

TOWN OF NORTH EAST, MARYLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**TOWN OF NORTH EAST, MARYLAND
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	16
STATEMENT OF ACTIVITIES	17

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	20
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	21
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	22
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	23
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	24

NOTES TO FINANCIAL STATEMENTS	25
--------------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL	49
--	-----------

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS	52
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS	53

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Mayor and Town Commissioners
Town of North East, Maryland
North East, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North East, Maryland (the Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, 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, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule of the general fund 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor government fund financial 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 28, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 28, 2025

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

INTRODUCTION

As management of the Town of North East, Maryland (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of fiscal year 2025 by \$56.3 million (*net position*).
- The Town's total net position increased by \$5.5 million. This includes \$3.3 million increase in net position for fiscal year 2025 activities and \$2.2 million in donated infrastructure assets from developers.
- As of the close of fiscal year 2025, the Town's governmental funds reported combined ending fund balances of \$10.0 million; an increase of approx. \$1.0 million in comparison with the prior year. Approximately 65% of the governmental funds combined ending fund balance is available for spending at the Town's discretion (*unassigned fund balance*).
- At the end of fiscal year 2025, the unrestricted fund balance (*committed, assigned and unassigned component of fund balance*) for the general fund was \$7.7 million or approximately 148% of the total general fund expenditures.
- The Town's government-wide long-term liabilities decreased by \$0.6 million during fiscal year 2025 due to principal payments on outstanding bonds and notes of \$740,973, debt proceeds totaling \$105,541 and a net increase in compensated absences of \$60 (due to several large payouts during the year), as detailed on pages 44-45.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Government-wide Financial Statements (Continued)

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation time).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, health, and culture and recreation. The business-type activities of the Town are water services and stormwater management.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all funds. The general, special revenue-loans, and capital projects funds are all considered to be major funds. There are two non-major special revenue funds for developer inspection fees and the Cecil County Christmas Parade. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Governmental Funds (Continued)

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds

The Town maintains two enterprise funds which are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses the enterprise funds to account for its water services and stormwater management operations.

Proprietary funds provide the same information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* and other supplementary information. The general fund schedule of revenues, expenditures, and changes in fund balance – budget to actual, schedule of changes in total other post-employment benefit liabilities and related ratios, and combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for non-major governmental funds

Required supplementary information and other supplementary information can be found on pages 49-53 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$56.3 million, at the close of fiscal year 2025.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Town of North East, Maryland's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 11,996,965	\$ 11,166,730	\$ 11,081,522	\$ 11,926,071	\$ 23,078,487	\$ 23,092,801
Capital Assets, Net	15,260,314	14,024,587	29,460,447	27,704,328	44,720,761	41,728,915
Total Assets	<u>27,257,279</u>	<u>25,191,317</u>	<u>40,541,969</u>	<u>39,630,399</u>	<u>67,799,248</u>	<u>64,821,716</u>
Long-Term Liabilities Outstanding	1,173,064	1,283,732	7,823,967	8,348,671	8,997,031	9,632,403
Other Liabilities	<u>368,422</u>	<u>357,128</u>	<u>1,019,482</u>	<u>2,800,973</u>	<u>1,387,904</u>	<u>3,158,101</u>
Total Liabilities	<u>1,541,486</u>	<u>1,640,860</u>	<u>8,843,449</u>	<u>11,149,644</u>	<u>10,384,935</u>	<u>12,790,504</u>
Total Deferred Inflows of Resources	1,115,841	1,188,297	-	-	1,115,841	1,188,297
Net Position						
Net Investment in Capital Assets	14,185,575	12,846,920	21,708,314	19,418,691	35,893,889	32,265,611
Restricted	1,439,982	1,573,316	2,640,789	2,323,900	4,080,771	3,897,216
Unrestricted	<u>8,974,395</u>	<u>7,941,924</u>	<u>7,349,417</u>	<u>6,738,164</u>	<u>16,323,812</u>	<u>14,680,088</u>
Total Net Position	<u>\$ 24,599,952</u>	<u>\$ 22,362,160</u>	<u>\$ 31,698,520</u>	<u>\$ 28,480,755</u>	<u>\$ 56,298,472</u>	<u>\$ 50,842,915</u>

By far, the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery and equipment), less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$4.1 million or 7.2% represents resources that are subject to external restrictions on how they may be used. The majority of restricted net position include funds for conservation of natural resources, and capital improvements.

Unrestricted net position is that portion of the Town's net position that is available to fund expenditures should the Town decide to utilize those funds.

The town's overall net position increased by \$5.5 million. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities

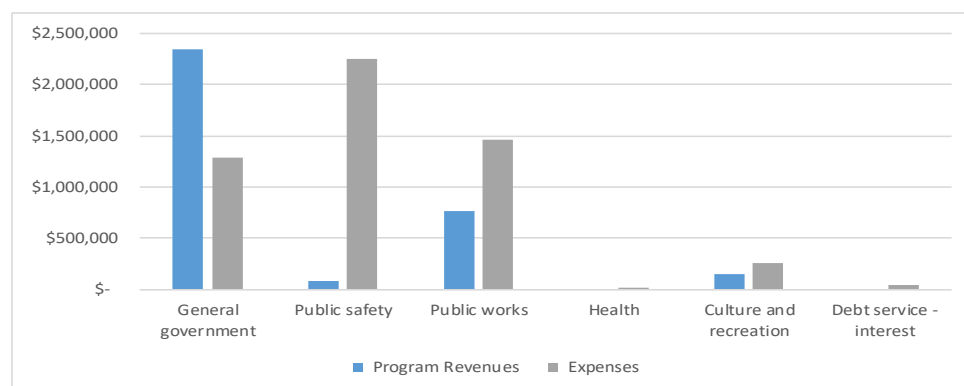
During fiscal year 2025, the net position for governmental activities increased by \$2.2 million from the prior fiscal year. The Town received \$1.1 million in donated capital assets from developers (capital grants & contributions) which resulted in an ending net position of \$24.6 million.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Town of North East, Maryland Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for Services	\$ 807,738	\$ 899,412	\$ 3,963,539	\$ 3,782,913	\$ 4,771,277	\$ 4,682,325
Operating Grants and Contributions	1,419,604	1,037,010	1,592,794	692,393	3,012,398	1,729,403
Capital Grants and Contributions	1,119,932	1,325,443	1,402,175	1,664,535	2,522,107	2,989,978
General Revenues						
Property Taxes	2,715,985	2,496,276	-	-	2,715,985	2,496,276
Income and Other Taxes	550,128	718,515	-	-	550,128	718,515
Other Revenues	930,149	1,011,295	315,894	479,679	1,246,043	1,490,974
Total Revenues	7,543,536	7,487,951	7,274,402	6,619,520	14,817,938	14,107,471
Expenses						
General Government	1,283,402	1,142,057	-	-	1,283,402	1,142,057
Public Safety	2,256,418	1,861,436	-	-	2,256,418	1,861,436
Public Works	1,462,932	1,549,793	-	-	1,462,932	1,549,793
Health	1,120	560	-	-	1,120	560
Culture and Recreation	257,994	195,707	-	-	257,994	195,707
Debt Service - Interest	43,878	41,466	-	-	43,878	41,466
Water Services	-	-	3,800,259	3,617,441	3,800,259	3,617,441
Stormwater Management	-	-	256,378	425,342	256,378	425,342
Total Expenses	5,305,744	4,791,019	4,056,637	4,042,783	9,362,381	8,833,802
Change in Net Position	2,237,792	2,696,932	3,217,765	2,576,737	5,455,557	5,273,669
Net Position - Beginning	22,362,160	19,665,228	28,480,755	25,904,018	50,842,915	45,569,246
Net Position - Ending	<u>\$ 24,599,952</u>	<u>\$ 22,362,160</u>	<u>\$ 31,698,520</u>	<u>\$ 28,480,755</u>	<u>\$ 56,298,472</u>	<u>\$ 50,842,915</u>

Expenses and Program Revenues – Governmental Activities



**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Business-type Activities

For the Town's business-type activities, the results for fiscal year 2025 were positive in that overall net position increased, to reach an ending balance of \$31.7 million. The total increase in net position for business-type activities (water services and stormwater management) was \$3.2 million which includes a \$2.2 million increase from operations and a \$1.0 million donation of capital assets from developers. The \$2.2 million increase from operations is mainly the result of a delay in completing system improvement projects under contract which were to be funded by charges to customers and grants.

