (154,498)	$ (66,578)	$ (5,068)	$ (226,144)
Plan fiduciary net position as a percentage of the total pension liability				101.53%

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2025 rolled forward to June 30, 2026. The City's net pension liability was measured as of June 30, 2026, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2025. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2025 actuarial valuation to the June 30, 2026 measurement date. The actuarial assumptions applied to all periods in the measurement included (a) 7% investment rate of return (net of administrative expenses), (b) projected salary increases at 3%-5.5% per annum for non-contract employees and 7.5% per annum for contract employees, (c) inflation of 2.5%.

Mortality rates are based on the following:

- Healthy lives: PubG-2010 Mortality Tables projected with Improvement Scale MP-2021.
- Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

Expected long-term rate of return:

The long-term expected rate of return on Civilian 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 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 percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Stocks	5.0% - 6.5%
Bonds	1.0% - 3.5%
Reserves	0% - 1.0%

10. Defined Benefit Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to follow the current funding policy. Based on those assumptions, the Civilian Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Civilian Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The actuarial assumptions used in the July 1, 2025 valuation were based on past experience under the plan and reasonable future expectation which represent the best estimate of anticipated experience under the Civilian Plan. A recent actuarial experience study was performed in 2025.

The following presents the net pension liability of the City calculated using a discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's net pension liability	$1,120,445	$(226,144)	$(1,391,353)

Changes in the City's net pension liability for the year ended June 30, 2026 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/25	$ 15,616,568	$ 15,078,642	$ 537,926
Changes for the year:			
Service cost	313,509	-	313,509
Interest	1,026,682	-	1,026,682
Changes of benefits	-	-	-
Changes of assumptions	(56,309)	-	(56,309)
Differences between expected and actual experience	460,910	-	460,910
Contributions - employer	-	439,875	(439,875)
Contributions - member	-	191,907	(191,907)
Net investment income	-	1,877,080	(1,877,080)
Benefit payments, including refunds of employee contributions	(2,569,832)	(2,569,832)	-
Administrative expense	-	-	-
Net changes	(825,040)	(60,970)	(764,070)
Balances at 6/30/26	$ 14,791,528	$ 15,017,672	$ (226,144)

10. Defined Benefit Pension Plans (continued)

Police Department Employees

General

The Mayor and City Council of Havre de Grace, Maryland, established the City of Havre de Grace Sworn Officers' Pension Plan (the "Police Plan"), a trust-administered, single-employer, defined-benefit, contributory pension plan effective February 1, 1961, for eligible police department employees. The Police Plan Committee, which consists of the Mayor and the Director of Administration of the City, is responsible for determining benefits under the Police Plan.

Benefits Provided

The Police Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for normal retirements after June 30, 2014 are calculated as 2.0% of Final Average Earnings times Years of Credited Service to a maximum of 25 years, plus 1% of Final Average Earnings multiplied by Years of Credited Service in excess of 25 years to a maximum of 5 years. Final Average Earnings is $1/36^{th}$ of the total of the highest 36 months out of the last 120 months worked, and shall be increased by the number of hours of unused sick leave multiplied by the rate of pay in effect at termination divided by the number of months used in final average earnings. A member is eligible for normal retirement after attainment of age 62 and completion of 10 years of service, or after 25 years of service regardless of age. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or eligible child, equal to 50% of the amount payable to the member at the time of death.

The Police Plan assets may be used only for the payment of benefits to members and expenses of the Police Plan, in accordance with the terms of the Police Plan. The Police Plan does not issue a stand-alone financial report.

Basis of Accounting

The Police Plan's financial statements are prepared using the accrual basis of accounting. Employer and Police Plan member contributions are recognized in the period the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Police Plan.

Method Used to Value Investments

Police Plan investments are reported at fair value based on quoted market prices.

The annual money-weighted rate of return was 12.02% for the year ended June 30, 2026. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

10. Defined Benefit Pension Plans (continued)

Police Plan Membership

As of July 1, 2025, the Police Plan's membership consisted of the following**:**

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	31
	40

Contribution Information and Funding Policy

The Police Plan covers all police employees with at least one year of credited service who have worked 1,000 or more hours per year, regardless of age, are eligible to participate in the Police Plan. Police Plan participants begin vesting after three years of credited service. Full vesting occurs after seven years of participation.

Article X of the City of Havre de Grace, Maryland Sworn Officers Pension Plan establishes contribution rates to the Police Plan. Contributions to the Police Plan made by the City are based on an actuarially determined rate. The actuarially determined contributions consider the normal retirement benefit (a fixed percentage of monthly compensation), years of service and the employee's age, among other factors. The actuarially required contribution and the amount paid into the Police Plan for the year ended June 30, 2026 were $949,929 and $1,123,600, respectively. Participants must contribute 7% of his or her compensation each year until the participant has earned 30 years of vesting service. Administrative costs are financed through investment earnings.

Investment Policy

The Police Plan investment policy is to invest in a balanced portfolio that, over time, has the potential to balance the capital appreciation offered by stocks with income and relative stability of fixed income securities. The objective is to provide capital appreciation, current income and preservation of capital through a portfolio of stocks and fixed income securities. The Police Plan may be amended by the City Council.