Financial Analysis of the Governmental Funds

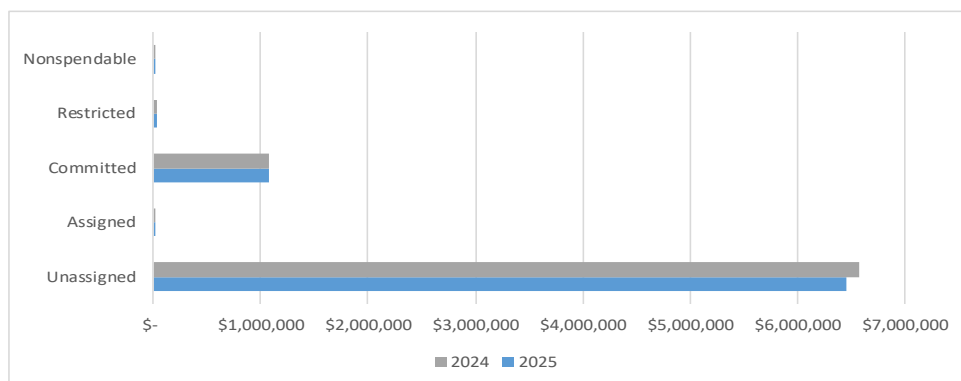
As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external or internal party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for a particular purpose by the Board.

As of the end of fiscal year 2025, the Town's *governmental funds* reported combined fund balances of \$10.0 million, an increase of approx. \$1.0 million in comparison with the prior year, as a result of an increase from operations. The increase from operations is due to the delay in completing projects under contract, vacant positions, and conservative operational spending. Approximately 65% of the fund balance (\$6.5 million) constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of the fund balance is either, *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for a particular purposes (\$1.3 million), 2) committed for particular purposes (\$1.1 million) or 3) assigned for particular purposes (\$1.2 million).

General Fund – Components of Fund Balance



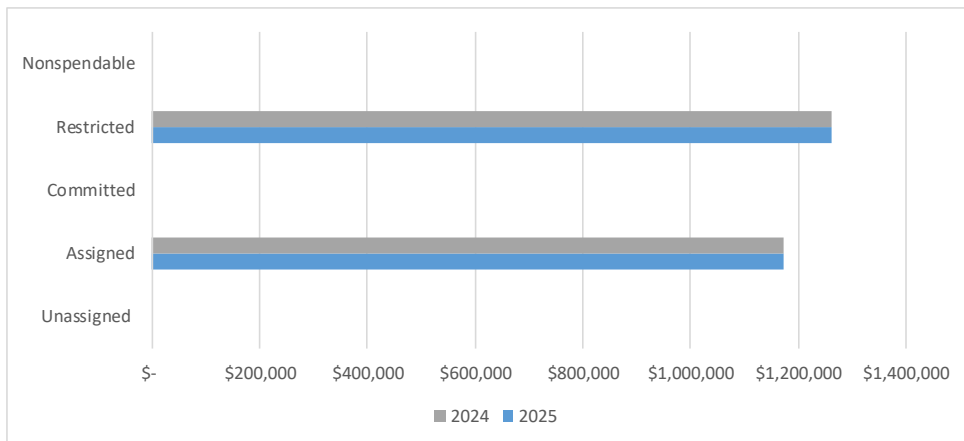
The general fund is the chief operating fund of the Town. At the end of fiscal year 2025, unassigned fund balance of the general fund was \$6.5 million, while total fund balance was \$7.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total general

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

fund expenditures. Unassigned fund balance represents approximately 127% of total expenditures, while total fund balance represents approximately 149% of that same amount.

The fund balance of the Town's general fund increased by \$911,000. The increase is due to completing projects under contract, vacant positions, and conservative operational spending.

Other Governmental Funds – Components of Fund Balance



The Town's other governmental funds, the capital projects fund, and special revenue funds had various changes in their fund balances for 2025. The capital projects fund had a fund balance of \$172,160 which decreased by \$41,651 from the prior year. The parade special revenue fund had a fund balance of \$4,651 which increased from the prior year due to fundraising exceeding expenses for the annual Cecil County Christmas Parade. The developer inspection fund had a fund balance of \$258,091, a decrease of \$12,212 due to the completion of projects started in prior years.

Proprietary Funds

The Town's proprietary fund statements provide the same type of information in the government-wide financial statements, but in more detail.

The net position of the Town's water services fund at the end of the fiscal year was \$28.5 million, while the net position of the stormwater management fund was \$3.1 million. The total increase in net position of \$3.2 million was discussed on page 9.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

General Fund Budgetary Highlights

Original budget compared to final budget

The original general fund expenditure budget of \$5,854,586 was amended during 2025 by \$134,460.

Final budget compared to actual results

Actual expenditures for the year were \$698,717 less than estimated. The most significant differences occurred in the following areas:

- \$218,516 in Public Safety due to vacant positions and conservative spending.
- \$182,143 in Public Works due to conservative spending.
- \$113,542 in General Services due to delayed completion of projects under contract and conservative spending.
- \$40,915 in Parks & Recreation due to delayed completion of projects under contract and conservative spending.
- 38,268 in Mayor and Commissioners due to delayed tourism project and conservative spending.
- \$28,949 in Administration due to conservative spending.

Capital Assets and Debt Administration

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$44.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery, equipment, vehicles, park facilities, and infrastructure. The total increase in capital assets for the current fiscal year was 7.2%.

Town of North East, Maryland, Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,746,717	\$ 3,736,017	\$ 960,450	\$ 960,450	\$ 4,707,167	\$ 4,696,467
Construction in Progress	5,000	5,000	-	-	5,000	5,000
Buildings	1,469,893	851,278	110,241	66,044	1,580,134	917,322
Equipment	1,141,003	1,083,091	2,209,517	987,908	3,350,520	2,070,999
Infrastructure	8,897,701	8,349,201	26,180,240	25,689,925	35,077,941	34,039,126
Total	<u>\$ 15,260,314</u>	<u>\$ 14,024,587</u>	<u>\$ 29,460,447</u>	<u>\$ 27,704,327</u>	<u>\$ 44,720,761</u>	<u>\$ 41,728,914</u>

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

- \$1,702,328 Ridgely Forest Section 5A Phase 2, 800 Red Toad Road, Chesapeake Club Range Road 5 Lots, and Ridgely Forest Clubhouse – Roadway, Storm Drain, Water Infrastructure, and Sidewalk Donation Accepted.
- \$525,064 Rolling Mill & Leslie Water Plants Powder Activated Carbon Project.
- \$457,938 Water Department SCADA Project.
- \$424,327 Westover Water Main Upgrade & Northwoods PRV Pit Removal.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Town of North East, Maryland, Capital Assets (net of depreciation) (Continued)

- \$364,190 Water Department Equipment.
- \$296,025 Public Safety Administrative Building Remodel.
- \$195,862 Town Hall Roof.
- \$107,393 North East Park Volleyball Court, Pavilion Replacement, Playground & Fitness.
- \$98,800 Parking Lot Repaving.
- \$90,944 Public Safety Equipment.
- \$66,990 Public Safety Vehicles.
- \$63,917 Lock Up Restoration Phase I.
- \$62,633 Town Hall Renovation & Jackson House Repairs
- \$57,030 Water Department Building Upgrades.
- \$48,414 Water Department Vehicle.
- \$34,506 Public Works Equipment.

Additional information on the Town's capital assets can be found on pages 40-41 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$8.8 million.

Town of North East, Maryland's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes from Direct Borrowings and Direct Placements	\$ 17,712	\$ 22,140	\$ -	\$ -	\$ 17,712	\$ 22,140
General Obligation Bonds	1,057,027	1,155,527	7,752,133	8,284,637	8,809,160	9,440,164
Total	<u>\$ 1,074,739</u>	<u>\$ 1,177,667</u>	<u>\$ 7,752,133</u>	<u>\$ 8,284,637</u>	<u>\$ 8,826,872</u>	<u>\$ 9,462,304</u>

During the current fiscal year, the Town's total debt decreased by \$635,432. The Town's significant debt activities included:

- \$102,928 of governmental activities debt was retired.
- \$105,541 in Maryland Water Quality bonds were issued.
- \$638,045 of enterprise fund debt was retired.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Town of North East, Maryland's Outstanding Debt (Continued)

The Town's debt policy limits total general obligation debt to under 10% of its total taxable assessable base. In 2025 the limit was \$57.8 million. The Town issued new debt totaling \$105,541 in fiscal year 2025.

Additional information on the Town's long-term debt can be found on pages 44-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the Town and were considered in developing the 2026 fiscal year budget.

- The fiscal year 2026 property tax rate remains \$0.48 per \$100 of assessed property value.
- The fiscal year 2026 trash and recycling annual per unit fee increases from \$321.73 to \$334.60.
- The fiscal year 2026 water rates increase as follows:
 - In Town increase from \$55.60 to \$57.30 for 5,000 gallon. Increase from \$11.12 to \$11.46 per 1,000 gal over the minimum.
 - Out of Town increase from \$111.20 to \$114.60 for 5,000 gallon. Increase from \$22.24 to \$22.92 per 1,000 gallon over the minimum.
 - Ready to serve rate is one-half of water service rate.
 - Bulk rate increase from \$55.60 to \$57.30 per 1,000 gallon.
 - Artesian Interconnection rate is not increasing.
 - Connection fee for meters up to one inch remains \$2,825.
 - Major Facilities fee per unit remains \$4,100.
- The fiscal year 2025 storm water management fee increase from \$5.60 to \$5.90.
- The U.S. Bureau of Labor Statistics Consumer Price Index for the 12 month period ended February 2025 for the region 3.9%.

**TOWN OF NORTH EAST, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Town of North East

Attn; Director of Finance
106 South Main Street
North East, Maryland 21901

BASIC FINANCIAL STATEMENTS

Government-wide financial statements combine all of the Town of North East's governmental and business-type activities.

Fund financial statements show the financial position and operating results by fund.

TOWN OF NORTH EAST, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,573,245	\$ 4,942,048	\$ 10,515,293
Equity in Pooled Cash	3,598,596	1,840,714	5,439,310
Restricted Cash	33,714	2,640,789	2,674,503
Property Taxes Receivable	1,300	-	1,300
Intergovernmental Receivable	552,980	-	552,980
Loans Receivable	817,321	-	817,321
Leases Receivable	1,288,901	-	1,288,901
Other Receivables	112,876	1,450,858	1,563,734
Inventories	-	193,052	193,052
Prepays	18,032	14,061	32,093
Capital Assets Not Being Depreciated:			
Land	3,746,717	960,450	4,707,167
Construction in Progress	5,000	-	5,000
Capital Assets Net of Accumulated Depreciation			
Buildings	1,469,893	110,241	1,580,134
Equipment	1,141,003	2,209,517	3,350,520
Infrastructure	8,897,701	26,180,240	35,077,941
Total Assets	<u>27,257,279</u>	<u>40,541,969</u>	<u>67,799,248</u>
LIABILITIES			
Accounts Payable	183,253	583,032	766,285
Accrued Liabilities	185,169	58,913	244,082
Unearned Revenues	-	377,537	377,537
Noncurrent Liabilities			
Due Within One Year	114,261	601,796	716,057
Due in More Than One Year	1,058,803	7,222,171	8,280,974
Total Liabilities	<u>1,541,486</u>	<u>8,843,449</u>	<u>10,384,935</u>
DEFERRED INFLOWS OF RESOURCES			
Lease Related	1,115,841	-	1,115,841
	<u>1,115,841</u>	<u>-</u>	<u>1,115,841</u>
NET POSITION			
Net Investment in Capital Assets	14,185,575	21,708,314	35,893,889
Restricted for:			
Off Site Mitigation	36,146	-	36,146
Capital Projects	-	2,640,789	2,640,789
Special Events	4,651	-	4,651
Inspections	258,091	-	258,091
Opioid Abatement Activities	141,094	-	141,094
Housing & Community Development	1,000,000	-	1,000,000
Unrestricted	8,974,395	7,349,417	16,323,812
Total Net Position	<u>\$ 24,599,952</u>	<u>\$ 31,698,520</u>	<u>\$ 56,298,472</u>

See accompanying Notes to Financial Statements.

**TOWN OF NORTH EAST, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Functions/Programs							
Governmental Activities							
General Government	\$ 1,283,402	\$ 263,388	\$ 958,546	\$ 1,119,932	\$ 1,058,464	\$ -	\$ 1,058,464
Public Safety	2,256,418	1,142	87,275	-	(2,168,001)	-	(2,168,001)
Public Works	1,462,932	540,158	225,389	-	(697,385)	-	(697,385)
Health	1,120	-	-	-	(1,120)	-	(1,120)
Culture and Recreation	257,994	3,050	148,394	-	(106,550)	-	(106,550)
Debt Service - Interest	43,878	-	-	-	(43,878)	-	(43,878)
Total Governmental Activities	5,305,744	807,738	1,419,604	1,119,932	(1,958,470)	-	(1,958,470)
Business-Type Activities							
Water Services	3,800,259	3,776,535	1,492,167	1,023,875	-	2,492,318	2,492,318
Stormwater Management	256,378	187,004	100,627	378,300	-	409,553	409,553
Total Business-Type Activities	4,056,637	3,963,539	1,592,794	1,402,175	-	2,901,871	2,901,871
Total Primary Government	<u>\$ 9,362,381</u>	<u>\$ 4,771,277</u>	<u>\$ 3,012,398</u>	<u>\$ 2,522,107</u>	<u>\$ (1,958,470)</u>	<u>\$ 2,901,871</u>	<u>\$ 943,401</u>
General Revenues							
Property Taxes					\$ 2,715,985	\$ -	\$ 2,715,985
Income and Other Taxes					550,128	-	550,128
Grants and Contributions Not Restricted to Specific Programs					332,731	-	332,731
Investment Income					346,288	248,022	594,310
Miscellaneous					251,130	67,872	319,002
Total General Revenues					<u>4,196,262</u>	<u>315,894</u>	<u>4,512,156</u>
Change in Net Position					2,237,792	3,217,765	5,455,557
Net Position - Beginning					22,362,160	28,480,755	50,842,915
Net Position - Ending					<u>\$ 24,599,952</u>	<u>\$ 31,698,520</u>	<u>\$ 56,298,472</u>

See accompanying Notes to Financial Statements.

**TOWN OF NORTH EAST, MARYLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General	Special Revenue	Capital Projects	NonMajor Special Revenue	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,400,258	\$ 1,172,987	\$ -	\$ -	\$ 5,573,245
Equity in Pooled Cash	3,085,741	10,870	173,113	328,872	3,598,596
Restricted Cash	33,714	-	-	-	33,714
Property Taxes Receivable	1,300	-	-	-	1,300
Intergovernmental Receivable	552,980	-	-	-	552,980
Leases Receivable	1,288,901	-	-	-	1,288,901
Other Receivables	112,876	-	-	-	112,876
Prepaid Items	18,032	-	-	-	18,032
Loan Receivable	-	817,322	-	-	817,322
Total Assets	<u>\$ 9,493,802</u>	<u>\$ 2,001,179</u>	<u>\$ 173,113</u>	<u>\$ 328,872</u>	<u>\$ 11,996,966</u>
LIABILITIES					
Accounts Payable	\$ 116,171	\$ -	\$ 953	\$ 66,130	\$ 183,254
Accrued Liabilities	178,353	-	-	-	178,353
Total Liabilities	<u>294,524</u>	<u>-</u>	<u>953</u>	<u>66,130</u>	<u>361,607</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	492,195	-	-	-	492,195
Lease Related	1,115,841	-	-	-	1,115,841
Total Deferred Inflows of Resources	<u>1,608,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,608,036</u>
FUND BALANCES					
Nonspendable					
Prepaid Items	18,032	-	-	-	18,032
Restricted					
Resource Conservation	36,146	-	-	-	36,146
Special Events	-	-	-	4,651	4,651
Inspections	-	-	-	258,091	258,091
Housing and Community Development	-	1,000,000	-	-	1,000,000
Committed					
General Government	18,207	-	-	-	18,207
General Obligation Debt	1,057,000	-	-	-	1,057,000
Assigned					
Capital Improvements	7,568	-	172,160	-	179,728
Housing and Community Development	-	1,001,179	-	-	1,001,179
Unassigned	6,454,289	-	-	-	6,454,289
Total Fund Balances	<u>7,591,242</u>	<u>2,001,179</u>	<u>172,160</u>	<u>262,742</u>	<u>10,027,323</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,493,802</u>	<u>\$ 2,001,179</u>	<u>\$ 173,113</u>	<u>\$ 328,872</u>	<u>\$ 11,996,966</u>

See accompanying Notes to Financial Statements.