The Police Plan's target asset allocation was as follows at June 30, 2026:

Asset Class	Target Allocation
Stocks	50% - 70%
Bonds	30% - 50%
Reserves	0% - 20%

10. Defined Benefit Pension Plans (continued)

Net Pension Liability

The components of the net pension liability of the Police Plan at June 30, 2026 were as follows:

	Governmental Activities
Total net pension liability	$ 10,172,475
Plan fiduciary net position	7,772,933
City's net pension liability	$ 2,399,542
Plan fiduciary net position as a percentage of the total pension liability	76.41%

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation on July 1, 2025 rolled forward to June 30, 2026. The City's net pension liability was measured as of June 30, 2026, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2025. The actuary utilized update procedures to roll forward the total pension liability in the July 1, 2025 actuarial valuation to the June 30, 2026 measurement date. The actuarial assumptions applied to all periods in the measurement included (a) 7% investment rate of return (net of administrative expenses), and (b) projected salary increases of 12.50% per annum until June 30, 2028 then 4.00% per annum thereafter.

Mortality rates are based on the following:

- Healthy lives: PubS-2010 Mortality Tables projected with Improvement Scale MP-2021.
- Disabled lives: PubS-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

10. Defined Benefit Pension Plans (continued)

Expected long-term rate of return:

The long-term expected rate of return on Police 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 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 percentages and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Stocks	5.0% - 6.5%
Bonds	1.0% - 3.5%
Reserves	0% - 1.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to follow the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Police Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The actuarial assumptions used in the July 1, 2025 valuation were based on past experience under the Police Plan and reasonable future expectation which represent the best estimate of anticipated experience under the Plan. A recent actuarial experience study was completed in 2025.

The following presents the net pension liability of the City calculated using a discount rate of 7%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City’s net pension liability	$3,628,808	$2,399,542	$1,367,874

10. Defined Benefit Pension Plans (continued)

Changes in the Police Plan's net pension liability for the year ended June 30, 2026 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/24	$ 7,979,968	$ 6,120,393	$ 1,859,575
Changes for the year:			
Service cost	270,723	-	270,723
Interest	562,993	-	562,993
Changes of benefits	(196,330)	-	(196,330)
Changes of assumptions	1,253,850	-	1,253,850
Differences between expected and actual experience	724,295	-	724,295
Contributions - employer	-	1,123,600	(1,123,600)
Contributions - member	-	185,207	(185,207)
Net investment income	-	766,757	(766,757)
Benefit payments, including refunds of employee contributions	(423,024)	(423,024)	-
Administrative expense	-	-	-
Net changes	2,192,507	1,652,540	539,967
Balances at 6/30/25	$ 10,172,475	$ 7,772,933	$ 2,399,542

For the year ended June 30, 2026, the City recognized pension expense of $696,262 for the Civilian employees and $863,216 for the Police Plan. Pension expense of $1,296,837, $241,548, and $21,093 was recognized in governmental activities, the sewer and water fund, and the dockage fund, respectively.

At June 30, 2026, the City reported deferred outflows and deferred inflows of resources from the following sources:

	Civilian Plan		Sworn Officers Plan		Total	
	Deferred outflows	Deferred inflows	Deferred outflows	Deferred inflows	Deferred outflows	Deferred inflows
Changes of assumptions	$ 986	$ (45,047)	$ 1,119,673	$ (6,265)	$ 1,120,659	$ (51,312)
Difference between expected and actual experience	692,208	(52,880)	1,346,423	(8,279)	2,038,631	(61,159)
Net difference between projected and actual earnings on pension plan investments	-	(1,384,989)	-	(446,960)	-	(1,831,949)
	$ 693,194	$ (1,482,916)	$ 2,466,096	$ (461,504)	$ 3,159,290	$ (1,944,420)

At June 30, 2026, the City reported deferred outflows and deferred inflows of resources in governmental and business-type activities as follows:

		Business-Type Activities		
	Governmental Activities	Sewer and Water	Dockage	Total
Deferred inflows	$ (1,474,607)	$ (436,578)	$ (33,235)	$ (1,944,420)
Deferred outflows	2,939,674	204,080	15,536	3,159,290

10. Defined Benefit Pension Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows over the next six years:

	Civilian Plan	Sworn Officer Plan	Total
2027	$ (277,574)	$ 521,564	$ 243,990
2028	(307,065)	452,489	145,424
2029	(108,352)	389,924	281,572
2030	(96,731)	310,925	214,194
2031	-	329,690	329,690
Thereafter	-	-	-
	$ (789,722)	$ 2,004,592	$ 1,214,870

11. Other Post-Employment Benefits (OPEB)

General

The Mayor and City Council of Havre de Grace, Maryland established the City of Havre de Grace OPEB Plan (the "Plan"). The Plan provides postemployment healthcare benefits to all eligible employees who retire from the City. The Plan is a single-employer defined benefit OPEB plan administered by the City. The City Charter grants the authority to establish and amend the benefit terms and financing requirements to City Council and the Mayor. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The Plan provides postemployment healthcare benefits to all eligible employees who retire from the City. In order to be eligible, the retiree must have a minimum of 25 or more years of City service, and immediately preceding retirement, been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the City. A retiree of the Civilian plan with 25 to 29 years of service pays 25% of the cost and the City pays 75% of the cost. A retiree of the Civilian plan with more than 30 years of service pays 10% of the cost and the City pays 90% of the cost. A retiree of the Sworn Officers' Pension Plan with 25 or more years of service pays 10% of the cost and the City pays 90% of the cost. The coverage is available until the retiree is eligible for Medicare. The employee's spouse is also eligible for this coverage. City Council and the Mayor have the authority to establish or amend benefits provided.