TOWN OF NORTH EAST, MARYLAND
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Amounts reported for governmental activities in the statement of net position (page 16) are different because:

Total Fund Balance - Governmental Funds (Page 18)		\$ 10,027,323
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds		
Nondepreciable Capital Assets		
Land	\$ 3,746,717	
Construction in Progress	5,000	
Depreciable Capital Assets		
Buildings	2,193,778	
Equipment	2,526,776	
Infrastructure	12,221,142	
Total Capital Assets	<u>20,693,413</u>	
Less: Accumulated Depreciation	<u>(5,433,099)</u>	15,260,314
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and, Therefore, are not Reported in the Funds		
General Obligation Bonds and Notes Payable	(1,074,739)	
Accrued Interest	(6,816)	
Compensated Absences	<u>(98,325)</u>	(1,179,880)
Other Long-Term Assets are not Available to Pay for Current Period Expenditures and, Therefore, are Reported as Unavailable Revenue in the Funds		
Taxes	331,299	
Opioid Settlements	<u>160,896</u>	<u>492,195</u>
Net Position of Governmental Activities (Page 16)		<u>\$ 24,599,952</u>

See accompanying Notes to Financial Statements.

TOWN OF NORTH EAST, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General	Special Revenue	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,301,299	\$ -	\$ -	\$ -	\$ 3,301,299
Licenses and Permits	73,699	-	-	-	73,699
Intergovernmental	1,746,015	-	-	-	1,746,015
Charges for Services	543,308	-	-	174,143	717,451
Fines and Forfeitures	352	-	-	-	352
Miscellaneous	535,729	66,757	-	16,933	619,419
Total Revenues	6,200,402	66,757	-	191,076	6,458,235
EXPENDITURES					
Current					
General Government	1,031,967	-	-	200,737	1,232,704
Public Safety	2,100,215	-	-	-	2,100,215
Public Works	1,208,160	-	-	-	1,208,160
Health	1,120	-	-	-	1,120
Recreation and Culture	216,902	-	-	-	216,902
Debt Service					
Principal	102,928	-	-	-	102,928
Interest	44,388	-	-	-	44,388
Capital Outlay					
General Government	-	-	-	-	-
Public Safety	454,646	-	-	-	454,646
Public Works	130,003	-	41,651	-	171,654
Total Expenditures	5,290,329	-	41,651	200,737	5,532,717
Excess (Deficiency) of Revenues Over Expenditures	910,073	66,757	(41,651)	(9,661)	925,518
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	555	-	-	-	555
Total Other Financing Sources	555	-	-	-	555
Net Change in Fund Balances	910,628	66,757	(41,651)	(9,661)	926,073
Fund Balances - Beginning	6,680,614	1,934,422	213,811	272,403	9,101,250
Fund Balances - Ending	\$ 7,591,242	\$ 2,001,179	\$ 172,160	\$ 262,742	\$ 10,027,323

See accompanying Notes to Financial Statements.

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

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net Change in Fund Balances - Total Governmental Funds (Page 20)	\$	926,073
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$	626,300	
Depreciation Expense		(510,505)	
			115,795

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds because they are not received within 60 days of year end.

Taxes	34,459
Opioid Settlements	(69,645)

Some revenues reported in the statement of activities do not provide current financial resources in governmental funds.

Acceptance of Donated Assets (Land and Infrastructure)	1,119,932
--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Payments	
General Obligation Bonds Payable	102,928

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Interest Payable	510	
Accrued Compensated Absences	7,740	
		8,250

Change in Net Position of Governmental Activities (Page 17)	\$	2,237,792
---	----	-----------

TOWN OF NORTH EAST, MARYLAND
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025

	Enterprise Funds		Total Enterprise Funds
	Water Services	Stormwater Management	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 4,942,048	\$ -	\$ 4,942,048
Equity in Pooled Cash	1,064,156	776,558	1,840,714
Restricted Cash	2,640,789	-	2,640,789
Accounts Receivable	1,397,717	53,141	1,450,858
Inventories	193,052	-	193,052
Prepays	14,046	15	14,061
Total Current Assets	10,251,808	829,714	11,081,522
Noncurrent Assets			
Capital Assets			
Land	960,450	-	960,450
Buildings	338,247	-	338,247
Equipment	2,643,759	-	2,643,759
Infrastructure	43,173,351	3,674,344	46,847,695
Less: Accumulated Depreciation	(20,001,258)	(1,328,446)	(21,329,704)
Total Noncurrent Assets	27,114,549	2,345,898	29,460,447
Total Assets	37,366,357	3,175,612	40,541,969
LIABILITIES			
Current Liabilities			
Accounts Payable	560,442	22,590	583,032
Accrued Liabilities	58,362	551	58,913
Compensated Absences	4,167	87	4,254
Bonds Payable	597,542	-	597,542
Unearned Revenue	377,537	-	377,537
Total Current Liabilities	1,598,050	23,228	1,621,278
Noncurrent liabilities			
Compensated Absences	65,164	2,416	67,580
Bonds Payable	7,154,591	-	7,154,591
Total Noncurrent Liabilities	7,219,755	2,416	7,222,171
Total Liabilities	8,817,805	25,644	8,843,449
NET POSITION			
Net Investment in Capital Assets	19,362,416	2,345,898	21,708,314
Restricted for Capital Projects	2,640,789	-	2,640,789
Unrestricted	6,545,347	804,070	7,349,417
Total Net Position	\$ 28,548,552	\$ 3,149,968	\$ 31,698,520

See accompanying Notes to Financial Statements.

TOWN OF NORTH EAST, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Enterprise Funds		Total Enterprise Funds
	Water Services	Stormwater Management	
Operating Revenues			
Charges for Services			
Water Sales	\$ 3,543,984	\$ -	\$ 3,543,984
Stormwater Management	-	187,004	187,004
Connection Fees	177,975	-	177,975
Service Charge Penalties	54,576	-	54,576
Miscellaneous	66,862	1,010	67,872
Total Operating Revenues	<u>3,843,397</u>	<u>188,014</u>	<u>4,031,411</u>
Operating Expenses			
Salaries and Benefits	1,083,625	31,864	1,115,489
Repairs and Maintenance	516,425	25,765	542,190
Supplies	406,535	(19)	406,516
Utilities	285,721	-	285,721
Insurance	34,796	-	34,796
Professional Fees	210,681	-	210,681
Administration	119,089	-	119,089
Miscellaneous	2,018	115,060	117,078
Depreciation	1,084,466	83,708	1,168,174
Total Operating Expenses	<u>3,743,356</u>	<u>256,378</u>	<u>3,999,734</u>
Operating Income (Loss)	<u>100,041</u>	<u>(68,364)</u>	<u>31,677</u>
Nonoperating Revenues (Expenses)			
Interest Income	248,022	-	248,022
Interest Expense	(56,903)	-	(56,903)
Intergovernmental Revenues	1,492,167	100,627	1,592,794
Total Nonoperating Revenues	<u>1,683,286</u>	<u>100,627</u>	<u>1,783,913</u>
Income Before Capital Contributions	<u>1,783,327</u>	<u>32,263</u>	<u>1,815,590</u>
Capital Contributions	683,575	378,300	1,061,875
Major Facilities Fees	340,300	-	340,300
Change in Net Position	<u>2,807,202</u>	<u>410,563</u>	<u>3,217,765</u>
Net Position - Beginning,	<u>25,741,350</u>	<u>2,739,405</u>	<u>28,480,755</u>
Net Position - Ending	<u>\$ 28,548,552</u>	<u>\$ 3,149,968</u>	<u>\$ 31,698,520</u>

See accompanying Notes to Financial Statements.