11. Other Post-Employment Benefits (OPEB) (continued)

Plan Membership

As of June 30, 2024, the following employees were covered by the benefit terms**:**

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	110
	120

Total OPEB Liability

The City's total OPEB liability of $7,511,899 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability at June 30, 2025 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0%
Salary Increases	5.0% per annum for Contract Civilian Employees 2.0% per annum for Non-Contract Civilian Employees 2.5% per annum 0-24 years of service 1.0% per annum 25+ years of service
Discount Rate	5.2%
Healthcare cost trend rates	9.0% for 2026, decreasing by .50% per year to an ultimate rate of 4.5% for 2036 and later years
Retirees' share of benefit-related costs	See Benefits Provided Section

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

The mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, projected forward on a fully-generational basis with the MP-2021 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on past experience under the plan and reasonable future expectation which represents the best estimate of anticipated experience under the plan. A recent actuarial experience study was not performed.

11. Other Post-Employment Benefits (OPEB) (continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at 7/1/24, beginning of year	$ 7,919,526
Changes for the year:	
Service cost	306,836
Interest	342,012
Change of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions or other inputs	(849,239)
Benefit payments	(207,236)
Net changes	(407,627)
Balances at 6/30/25, end of year	$ 7,511,899

Changes of assumptions and other inputs reflect a change in the discount rate.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
City's total OPEB liability	$8,323,523	$7,511,899	$6,796,669

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (10.0 percent decreasing to 5.5 percent) than the current discount rate:

	1% Decrease (8.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (9.0% decreasing to 4.5%)	1% Increase (10.0% decreasing to 5.5%)
City's total OPEB liability	$6,658,196	$7,511,899	$8,512,102

11. Other Post-Employment Benefits (OPEB) (continued)

OPEB Expense Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the City recognized OPEB expense of $605,899. At June 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 608,715	$ 1,190,821
Net difference between actual and experience	195,170	135,589
Contributions subsequent to measurement date	208,711	-
Total	$ 1,012,596	$ 1,326,410

The $208,711 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (19,139)
2027	(23,654)
2028	(73,068)
2029	(147,583)
2030	(111,844)
Thereafter	(147,237)

12. Interfund Receivables, Payables and Transfers

Individual funds "transfers in" and "transfers out" were as follows:

	Transfers In	Transfers Out
General Fund	$ 896,012	$ -
American Rescue Plan Fund	-	851,825
Water and Sewer Fund	-	54,572
Nonmajor Governmental Funds	10,385	
	$ 906,397	$ 906,397

The transfers between the funds were for interfund goods and services provided during the year as well as transfers of funds for eligible grant expenditures.

13. Excess of Expenditures Over Appropriations in the General Fund

The City had excess expenditures over appropriations in the following general fund departments: Public Safety ($776,608), Miscellaneous ($15,502), and Debt Service ($514,962). The excess expenditures were funded by greater than anticipated revenues and prior year fund balances.

14. Risk Management

The City is a member of the Local Government Insurance Trust (the Trust). The Trust is a consortium of Maryland local governments created July 1, 1987, to provide an alternative to the diminishing availability of insurance coverages to municipal governments and the increasing premium costs in the municipal insurance market. The Trust is owned and directed by the local governments (participants) that subscribe to its insurance coverages. The Trust's objectives are to (1) offer broader insurance coverages and, in certain cases, coverages not otherwise available from commercial insurance providers; (2) provide coverages to members at competitive rates; and (3) develop programs and provide specific loss control and risk management assistance to local governments.

The Trust is managed by a Board of Trustees and a contract administration company. The Trustees are elected by a majority vote of the participants with each participant having one vote. The City does not exercise any control over the Trust's operations.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. At June 30, 2026, the City participated in the following pools:

	Maximum Coverage Per Claim	Premiums Paid June 30, 2026
Liability pool	$ 1,000,000	$ 44,689
Law enforcement liability pool	1,000,000	55,629
Public official liability pool	1,000,000	12,457
Excess liability pool	4,000,000	15,571
Automobile pool	1,000,000	79,646
Property pool (including boiler and machinery)	125,168,190	200,382
		$ 408,374

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The Trust assesses premiums based on the amount of coverage obtained and a capital contribution determined by the Trust. The Trust allocates earnings on the Trust assets to reduce annual premiums. In addition, the Trust has the right to assess its members an amount up to twice their annual premium, if the Trust experiences a deficit. At June 30, 2026, the Trust was not in a deficit position.

15. Commitments and Contingencies

The City receives federal, state, and county funding for specific purposes that are subject to review and audit by these agencies. Such audits could result in a request for reimbursement by the grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City's management, such disallowances, if any, would not be significant.