TOWN OF NORTH EAST, MARYLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Water Services	Stormwater Management	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 1,456,165	\$ 179,469	\$ 1,635,634
Payments to Suppliers for Goods and Services	(1,262,075)	(126,036)	(1,388,111)
Payments to Employees for Salaries and Benefits	(1,073,362)	(31,787)	(1,105,149)
Net Cash Provided by/(Used in) Operating Activities	<u>(879,272)</u>	<u>21,646</u>	<u>(857,626)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(1,862,420)	-	(1,862,420)
Receipts from Customers for Future Capital Improvements	340,300	-	340,300
Principal Paid on Capital Debt	(638,045)	-	(638,045)
Intergovernmental Revenues	1,492,167	100,629	1,592,796
Interest Paid on Capital Debt	(56,903)	-	(56,903)
Proceeds from Issuance of Debt	105,541	-	105,541
Net Cash Provided by Capital and Related Financing Activities	<u>(619,360)</u>	<u>100,629</u>	<u>(518,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	248,022	-	248,022
Net Cash Provided by Investing Activities	<u>248,022</u>	<u>-</u>	<u>248,022</u>
Net Increase in Cash and Cash Equivalents	(1,250,610)	122,275	(1,128,335)
Cash and Cash Equivalents July 1 (Including \$2,323,900 Reported in Restricted Accounts)	<u>9,897,603</u>	<u>654,283</u>	<u>10,551,886</u>
Cash and Cash Equivalents June 30 (Including \$2,640,789 Reported in Restricted Accounts)	<u><u>\$ 8,646,993</u></u>	<u><u>\$ 776,558</u></u>	<u><u>\$ 9,423,551</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 100,041	\$ (68,364)	\$ 31,677
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation Expense	1,084,466	83,708	1,168,174
(Increase) Decrease in Accounts Receivable	(321,251)	(8,545)	(329,796)
(Increase) Decrease in Inventories	50,891	-	50,891
(Increase) Decrease in Prepaid Items	(4,866)	(15)	(4,881)
(Decrease) Increase in Accounts Payable	267,165	14,785	281,950
(Decrease) Increase in Accrued Liabilities	2,579	(39)	2,540
(Decrease) Increase in Unearned Revenue	(2,065,981)	-	(2,065,981)
(Decrease) Increase in Compensated Absences	7,684	116	7,800
Total Adjustments	<u>(979,313)</u>	<u>90,010</u>	<u>(889,303)</u>
Net Cash Provided by/(Used in) Operating Activities	<u><u>\$ (879,272)</u></u>	<u><u>\$ 21,646</u></u>	<u><u>\$ (857,626)</u></u>
Schedule of Noncash Capital and Related Financing Activities:			
Contributions of Capital Assets	\$ 683,575	\$ 378,300	\$ 1,061,875

See accompanying Notes to Financial Statements.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide 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 government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The Town of North East (the Town) is a municipal corporation (incorporated in 1850) located in Cecil County, Maryland. The Town is governed by an elected mayor and four-member commission (the Board). The Board assumes responsibilities conferred upon them by the Maryland General Assembly and provides the following services: public safety, public works, sanitation, recreation, public water, stormwater management, and general administration.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility or the existence of special financing relationships, regardless of whether the governing body is able to exercise oversight responsibilities. Based on this criteria, management has concluded there are no component units of the Town.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (Continued)

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

The *capital projects fund* accounts for the acquisition and construction of the Town's major capital facilities, other than those financed by proprietary funds.

The *special revenue loan fund* accounts for financial resources associated with a loan program for the rehabilitation of private properties as well as Community Development Block Grant loans for assisted housing projects.

The Town reports the following non-major governmental funds:

The *special revenue parade fund* accounts for financial resources associated with the Cecil County Christmas Parade.

The *special revenue developer inspection fund* accounts for financial resources associated with inspection and other related fees paid for by developers for their projects.

The Town reports the following major enterprise funds:

The *water services fund* accounts for the activities of the Town's water service operations.

The *stormwater management fund* accounts for the activities of the Town's stormwater management operations.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under right-to-use leases are reported as other financing sources.

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, capital projects, and enterprise funds. The capital projects fund is appropriated on a project-length basis. Special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. Town department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at that end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

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

2. Cash and Cash Equivalents

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

3. Investments

State regulations authorize the Town to invest in U.S. treasury obligations, U.S. government agency and instrumentality obligations, repurchase agreements (collateralized), certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds and the Maryland Local Government Investment Pool.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Investments (Continued)

The Maryland Local Government Investment Pool (MLGIP) was created by the state legislature through Section 22G of Article 95 of the Annotated Code of Maryland, and more recently defined by Title 17, Subtitle 3 of the Local Government Article of the Annotated Code of Maryland. The pool is under the supervision of the state treasurer. MLGIP is a Rule 2a-7 like pool, which is not registered with the Securities Exchange Commission, but generally operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940 (Rule 2a-7). Unit value is computed using the amortized cost method and maintains a \$1.00 per share value. The pool has a credit rating of AAAM from Standard and Poor's Financial Services. Local government investment pools in this category meet the highest standards for credit quality, conservative investment policies, and safety of principal.

The Town has multiple segregated sub accounts with the MLGIP which allows for earnings to be allocated to each fund based on the source of the funds invested.

Investments for the Town are reported at fair value (generally based on quoted market prices) except for the position in the MLGIP. As of June 30, 2025, all pool holdings are in cash and cash equivalents.

4. Inventories and Prepaid Items

Inventories are valued at cost using the average cost method and consist of expendable supplies and repair items. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense during the period benefited.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Proprietary fund capital assets are also reported in their fund financial statements.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

The Town has been exempted from retroactively reporting infrastructure assets. As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase capacity or efficiency of the item or increase its estimated useful life. Donated capital assets received on or before June 30, 2015, are recorded at the estimated fair value at the date of donation. Donated capital assets received on or after July 1, 2015, are recorded at acquisition value.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the government are depreciated using the straight line method over the following useful lives:

<u>Capital Asset Classes</u>	<u>Useful Lives</u>
Infrastructure	15 to 80 Years
Buildings and improvements	30 to 50 Years
Equipment	5 to 10 Years

6. Deferred Outflows/Inflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any deferred outflows of resources for the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources for unavailable revenue. The governmental funds report unavailable revenues from income taxes, opioid settlements and lease receivables. The amount is deferred and recognized as an inflow of resources in the period the amount becomes available. The government wide statements report unavailable revenue from lease receivables.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Net position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate amounts reported as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund balance Flow Assumptions

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

9. Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town reports the following fund balances in governmental activities:

Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact. The Town reports \$18,032 for non-spendable fund balance associated with prepaid items as of June 30, 2025.

Restricted – Amounts that can only be spent for specific purposes because of enabling legislation, constitutional provisions, or externally imposed conditions by grantors, creditors, or contributors. The Town reports the following restricted fund balances:

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balance Policies (Continued)

Fund	Fund Balance	Restricted by
General Fund		
Offsite Mitigation	\$33,714	Natural Resources Article 5-1610
FEMA Shore Erosion	\$2,432	Grant from FEMA
Special Revenue Fund-Loans		
Housing & Community Development	\$1,000,000	Community Development Block Grants
Nonmajor Special Revenue Funds		
Christmas Parade	\$4,651	Donations from parade sponsors
Inspection fees	\$258,091	Escrow agreements with developers

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action such as an ordinance or resolution of the Town's highest level of decision-making authority, the Mayor and Commissioners, are reported as committed fund balance. Both of the above actions require a majority vote of the Mayor and Commissioners to impose or remove a restriction, and thus either action could establish the most binding constraint. The Town reported the following committed fund balances:

Fund	Fund Balance	Committed by
General Fund		
CDA 2014 Series A Bond	\$1,057,000	Resolution 2015-05-10
General Government	\$18,207	Resolution 2015-08-01

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, additional action is essential to either remove or revise a commitment. The Town reported the following assigned fund balances:

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balance Policies (Continued)

Fund	Fund Balance	Assigned by
General Fund		
Capital Improvements	\$7,568	Town of North East Budget
Special Revenue Fund		
Revitalization Loans	\$313,946	Town of North East Budget
Housing & Community Development	\$687,233	Town of North East Budget
Capital Projects Fund	\$172,160	Town of North East Budget

Unassigned – Amounts that are not included in other fund balance classifications. The General fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Revenues and Expenditures/Expenses (Continued)

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. Payments are due by September 30th for all non-principal residences and commercial properties not classified as qualified small businesses. Beginning October 1st, interest is charged each month the taxes remain unpaid. For principal residences and qualifying small businesses (tax liabilities less than \$100,000 with certain commercial use designations), a two part installment plan is offered. The first installment is due by September 30th. Beginning October 1st, interest is charged on the amount of the first installment only. The second installment is due by December 31st. Beginning on January 1st, interest is charged on all outstanding balances. Property taxes are levied at rates enacted by the Mayor and Commissioners in the annual budget on the assessed value as determined by the Maryland Department of Assessments and Taxation. The tax rate for the fiscal year ended June 30, 2025, was \$0.4800 per \$100.00 of assessed value for real property and \$1.200 per \$100.00 of assessed value for public utility and railroad operating property. Taxes not collected and remitted to the Town within the availability period are immaterial.