Revitalizing and Development Revolving Loan Fund

The City was awarded a $392,500 grant from the Maryland Department of Housing and Community Development, known as the 1990 Bay City Market Block Grant. The purpose of this grant was to loan these funds to entrepreneurs for commercial revitalization activities. Under the terms of the original grant agreement, all principal and interest payments (project income) on these loans were to be remitted to the State. During the year ended June 30, 1991, the City established a revolving loan fund in compliance with Community Development Block Grant regulations. With the implementation of this revolving loan fund, the City was relieved from their liability to repay the State provided they comply with the terms of this new agreement. Upon receipt of the project, the City will offer fixed rate, flexible term, and low interest loans for economic development projects to eligible applicants. Transactions related to these activities are recorded in the Community Development Block Grant Fund.

Litigation

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of management and legal counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind or involve such amounts as would not have a significant effect on the financial position or results of operations of the City, if disposed of unfavorably.

16. Net Position and Fund Balance Classifications

Government-Wide Statements

Net position is displayed in three components:

a. Net Investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

16. Net Position and Fund Balance Classifications (continued)

In accordance with Government Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual agreements.

Spendable Fund Balance

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. The City's original budget legislation begins with the Fiscal Office combining historical data, assessment of needs for the upcoming year and the Mayor's platform to review and/or make changes to each department's budget. In May, a Budgetary Committee will meet again with each department for final review and approval of a preliminary budget. The budget is then formally presented to City Council at the first Council Meeting in June for its review, revisions, and final approval by June 30th, at which time the budget becomes law. All subsequent budget requests made during the year, after Council's approval, must be presented on a Budget Transfer (BT) and again receive approval by Council. City Council may also amend the budget outside of the BT process.
- Assigned - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director of Finance.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City spends restricted amounts first when both restricted and unrestricted fund balance or net position is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize the Operating Reserve (unassigned fund balance in the General Fund) before considering use of its Emergency Reserve.

As noted in note 2, the City has established an emergency reserve policy and fund. The emergency reserve is contained as a separate subfund within the General Fund and is included in each annual budget. The emergency reserve will be classified as committed fund balance.

17. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 30, 2026, the date the financial statements were available to be issued, and has determined that no additional material subsequent events exist that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

City of Havre de Grace, Maryland
Schedule of Changes in The Net Pension Liability
and Related Ratios - Civilian Employees Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability										
Service cost	$ 313,509	$ 285,294	$ 250,384	$ 284,634	$ 276,999	$ 249,893	$ 266,036	$ 244,174	$ 233,456	$ 249,284
Interest	1,026,682	1,022,289	983,102	909,987	899,424	951,995	932,942	881,321	846,037	843,179
Changes of benefit terms			-	-	-	-	-	249,789	-	-
Differences between expected and actual experience	460,910	338,173	(42,315)	602,877	(215,719)	3,765	99,037	18,141	44,733	(316,185)
Changes of assumptions	(56,309)		-	-	5,931	897,804	155,368	(17,011)	(27,066)	109,958
Benefit payments, including refunds of employee contributions	(2,569,832)	(684,478)	(648,658)	(786,494)	(859,030)	(1,489,996)	(919,151)	(593,137)	(737,755)	(927,940)
Net change in total pension liability	(825,040)	961,278	542,513	1,011,004	107,605	613,461	534,232	783,277	359,405	(41,704)
Total pension liability - beginning	15,616,568	14,655,290	14,112,777	13,101,773	12,994,168	12,380,707	11,846,475	11,063,198	10,703,793	10,745,497
Total pension liability - ending (a)	$ 14,791,528	$ 15,616,568	$ 14,655,290	$ 14,112,777	$ 13,101,773	$ 12,994,168	$ 12,380,707	$ 11,846,475	$ 11,063,198	$ 10,703,793
Plan fiduciary net position										
Contributions - employer	$ 439,875	$ 385,600	$ 516,100	$ 510,325	$ 534,500	$ 650,975	$ 561,650	$ 246,650	$ 252,200	$ 216,175
Contributions - employee	191,907	176,406	174,085	176,743	171,167	177,558	180,755	180,286	175,671	157,141
Net investment income	1,877,080	1,360,868	1,793,080	1,050,961	(2,375,055)	3,186,874	587,520	768,626	913,834	1,214,158
Benefit payments, including refunds of employee contributions	(2,569,832)	(684,478)	(648,658)	(786,494)	(859,030)	(1,489,996)	(919,151)	(593,137)	(737,755)	(927,940)
Net change in plan fiduciary position	(60,970)	1,238,396	1,834,607	951,535	(2,528,418)	2,525,411	410,774	602,425	603,950	659,534
Plan fiduciary net position - beginning	15,078,642	13,840,246	12,005,639	11,054,104	13,582,522	11,057,111	10,646,337	10,043,912	9,439,962	8,780,428
Plan fiduciary net position - ending (b)	15,017,672	15,078,642	13,840,246	12,005,639	11,054,104	13,582,522	11,057,111	10,646,337	10,043,912	9,439,962
City's net pension liability - ending (a) - (b)	$ (226,144)	$ 537,926	$ 815,044	$ 2,107,138	$ 2,047,669	$ (588,354)	$ 1,323,596	$ 1,200,138	$ 1,019,286	$ 1,263,831
Plan fiduciary net position as a percentage of the total pension liability	101.53%	96.56%	94.44%	85.07%	84.37%	104.53%	89.31%	89.87%	90.79%	88.19%
Covered payroll	$ 5,179,674	$ 4,634,392	$ 4,107,928	$ 4,507,704	$ 4,309,668	$ 4,355,945	$ 4,813,732	$ 4,596,919	$ 4,636,019	$ 4,401,498
City net pension liability as a percentage of covered payroll	-4.37%	11.61%	19.84%	46.75%	47.51%	-13.51%	27.50%	26.11%	21.99%	28.71%

Notes to schedule

The City had a change in assumption related to accumulated sick leave in the July, 1, 2015 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2016 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and salary scale in the July 1, 2017 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2019 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and interest rate in the July 1, 2020 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2021 actuarial valuation as compared to previous valuations.