The State of Maryland has designated certain parcels within the corporate limits of the Town as "Enterprise Zones" pursuant to the Economic Development Article, Sections 5-701 through 5-708 of the Annotated Code of Maryland. Businesses located in the Enterprise Zone may qualify for a tax credit equal to the amount of real property tax imposed on the eligible assessment of the qualified property as defined in Section 9-103 of the Tax – Property Article for a period of ten years. The percentage of the credit is as follows:

<u>Year</u>	<u>Credit</u>
1 to 5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

Companies applying for the credit must submit data as required by the local zoning administrator who is responsible for determining the firm continues to meet the eligibility criteria. There is no recapture provision. If the zoning administrator determines the firm is not in compliance with the terms of the program it will lose the credit for those years not in compliance. The State of Maryland reimburses the Town for 50% of the lost revenue that results from this program. During the year ended June 30, 2025, no real property taxes were abated as part of this program.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures/Expenses (Continued)

3. Compensated Absences

Vacation Leave Time. The Town's policy permits employees to accumulate earned but unused vacation time benefits, up to 400 hours, which are eligible for payment upon separation from Town service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for such leave is reported as incurred in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable. As of June 30, 2025, a total of \$156,629 in unused vacation time has been recorded as compensated absences payable on the Statement of Net Position.

Sick Leave. The Town's policy is to permit employees to accumulate earned but unused sick leave without limitation. The Town will pay employees that had ten years of service as of January 1, 2015, unused sick leave up to 500 hours upon retirement. The accumulated sick leave liability is based on the amount that is expected to ultimately be paid or used as compensated time off. A liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for such leave is reported as incurred in the governmental funds only if the liability has matured as a result of employee retirements. The liability for compensated absences includes salary-related benefits where applicable. As of June 30, 2025, a total of \$13,530 in unused sick leave has been recorded as compensated absences on the Statement of Net Position.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water services and stormwater management funds are charges to customers for the sale of water and treating stormwater runoff. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Reconciling items include the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and, therefore, are not reported in the funds.

Deferred inflows of resources represent acquisition of net assets that applies to a future period(s) and therefore are not reported in the funds.

Details of these reconciling transactions can be found on page 19.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Reconciling items include the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.

The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

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

Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported in the funds.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and, therefore, are not reported in the funds.

Detail of these reconciling transactions can be found on page 21.

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits and Investments with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town maintains the following accounts:

<u>Financial Institution</u>	<u>Bank Balance</u>
First National Bank (main operating account)	\$4,355,258
First National Bank (ARPA Checking)	815,420
Cecil Bank (Savings Account)	6,087
Cecil Bank (Offsite Mitigation Checking)	33,714
Cecil Bank (Major Facilities Checking)	3,051
PNC (Maryland Local Government Investment Pool)	13,403,866

None of the Town's deposits are exposed to custodial credit risk. The deposits at First National Bank are covered by the Federal Deposit Insurance Corporation and collateralized with securities held in the First National Bank's name for the Town. The deposits at Cecil Bank are insured by the Federal Deposit Insurance Corporation. For more information about the Maryland Local Government Investment Pool see note I.G.2., *Investments*.

The Town maintains a cash pool (First National Bank main operating account) that is available for use by all funds. All interest earned accrues to the general fund, while all associated fees for the account are also charged to the general fund. Each fund's position in the pool is displayed as *equity in pooled cash* on the balance sheet and statement of net position.

Interest rate risk. The Town manages its exposure to declines in fair values by investing primarily in short-term holdings, including demand deposits and the Maryland Local Government Investment Pool.

Credit risk. As of June 30, 2025, the Town was not exposed to credit risk.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

A. Cash Deposits and Investments with Financial Institutions (Continued)

Concentration of credit risk. The Town manages concentration of credit risk by investing primarily in the Maryland Local Government Investment Pool or other collateralized investments as outlined in the Town's Investment Policy and Maryland Law.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2025, the Town was not exposed to any custodial credit risk.

Investment policy. The Town has adopted an investment policy that is designed to provide maximum safety and liquidity of funds while providing a reasonable rate of return. Permissible investments include U.S. Treasury Obligations, U.S. Government Agency and U.S. Government-Sponsored Enterprises, repurchase agreements, collateralized certificates of deposit, the Maryland Local Government Investment Pool, and mutual funds dealing in government securities. The Town's policy and State law requires that the underlying collateral for repurchase agreements and certificates of deposit must have a market value of at least 102% of the investment's cost plus accrued interest.

B. Receivables

Below is the detail of receivables for the governmental and business-type activities:

Receivables	General Fund	Special Revenue Fund	Governmental Funds	Business-type Funds	Total
Property Tax	\$ 1,300	\$ -	\$ 1,300	\$ -	\$ 1,300
Intergovernmental					
Collected Taxes		\$ -	\$ -	\$ -	\$ -
Motel Tax	23,613	-	23,613	-	23,613
Admission and Amusement Tax	3,070	-	3,070	-	3,070
Income Taxes	331,299	-	331,299	-	331,299
State Grants	100,691	-	100,691	-	100,691
Highway User Revenues	94,307	-	94,307	-	94,307
Total	<u>\$ 552,980</u>	<u>\$ -</u>	<u>\$ 552,980</u>	<u>\$ -</u>	<u>\$ 552,980</u>
Leases					
Leases - Cell Tower	\$ 1,288,901	\$ -	\$ 1,288,901	\$ -	\$ 1,288,901
Total	<u>\$ 1,288,901</u>	<u>\$ -</u>	<u>\$ 1,288,901</u>	<u>\$ -</u>	<u>\$ 1,288,901</u>
Other Accounts					
Opioid Settlement	\$ 111,024	\$ -	\$ 111,024	\$ -	\$ 111,024
Customer Service Charges	1,852	-	1,852	1,450,858	1,452,710
Total	<u>\$ 112,876</u>	<u>\$ -</u>	<u>\$ 112,876</u>	<u>\$ 1,450,858</u>	<u>\$ 1,563,734</u>
Loans					
Assisted Housing Loans	\$ -	\$ 817,322	\$ 817,322	\$ -	\$ 817,322
	<u>\$ -</u>	<u>\$ 817,322</u>	<u>\$ 817,322</u>	<u>\$ -</u>	<u>\$ 817,322</u>

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Receivables (Continued)

The Town does not have any allowance for doubtful accounts related to the above receivables. The Town expects to receive all the receivables listed above within one year except for the following:

- The State has estimated that they are holding \$331,299 of the Town's income tax revenue for tax years 2024 and prior. It will take several years for the State to remit these monies to the Town; however, the State estimates their liability to the Town and the Town reports this receivable in accordance with generally accepted accounting principles.
- The Town has a loan agreement with an assisted housing project located in the corporate limits of the Town. Proceeds of a grant from the U.S Department of Housing and Community Development's Community Development Block Grant (\$750,000) were loaned to the developer of the project in prior years. The promissory note bears interest at 1% and is to be repaid in annual installments of principal and interest based on the availability of funds as defined in the promissory note. The note is secured by a deed of trust that is subordinate to senior debt. No principal or interest payments were received during the year ended June 30, 2025. The loan has a maturity date of August 1, 2055. No adjustment to the fair value of the note has been reflected in these financial statements as management has determined fair value approximates cost basis.
- The Town has lease agreements with several cellular telephone companies as well as Cecil County. See Note III.C.

C. Lease Receivables

The Town is the lessor to several cellular telephone companies as well as Cecil County. The companies lease space at the Town's water towers for antenna's and ancillary equipment. The lease agreements have lease escalation clauses which range from 0.00% to 3.00%, and can only be canceled at the end of five year intervals. The Town also entered into a new lease for 300 Cherry Street to the County during 2021. During the year ended June 30, 2025, the Town received \$62,737 in lease revenue and \$40,351 in interest revenue. As of June 30, 2025, the outstanding lease receivables totaled \$1,288,901.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets

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

Governmental activities:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, not Being Depreciated				
Land	\$ 3,736,017	\$ 10,700	\$ -	\$ 3,746,717
Construction in Progress	5,000	-	-	5,000
Total Capital Assets, not Being Depreciated	<u>3,741,017</u>	<u>10,700</u>	<u>-</u>	<u>3,751,717</u>
Capital Assets, Being Depreciated				
Buildings	1,533,105	660,673	-	2,193,778
Equipment	2,292,598	327,758	93,580	2,526,776
Infrastructure	11,510,239	876,998	166,095	12,221,142
Total Capital Assets, Being Depreciated	<u>15,335,942</u>	<u>1,865,429</u>	<u>259,675</u>	<u>16,941,696</u>
Less: Accumulated Depreciation for				
Buildings	681,827	42,058	-	723,885
Equipment	1,209,507	269,846	93,580	1,385,773
Infrastructure	3,161,038	198,601	36,198	3,323,441
Total Accumulated Depreciation	<u>5,052,372</u>	<u>510,505</u>	<u>129,778</u>	<u>5,433,099</u>
Total Capital Assets Being Depreciated, Net	<u>10,283,570</u>	<u>1,354,924</u>	<u>129,897</u>	<u>11,508,597</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,024,587</u>	<u>\$ 1,365,624</u>	<u>\$ 129,897</u>	<u>\$ 15,260,314</u>

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

General Government	\$ 56,383
Public Safety	156,286
Public Works	256,744
Parks and Recreation	41,092
Total Depreciation Expense - Governmental Activities	<u>\$ 510,505</u>

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business-type activities:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, not Being Depreciated				
Land	\$ 960,450	\$ -	\$ -	\$ 960,450
Construction in progress	-	-	-	-
Total Capital Assets, not Being Depreciated	<u>960,450</u>	<u>-</u>	<u>-</u>	<u>960,450</u>
Capital Assets, Being Depreciated				
Buildings	281,217	57,030	-	338,247
Equipment	1,292,607	1,395,605	44,454	2,643,759
Infrastructure	45,331,582	1,516,113	-	46,847,695
Total Capital Assets, Being Depreciated	<u>46,905,406</u>	<u>2,968,748</u>	<u>44,454</u>	<u>49,829,701</u>
Less: Accumulated Depreciation for				
Buildings	215,173	12,833	-	228,006
Equipment	304,699	129,543	-	434,242
Infrastructure	19,641,657	1,025,798	-	20,667,455
Total Accumulated Depreciation	<u>20,161,530</u>	<u>1,168,174</u>	<u>-</u>	<u>21,329,704</u>
Total Capital Assets Being Depreciated, Net	<u>26,743,877</u>	<u>1,800,574</u>	<u>44,454</u>	<u>28,499,997</u>
Business-Type Activities Capital Assets, Net	<u>\$ 27,704,327</u>	<u>\$ 1,800,574</u>	<u>\$ 44,454</u>	<u>\$ 29,460,447</u>

E. Accrued Liabilities

Accrued liabilities reported in the fund financial statements at June 30, 2025, were as follows:

	General Fund	Proprietary Funds
Salaries and Employee Benefits	\$ 178,353	\$ 22,635
Interest	-	36,278
Total Accrued Liabilities	<u>\$ 178,353</u>	<u>\$ 58,913</u>

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

F. Defined Contribution Pension Plan

The Town offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(a) and 457(b). The plan, available to all full time employees of the Town, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death. The Town contributes \$1,500 to the 401(a) plan for each full time employee who had completed six months of employment. In addition, the Town contributes up to an additional \$1,500 to the 401(a) plan as a match for employee contributions to their 457(b) plan. Town contributions to the plan may be amended by Town annually as part of the budget process. All Town contributions are fully vested at the time they are made and there are no forfeiture provisions. During the year ended June 30, 2025, there were 34 employees who participated in and made contributions to the plan. Employees made contributions totaling \$129,704 while the Town contributions were \$86,023. All Town contributions were paid each week as part of the normal payroll process.

All amounts of compensation deferred and Town contributions under the plan as well as all property and rights purchased with those amounts, and all income attributable to those amounts,

property or rights are solely the property and rights of the participants. The Town has no liability for losses under the plan.

Investments are managed by the plan's administrator, Nationwide Retirement Solutions, under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants.

G. Risk Management

The Town is exposed to various risks related to torts: theft of, damage to; and destruction of assets; errors and omissions; and natural disasters. The Town's risk financing techniques include participation in a public entity risk pool and the purchase of commercial insurance. During the year ended June 30, 2025, there was no significant reduction in insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

For property, general excess and environmental liability coverage, the Town is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

Subscribers to coverage provided by LGIT share the risk among the participants of the pools. As a result, the Town's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. Also, the Town may be subjected to additional assessments from time to time. These amounts would be recorded as expenditures when they are probable and can be reasonably estimated. Conversely, favorable performance of certain pools may result in reduced premiums.

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

G. Risk Management (Continued)

The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage to date.

Complete financial statements can be obtained from their administrative offices:

Local Government Insurance Trust

7225 Parkway Drive
Hanover, MD 21076

The Town is fully insured for worker's compensation through Chesapeake Employers Insurance Company. Employees are bonded and insured through Standard Insurance.

H. Long-Term liabilities

General Obligation Bonds, Notes, Other Post-Employment Benefits, Compensated Absences

The Town issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 40 years. The Town's outstanding bonds contain acceleration provisions that in the event of default the full amount outstanding becomes due and payable. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due, or failure to maintain the assets financed by the bond. In the event of default, the trustee could intercept revenues due from the State (such as income taxes) to satisfy the debt. The Town's outstanding note from direct borrowing contains no such default provisions. General obligation bonds and notes payable outstanding at June 30, 2025, are as follows:

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

I. Long-Term Liabilities (Continued)

General Obligation Bonds, Notes, Other Post-Employment Benefits, Compensated Absences

Governmental Activities:

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2025
General Obligation Bonds					
<u>Community Development Administration</u>					
FY 2014 Streets & Sidewalks Repair	08/28/14	\$ 2,018,940	3.51%	05/01/34	\$ 1,057,027
<i>Annual principal and semiannual interest payment of approx. \$142,000</i>					
Notes from Direct Borrowings and Direct Placements					
<u>Maryland Department of Natural Resources</u>					
Shore Erosion Control - North East Community Park	07/01/09	88,560	0.00%	07/01/29	17,712
<i>Annual principal payments of \$4,428</i>					
					<u>\$ 1,074,739</u>

Business-type Activities

Description	Issue Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding 6/30/2025
General Obligation Bonds					
<u>Maryland Water Quality Financing Administration</u>					
FY 2009 Water System Improvements Phase 5	04/30/09	\$ 1,375,000	0.00%	02/01/26	\$ 24,842
<i>Annual principal payments of \$68,750</i>					
FY 2007 Water System Improvements Phase 6, 6a, & 7	03/28/07	15,590,777	0.40%	02/01/38	7,212,091
<i>Annual principal and semiannual interest payments of \$570,434</i>					
FY 2024 Water System Improvements - Storage Tanks	1/10/2024	546,067	0.80%	2/1/2041	515,200
<i>Annual principal payments of \$68,750</i>					
					<u>\$ 7,752,133</u>

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

I. Long-Term Liabilities (Continued)

The debt services requirement for the Town's bonds, loans, and notes are as follows:

Fiscal Year Ending June 30,	Governmental Activities				Business-type Activities	
	Bonds		Notes from Direct Borrowings and Direct Placements		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 101,500	\$ 40,894	\$ 4,428	\$ -	\$ 597,542	\$ 32,788
2027	105,000	37,636	4,428	-	575,115	30,554
2028	108,000	34,160	4,428	-	577,541	28,129
2029	111,500	30,478	4,428	-	579,978	25,692
2030	116,500	25,996	-	-	582,425	23,245
2031-2035	514,527	54,318	-	-	2,949,216	80,032
2036-2040	-	-	-	-	1,890,316	18,759
	<u>\$ 1,057,027</u>	<u>\$ 223,482</u>	<u>\$ 17,712</u>	<u>\$ -</u>	<u>\$ 7,752,133</u>	<u>\$ 239,199</u>

Legal Debt Margin

In accordance with the Town's *Debt Policy* which was established by Resolution 2009-12-01 adopted on December 21, 2009, and amended by Resolution 2018-04-01 the Town's total general obligation debt cannot exceed 10% of the assessed valuation of taxable property as certified in the annual Constant Yield Rate Certification from the State of Maryland. During fiscal year 2025, the Town's assessed valuation of taxable property was \$578,188,067 while the Town's total outstanding debt was \$8,826,872, which is 1.5% of assessed values.