City of Havre de Grace, Maryland
Schedule of Employer Contributions - Last 10 Years Civilian Employees' Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined employer contributions	$ 403,032	$ 355,365	$ 350,165	$ 275,399	$ 516,817	$ 516,817	$ 703,199	$ 552,714	$ 245,954	$ 237,717
Contributions in relation to the actuarially determined employer contribution	439,875	385,600	516,100	510,325	534,500	650,975	561,650	246,650	252,200	216,175
Employer contributions deficiency (excess)	$ (36,843)	$ (30,235)	$ (165,935)	$ (234,926)	$ (17,683)	$ (134,158)	$ 141,549	$ 306,064	$ (6,246)	$ 21,542
Covered payroll	$ 5,179,674	$ 4,634,392	$ 4,107,928	$ 4,507,704	$ 4,309,668	$ 4,355,945	$ 4,813,732	$ 4,596,919	$ 4,636,019	$ 4,401,498
Employer contributions as a percentage of covered payroll	8.49%	8.32%	12.56%	11.32%	12.40%	14.94%	11.67%	5.37%	5.44%	4.91%

Notes to Schedule

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, fixed period
Amortization period	Period ending June 30, 2026 for unfunded liability due to implementing sick leave assumptions.
Asset valuation method	5 - year smoothed market value
Salary increases	3%-5.5% per annum for non-contract employees and 7.5% per annum for contract employees
Investment rate of return	7.00%
Retirement age	An age-related assumption is used for participants not yet receiving payments.
Mortality	Mortality rates are based on the following: 1) Healthy lives: PubG-2010 Mortality Tables projected with Improvement Scale MP-2021. 2) Disabled lives: PubT/G-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

City of Havre de Grace, Maryland
Schedule of Investment Returns - Civilian Employees' Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	13.44%	9.85%	14.93%	9.62%	-17.45%	30.25%	5.17%	7.83%	9.52%	14.41%

City of Havre de Grace, Maryland
Schedule of Changes in The Net Pension Liability
and Related Ratios - Sworn Officers' Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability										
Service cost	$ 270,723	$ 249,728	$ 218,995	$ 231,278	$ 210,478	$ 189,161	$ 191,777	$ 152,530	$ 155,054	$ 184,553
Interest	562,993	509,922	465,687	454,093	455,773	443,843	403,589	368,173	376,942	365,397
Changes of benefit terms	(196,330)		-	-	-	-	-	19,853	-	-
Differences between expected and actual experience	724,295	256,840	620,888	726,537	(28,979)	132,966	268,523	364,322	307,316	208,128
Changes of assumptions	1,253,850		-	(18,801)	4,125	515,344	(30,442)	(8,529)	(10,910)	8,466
Benefit payments, including refunds of employee contributions	(423,024)	(140,405)	(1,249,585)	(1,181,962)	(206,911)	(466,856)	(193,713)	(780,797)	(1,084,340)	(119,692)
Net change in total pension liability	2,192,507	876,085	55,985	211,145	434,486	814,458	639,734	115,552	(255,938)	646,852
Total pension liability - beginning	7,979,968	7,103,883	7,047,898	6,836,753	6,402,267	5,587,809	4,948,075	4,832,523	5,088,461	4,441,609
Total pension liability - ending (a)	$ 10,172,475	$ 7,979,968	$ 7,103,883	$ 7,047,898	$ 6,836,753	$ 6,402,267	$ 5,587,809	$ 4,948,075	$ 4,832,523	$ 5,088,461
Plan fiduciary net position										
Contributions - employer	$ 1,123,600	$ 892,500	$ 538,775	$ 479,000	$ 422,650	$ 346,725	$ 443,100	$ 649,100	$ 666,475	$ 816,700
Contributions - employee	185,207	163,768	143,055	153,525	137,023	137,534	147,990	136,313	140,083	140,432
Net investment income	766,757	484,360	569,933	436,903	(956,875)	1,203,445	196,308	257,774	325,788	355,875
Benefit payments, including refunds of employee contributions	(423,024)	(140,405)	(1,249,585)	(1,181,962)	(206,911)	(466,856)	(193,713)	(780,797)	(1,084,340)	(119,692)
Net change in plan fiduciary position	1,652,540	1,400,223	2,178	(112,534)	(604,113)	1,220,848	593,685	262,390	48,006	1,193,315
Plan fiduciary net position - beginning	6,120,393	4,720,170	4,717,992	4,830,526	5,434,639	4,213,791	3,620,106	3,357,716	3,309,710	2,116,395
Plan fiduciary net position - ending (b)	7,772,933	6,120,393	4,720,170	4,717,992	4,830,526	5,434,639	4,213,791	3,620,106	3,357,716	3,309,710
City's net pension liability - ending (a) - (b)	$ 2,399,542	$ 1,859,575	$ 2,383,713	$ 2,329,906	$ 2,006,227	$ 967,628	$ 1,374,018	$ 1,327,969	$ 1,474,807	$ 1,778,751
Plan fiduciary net position as a percentage of the total pension liability	76.41%	76.70%	66.44%	66.94%	70.66%	84.89%	75.41%	73.16%	69.48%	65.04%
Covered payroll	$ 2,675,401	$ 2,305,877	$ 2,085,503	$ 2,279,848	$ 2,006,421	$ 2,107,251	$ 2,118,097	$ 1,904,093	$ 2,038,102	$ 2,075,507
City net pension liability as a percentage of covered payroll	89.69%	80.65%	114.30%	102.20%	99.99%	45.92%	64.87%	69.74%	72.36%	85.70%