Changes in Long-Term Liabilities

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

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 1,155,527	\$ -	\$ (98,500)	\$ 1,057,027	\$ 101,500
Notes from Direct Borrowings and Direct Placements	22,140	-	(4,428)	17,712	4,428
Compensated Absences*	106,065	-	(7,740)	98,325	8,333
Governmental Activities Long-Term Liabilities	<u>\$ 1,283,732</u>	<u>\$ -</u>	<u>\$ (110,668)</u>	<u>\$ 1,173,064</u>	<u>\$ 114,261</u>
Business-Type Activities					
General Obligation Bonds	\$ 8,284,637	\$ 105,541	\$ (638,045)	\$ 7,752,133	\$ 597,542
Compensated Absences*	64,034	7,800	-	71,834	4,254
Business-Type Activities Long-Term Liabilities	<u>\$ 8,348,671</u>	<u>\$ 113,341</u>	<u>\$ (638,045)</u>	<u>\$ 7,823,967</u>	<u>\$ 601,796</u>

*The changes in compensated absences are presented as a net change

TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

J. Fund Balance

Minimum fund balance policy. Section 2-605(2) of the Code of Ordinances of the Town of North East requires an unassigned/unrestricted fund balance of 90 days (25%) of annual expenditures/expenses in both the general and enterprise funds to provide fiscal stability when economic downturns and other unexpected events occur. The Town maintained an unrestricted fund balance above the 25% requirement during fiscal year 2025.

Stabilization arrangement. Section 2-606 of the Code of Ordinances of the Town of North East requires a budgetary stabilization fund in an amount equal to 10% of the upcoming year's budget in both the general and enterprise funds, as the Town's budget in those funds goes up or down from year to year, the fund will be adjusted. At the end of 2025, the Town was in compliance with the ordinance.

Expenditure of the amounts in the revenue stabilization fund may occur only when specific circumstances exist. The Ordinance states funds may be used in the event of an unexpected drop in revenues or increase in expenditures as a result of a natural disaster or service delivery costs that are short-term or temporary in nature which would adversely affect the level of service the Town provides.

Use of the funds is contingent upon a declaration of a fiscal emergency by the Mayor, after which a plan must be submitted to the Board for approval which details how the funds are to be spent and what will be done long-term to correct any ongoing or underlying issues that caused the funds to be used, and plan to replenish the funds within two years from the date of the declaration of the emergency.

K. Agreements

The Town has an agreement with Cecil County to provide water services to a service area outside the corporate limits of the Town and which sets the rate for those customers at two times the rate the Town charges in town customers. The Town owns and maintains the lines, towers, pump stations, and other related infrastructure to serve those customers.

The Town has an interconnection agreement with Artesian Water Maryland, Inc. to sell a minimum of 35,000 gallons of water per day (up to 105,000 gallons per day) at a rate of \$4.46 per thousand gallons based on an agreed upon methodology for setting the rate to ensure Artesian Water Maryland, Inc. bears the full cost of the additional water the Town needs to produce to provide water in accordance with the agreement. The Town owns the meter vault, meter and all facilities on the Town's side of the meter. All infrastructure past the meter is owned and maintained by Artesian Water Maryland, Inc. Construction of the interconnection was completed in March 2019 with service beginning on April 1, 2019. In fiscal year 2025, Artesian Water Maryland, Inc. was billed \$61,570.

**TOWN OF NORTH EAST, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

L. Contingencies

The Town is the recipient of various federal and state grant and/or loan programs, which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. If the Town has not complied with the rules and regulations governing the programs, refunds of money received may be required and the collectability of any related receivable may be impaired. To date, the Town has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of the Town, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTH EAST, MARYLAND
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 2,868,735	\$ 2,868,735	\$ 2,715,985	\$ (152,750)
Other	544,200	544,200	585,314	41,114
Licenses and Permits	86,081	85,138	73,699	(11,439)
Intergovernmental	661,486	669,986	1,746,015	1,076,029
Charges for Services	534,029	487,889	543,308	55,419
Fines and Forfeitures	1,380	1,300	352	(948)
Miscellaneous	120,507	184,107	535,729	351,622
Total Revenues	4,816,418	4,841,355	6,200,402	1,359,047
EXPENDITURES				
General Government				
Mayor and Commissioners	74,591	74,591	36,323	38,268
Administration	319,276	319,276	290,327	28,949
Elections	1,000	1,000	413	587
Finance	104,645	104,645	102,535	2,110
Accounting and Auditing	21,985	21,985	21,981	4
Law	28,592	28,592	2,925	25,667
Planning and Zoning	225,722	224,222	176,766	47,456
General Services	480,639	514,239	400,697	113,542
Total General Government	1,256,450	1,288,550	1,031,967	256,583
PUBLIC SAFETY				
Police	2,743,377	2,743,377	2,524,861	218,516
Fire	30,000	30,000	30,000	-
Total Public Safety	2,773,377	2,773,377	2,554,861	218,516
PUBLIC WORKS				
Highways and Streets	974,277	974,277	787,458	186,819
Sanitation	546,029	546,029	550,705	(4,676)
Total Public Works	1,520,306	1,520,306	1,338,163	182,143
HEALTH				
Mosquito Control	1,680	1,680	1,120	560
Total Health	1,680	1,680	1,120	560
RECREATION AND CULTURE				
Parks	155,457	257,817	216,902	40,915
Total Recreation and Culture	155,457	257,817	216,902	40,915

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

(Continued)

TOWN OF NORTH EAST, MARYLAND
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL
JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
DEBT SERVICE				
Debt Service Principal	\$ 102,928	\$ 102,928	\$ 102,928	\$ -
Debt Service Interest	44,388	44,388	44,388	-
Total Debt Service	<u>147,316</u>	<u>147,316</u>	<u>147,316</u>	<u>-</u>
Total Expenditures	<u>5,854,586</u>	<u>5,989,046</u>	<u>5,290,329</u>	<u>698,717</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,038,168)</u>	<u>(1,147,691)</u>	<u>910,073</u>	<u>2,057,764</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	-
Sale of Capital Asset	-	-	555	(555)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>555</u>	<u>(555)</u>
Net Change in Fund Balances *	<u>\$ (1,038,168)</u>	<u>\$ (1,147,691)</u>	910,628	<u>\$ 2,057,209</u>
Fund Balance - Beginning			6,680,614	
Fund Balance - Ending			<u>\$ 7,591,242</u>	

Notes to Schedule:

The Town's basis of budgeting is GAAP.

*The net change in fund balance was included in the budget as an appropriation of fund balance.

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

OTHER SUPPLEMENTAL INFORMATION

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

TOWN OF NORTH EAST, MARYLAND
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Parade	Developer Inspections	Total Nonmajor Governmental Funds
ASSETS			
Equity in Pooled Cash	\$ 4,651	\$ 324,221	\$ 328,872
Total Assets	<u>\$ 4,651</u>	<u>\$ 324,221</u>	<u>\$ 328,872</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 66,130	\$ 66,130
Total Liabilities	<u>-</u>	<u>66,130</u>	<u>66,130</u>
FUND BALANCES			
Restricted			
Special Events	4,651	-	4,651
Inspections	<u>-</u>	<u>258,091</u>	<u>258,091</u>
Total Fund Balances	<u>4,651</u>	<u>258,091</u>	<u>262,742</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,651</u>	<u>\$ 324,221</u>	<u>\$ 328,872</u>

TOWN OF NORTH EAST, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Parade	Developer Inspections	Total Nonmajor Governmental Funds
REVENUES			
Charges for Services	\$ -	\$ 174,143	\$ 174,143
Miscellaneous	16,933	-	16,933
Total Revenues	<u>16,933</u>	<u>174,143</u>	<u>191,076</u>
EXPENDITURES			
Current:			
General Government	<u>14,382</u>	<u>186,355</u>	<u>200,737</u>
Total Expenditures	<u>14,382</u>	<u>186,355</u>	<u>200,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,551</u>	<u>(12,212)</u>	<u>(9,661)</u>
Net Change in Fund Balances	2,551	(12,212)	(9,661)
Fund Balances - Beginning	<u>2,100</u>	<u>270,303</u>	<u>272,403</u>
Fund Balances - Ending	<u>\$ 4,651</u>	<u>\$ 258,091</u>	<u>\$ 262,742</u>