Notes to schedule

The City had a change in assumption related to accumulated sick leave in the July 1, 2015 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2016 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and salary scale in the July 1, 2017 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in benefit terms related to compensated absences in the July 1, 2018 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2019 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality and interest rate in the July 1, 2020 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed mortality in the July 1, 2021 actuarial valuation as compared to previous valuations.

The City had a change in assumptions related to assumed salary increases in the July 1, 2022 actuarial valuation as compared to previous valuations.

City of Havre de Grace, Maryland
Schedule of Employer Contributions - Last 10 Years Sworn Officers' Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined employer contributions	$ 949,929	$ 803,052	$ 609,938	$ 431,665	$ 449,777	$ 449,777	$ 368,489	$ 401,604	$ 684,522	$ 685,068
Contributions in relation to the actuarially determined employer contribution	1,123,600	892,500	538,775	479,000	422,650	346,725	443,100	649,100	666,475	816,700
Employer contributions deficiency (excess)	$ (173,671)	$ (89,448)	$ 71,163	$ (47,335)	$ 27,127	$ 103,052	$ (74,611)	$ (247,496)	$ 18,047	$ (131,632)
Covered payroll	$ 2,675,401	$ 2,305,877	$ 2,085,503	$ 2,279,848	$ 2,006,421	$ 2,107,251	$ 2,118,097	$ 1,904,093	$ 2,038,102	$ 2,075,507
Employer contributions as a percentage of covered payroll	42.00%	38.71%	25.83%	21.01%	21.06%	16.45%	20.92%	34.09%	32.70%	39.35%

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, fixed period
Amortization period	Period ending June 30, 2026 for unfunded liability due to implementing sick leave assumption.
Asset valuation method	5 - year smoothed market value
Salary increases	12.5% per annum until June 30, 2028 then 4.0% per annum thereafter
Investment rate of return	7.00%
Retirement age	An age-related assumption is used for participants not yet receiving payments.
Mortality	Mortality rates are based on the following: 1) Healthy lives: PubS-2010 (Below Median) Mortality Tables projected with Improvement Scale MP-2021. 2) Disabled lives: PubS-2010 Disabled Mortality Table projected with Improvement Scale MP-2021.

City of Havre de Grace, Maryland
Schedule of Investment Returns - Sworn Officers' Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	12.02%	8.98%	14.28%	8.87%	-16.70%	28.42%	4.82%	7.68%	8.90%	13.91%

City of Havre de Grace, Maryland
Schedule of Changes in the Total OPEB Liability and Related Ratios - Last 10 Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability									
Service cost	$ 306,836	$ 265,927	$ 256,966	$ 334,985	$ 285,735	$ 240,111	$ 230,118	$ 250,061	$ 264,863
Interest	342,012	299,743	284,240	169,549	187,733	167,269	172,585	172,188	150,974
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(5,376)	-	(248,000)	-	663,578	-	(2,291)	-
Changes of assumptions	(849,239)	482,774	(33,060)	(792,544)	432,805	170,368	7,977	93,281	(276,770)
Benefit payments	(207,236)	(228,316)	(190,179)	(238,079)	(232,997)	(216,326)	(217,179)	(189,059)	(199,175)
Net change in total OPEB liability	(407,627)	814,752	317,967	(774,089)	673,276	1,025,000	193,501	324,180	(60,108)
Total OPEB liability - beginning	7,919,526	7,104,774	6,786,807	7,560,896	6,887,620	5,862,620	5,669,119	5,344,939	5,405,047
Total pension OPEB - ending	$ 7,511,899	$ 7,919,526	$ 7,104,774	$ 6,786,807	$ 7,560,896	$ 6,887,620	$ 5,862,620	$ 5,669,119	$ 5,344,939
Covered payroll	$ 6,940,269	$ 6,193,431	$ 6,787,552	$ 6,316,089	$ 6,463,196	$ 6,931,829	$ 6,501,012	$ 6,674,121	$ 6,477,005
City total OPEB liability as a percentage of covered payroll	108.24%	127.87%	104.67%	107.45%	116.98%	99.36%	90.18%	84.94%	82.52%

Notes to schedule

The City adopted GASB 75 on a prospective basis in 2018; therefore only seven years are presented in the above schedule.

The City has not accumulated assets in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits.

The City had a change in assumptions related to the discount rate from the measurement date of June 30, 2016 to the measurement date of June 30, 2017.

The City had a change in assumptions related to the discount rate and assumed mortality from the measurement date of June 30, 2017 to June 30, 2018.

The City had a change in assumptions related to the discount rate, tax provisions of the plan, and assumed mortality from the measurement date of June 30, 2018 to June 30, 2019.

The City had a change in assumptions related to the discount rate, per capita cost assumptions, and assumed mortality from the measurement date of June 30, 2020 to June 30, 2021.

The City had a change in assumptions related to the discount rate, and healthcare cost trend rates from the measurement date of June 30, 2021 to June 30, 2022.

The City had a change in assumptions related to the discount rate from the measurement date of June 30, 2022 to June 30, 2023.

Note A - Actual Budget Results

	General Fund Over/(Under)
Budgetary Revenues	
Differences - Final Budget to Actual:	
The City experienced an increase in revenues for taxes from budgeted amounts primarily due to greater than anticipated income tax collections.	$ 1,671,448
Budgetary Expenditures	
Differences - Original Budget to Final Budget	
The original budget was amended for public works to include several large capital projects including downtown infrastructure rehabilitation and living shoreline projects.	1,310,400

City of Havre de Grace, Maryland
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2026

	General Fund				
	Budgeted Amounts		Variance with Original Budget Over/(Under)	Actual	Variance with Final Budget Over/(Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues					
Taxes	$ 14,106,100	$ 14,106,100	$ -	$ 15,777,548	$ 1,671,448
Licenses and permits	385,400	385,400	-	370,970	(14,430)
Intergovernmental	1,543,900	1,943,900	400,000	1,885,495	(58,405)
Fines and forfeitures	10,100	10,100	-	10,965	865
Charges for services	250,200	250,200	-	283,313	33,113
Grants	1,892,200	2,204,700	312,500	2,087,831	(116,869)
Miscellaneous	1,821,100	1,841,100	20,000	2,172,950	331,850
Total revenues	20,009,000	20,741,500	732,500	22,589,072	1,847,572
Expenditures					
Current:					
General government:					
Legislative	89,300	89,300	-	99,135	9,835
Executive	64,800	64,800	-	69,788	4,988
Finance	724,800	724,800	-	671,986	(52,814)
Elections	5,900	5,900	-	6,036	136
Legal	225,000	225,000	-	175,036	(49,964)
Planning and zoning	1,039,600	1,039,600	-	953,363	(86,237)
General services	2,654,600	2,972,100	317,500	2,469,689	(502,411)
Information technology	618,300	618,300	-	560,168	(58,132)
Public safety:					
Police	7,145,000	7,185,800	40,800	7,952,408	766,608
Legal	-	-	-	-	-
Ambulance	100,000	100,000	-	100,000	-
Fire	710,500	710,500	-	710,500	-
Public works:					
Public works	4,567,500	5,877,900	1,310,400	5,048,268	(829,632)
Shop operations	354,400	354,400	-	399,811	45,411
Sanitation	1,400,000	1,400,000	-	978,562	(421,438)
Parks, recreation, and culture:					
Civic and cultural contributions	424,700	424,700	-	405,460	(19,240)
Commissions	2,500	2,500	-	2,500	-
Special Events	2,140,300	2,140,300	-	2,045,972	(94,328)
Economic development and opportunity					
Economic development	384,000	409,000	25,000	295,118	(113,882)
Tourism	269,700	289,700	20,000	279,802	(9,898)
Miscellaneous					
Insurance	202,200	202,200	-	217,702	15,502
Other	-	-		-	-
Debt Service					
Principal reduction	327,600	327,600	-	809,978	482,378
Interest charges	59,700	59,700	-	92,284	32,584
Sub-total expenditures	23,510,400	25,224,100	1,713,700	24,343,566	(880,534)
Distributed expenses and administrative fees charged to other funds	(1,830,700)	(1,830,700)	-	(1,830,696)	4
Total expenditures	21,679,700	23,393,400	1,713,700	22,512,870	(880,530)
Excess of Revenues Over (Under) Expenditures	(1,670,700)	(2,651,900)	(981,200)	76,202	2,728,102
Other Financing Sources (Uses)					
Proceeds from capital lease	-	-	-	578,857	578,857
Transfers in (out)	(171,400)	648,900	820,300	896,012	247,112
Total Other Financing Sources (Uses)	(171,400)	648,900	820,300	1,474,869	825,969
Net Change in Fund Balance	$ (1,842,100)	$ (2,003,000)	$ (160,900)	$ 1,551,071	$ 3,554,071

OTHER SUPPLEMENTARY INFORMATION

City of Havre de Grace, Maryland
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Community Development Block Grant Fund	Promenade Repair Fund	Critical Area Fund	Slip User Fund	Local Law Enforcement Restricted Fund	Forest Conservation Fund	Community Center Fund	Opioid Fund	Total Nonmajor Governmental Funds
Assets:									
Cash and cash equivalents	$ 63,386	$ 88,943	$ 292,005	$ 306,541	$ 131,001	$ 734	$ -	$ 68,622	$ 951,232
Receivables	1,500	-	-	-	-	-	-	-	1,500
Notes receivable, net of allowance for uncollectibles	27,078	-	-	-	-	-	-	-	27,078
Due from other funds	-	-	-	-	-	-	-	-	-
Total Assets	91,964	88,943	292,005	306,541	131,001	734	-	68,622	979,810
Liabilities:									
Accounts Payable	-	-	-	-	-	-	2,393	-	2,393
Other Liabilities	-	-	-	-	-	-	45,830	-	45,830
Due to other funds	-	-	-	-	-	-	13,342	-	13,342
Total Liabilities	-	-	-	-	-	-	61,565	-	61,565
Fund balances:									
Nonspendable									
Long-term portion of RAD loans	27,078	-	-	-	-	-	-		27,078
Restricted:									
Community Development Block Grant	64,886	-	-	-	-	-	-		64,886
Promenade Repair	-	88,943	-	-	-	-	-		88,943
Critical Area	-	-	292,005	-	-	-	-		292,005
Slip Users	-	-	-	306,541	-	-	-		306,541
Local Law Enforcement Block Grant	-	-	-	-	131,001	-	-		131,001
Forest Conservation	-	-	-	-	-	734	-		734
Opioid								68,622	68,622
Unassigned:									
Community Center	-	-	-	-	-	-	(61,565)	-	(61,565)
Total fund balances	91,964	88,943	292,005	306,541	131,001	734	(61,565)	68,622	918,245
Total liabilities and fund balances	$ 91,964	$ 88,943	$ 292,005	$ 306,541	$ 131,001	$ 734	$ -	$ 68,622	$ 979,810

City of Havre de Grace, Maryland
Combining Schedule of Revenues, and Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2026

	Community Development Block Grant Fund	Promenade Repair Fund	Critical Area Fund	Slip User Fund	Local Law Enforcement Restricted Fund	Forest Conservation Fund	Community Center Fund	Opioid Fund	Total Nonmajor Governmental Funds
Revenues:									
Licenses and permits	$ -	$ 16,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,600
Intergovernmental	-	-	-	-	-	-	-	9,566	9,566
Fees	-	-	-	54,431	-	-	61,963	-	116,394
Interest	1,911	-	-	-	-	-	-	-	1,911
Miscellaneous	-	-	-	-	17,788	-	-	-	17,788
Total Revenues	1,911	16,600	-	54,431	17,788	-	61,963	9,566	162,259
Expenditures:									
Parks, recreation, and culture	-	-	-	-	-	-	80,479	-	80,479
Total Expenditures	-	-	-	-	-	-	80,479	-	80,479
Revenues over (under expenditures)	1,911	16,600	-	54,431	17,788	-	(18,516)	9,566	81,780
Other Financing Sources/(Uses)									
Transfers In/(Out)	-	-	50,023	-	(39,638)	-	-	-	10,385
Total Other Financing Uses	-	-	50,023	-	(39,638)	-	-	-	10,385
Unusual or Infrequent Item:									
Return of funds to State of Maryland	(4,500)	-	-	-	-	-	-	-	(4,500)
Net Changes In Fund Balances	(2,589)	16,600	50,023	54,431	(21,850)	-	(18,516)	9,566	87,665
Fund Balances:									
Beginning of Year	94,553	72,343	241,982	252,110	152,851	734	(43,049)	59,056	830,580
End of Year	$ 91,964	$ 88,943	$ 292,005	$ 306,541	$ 131,001	$ 734	$ (61,565)	$ 68,622	$ 918,245

City of Havre de Grace, Maryland
Combining Statement of Fiduciary Net Position - Pension Trust Funds
June 30, 2026

	Civilian Employees	Sworn Officers Employees	Total
Assets:			
Cash and cash equivalents	$ 75,159	$ 287,891	$ 363,050
Investments, at fair value:			
Mutual funds - equity	10,277,847	5,025,320	15,303,167
Mutual funds - fixed income	4,484,008	2,442,268	6,926,276
Other receivables	180,658	17,454	198,112
Total Assets	15,017,672	7,772,933	22,790,605
Net Position			
Net position restricted for pensions	$ 15,017,672	$ 7,772,933	$ 22,790,605

City of Havre de Grace, Maryland
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
For the year ended June 30, 2026

	Civilian Employees	Sworn Officers Employees	Total
Additions:			
Contributions:			
Employer	$ 439,875	$ 1,123,600	$ 1,563,475
Employee	191,907	185,207	377,114
Net investment income	1,877,080	766,757	2,643,837
Total Additions	2,508,862	2,075,564	4,584,426
Deductions			
Benefit payments	2,569,832	423,024	2,992,856
Total Deductions	2,569,832	423,024	2,992,856
Change in net position	(60,970)	1,652,540	1,591,570
Net position at beginning of year	15,078,642	6,120,393	21,199,035
Net position at end of year	$ 15,017,672	$ 7,772,933	$ 22,790,605

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Havre de Grace, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business- type activities, each major fund, and the aggregate remaining fund information of the City of Havre de Grace, Maryland (the "City"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Zelenkofske Axelrod LLC
CERTIFIED PUBLIC ACCOUNTANTS
EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Purpose of this Report

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

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania

October 30, 2026