

TOWN OF TRAPPE, MARYLAND

FINANCIAL REPORT

June 30, 2018

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	3 - 5
Management's Discussion and Analysis	6 - 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Enterprise Fund Financial Statements:	
Statement of Fund Net Position	17
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
Notes to the Financial Statements	20 - 31
Required Supplementary Information:	32
Budgetary Comparison Schedule - General Fund - Revenue Detail	33
Budgetary Comparison Schedule - General Fund - Expenditure Detail	34 - 35
Other Supplementary Information	36
Budgetary Comparison Schedule - Water and Sewer Fund - Revenue and Expense Detail	37
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 40

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INDEPENDENT AUDITORS' REPORT

Commissioners of Trappe
Town of Trappe, Maryland
Trappe, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Trappe, Maryland (“the Town”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, and each major fund of the Town as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 other supplementary information (OSI), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Salisbury, Maryland
October 12, 2018

Town of Trappe, Maryland

Management's Discussion and Analysis

This section of the Town of Trappe's annual financial report presents the discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Town's financial statements, which follow this section.

BASIC FINANCIAL STATEMENTS

The financial statements are presented to focus on the Town as a whole (government-wide) as well as the major individual funds. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. The fund financial statements focus on the individual parts of the Town government, reporting the operations of the Town in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the user to address relevant questions, broaden the basis for comparison (year to year or government to government) and enhance the Town's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the Town as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. Net position, the difference between the Town's assets and liabilities, are one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Town, one needs to consider other non-financial factors such as changes in the Town's property tax base and condition of the Town's infrastructure.

The government-wide financial statements of the Town are divided into two categories:

Governmental Activities – Most of the Town's basic services are included here, such as public safety services, planning and zoning, public works, and general administration. Property and state-shared taxes, charges for services, and state grants finance most of these activities.

Business-Type Activities – The Town's water and sewer operations are reported here. Fees are charged to customers to help cover the costs of providing these services.

FUND FINANCIAL STATEMENTS

The fund financial statements provided more detailed information about the Town's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

The Town has two types of funds:

Governmental Fund – The General Fund is the Town's only governmental fund, which focuses on (1) how cash and other financial assets, that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of

the government-wide statements, additional information is provided on the governmental fund statements, or schedules immediately following the governmental fund statements, that explains the relationship (or differences) between them.

Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The Town’s enterprise fund (one type of proprietary fund) is the same as its business-type activity, but the fund financial statements provide more detail and additional information, such as cash flows. The Town utilizes an enterprise fund to account for its water and sewer operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town’s combined net position increased by 3% from 2017 to 2018. (See table below) Governmental activities net position increased by 2%, while the business-type activities increased by 3%.

Town's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 298,916	\$ 227,246	\$ 410,475	\$ 155,711	\$ 709,391	\$ 382,957
Capital assets	963,983	1,031,917	3,136,697	3,323,205	4,100,680	4,355,122
Total assets	\$ 1,262,899	\$ 1,259,163	\$ 3,547,172	\$ 3,478,916	\$ 4,810,071	\$ 4,738,079
Total deferred outflows	\$ -	\$ -	\$ 12,210	\$ -	\$ 12,210	\$ -
Other liabilities	\$ 15,376	\$ 12,119	\$ 42,406	\$ 12,508	\$ 57,782	\$ 24,627
Long-term debt	261,404	281,953	2,994,616	2,961,188	3,256,020	3,243,141
Total liabilities	276,780	294,072	3,037,022	2,973,696	3,313,802	3,267,768
Capital assets net of debt	711,299	766,032	142,618	369,738	853,917	1,135,770
Unrestricted	274,820	199,059	379,742	135,482	654,562	334,541
Total net position	\$ 986,119	\$ 965,091	\$ 522,360	\$ 505,220	\$ 1,508,479	\$ 1,470,311

The Town's total revenues decreased by 2% to \$1,374,472 (See table below.) Revenue from business-type activities increased by 22% to \$816,122, due mainly to rate increases for services. Governmental revenues decreased by 23% to \$558,350, due mainly to a decrease in grant revenue.

The total cost of all programs and services decreased by 7% to \$1,336,304. Costs of business-type activities increased by 3% to \$821,838, mostly due to cost related to the bond issuance. The cost of governmental activities decreased by 20% to \$514,466, as a result of the decrease in grant revenue.

Town's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 93,527	\$ 107,267	\$ 816,006	\$ 639,606	\$ 909,533	\$ 746,873
Operating grants	113,217	312,852	-	-	113,217	312,852
Capital grants	-	-	-	9,401	-	9,401
General revenues						
Taxes	328,488	299,945	-	-	328,488	299,945
Other	23,118	8,974	116	18,658	23,234	27,632
Total revenues	558,350	729,038	816,122	667,665	1,374,472	1,396,703
Expenses						
General government	282,411	342,004	-	-	282,411	342,004
Public safety	55,269	142,198	-	-	55,269	142,198
Public works	169,904	148,778	-	-	169,904	148,778
Debt service - interest	6,882	6,777	-	-	6,882	6,777
Water and sewer	-	-	821,838	798,778	821,838	798,778
Total expenses	514,466	639,757	821,838	798,778	1,336,304	1,438,535
Transfer in/(out)	(22,856)	3,226	22,856	(3,226)	-	-
Change in net position	\$ 21,028	\$ 92,507	\$ 17,140	\$ (134,339)	\$ 38,168	\$ (41,832)

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues of \$558,905 were lower than budgeted revenues of \$618,048 by \$59,143 or 10%, which mostly relates to budgeted grant revenues not being received during the year.

General fund expenditures of \$467,081 were lower than budgeted expenditures of \$618,048 by \$150,967 or 24%, which most relates to staff changes within Public Safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018 the Town had \$4,100,680 invested in capital assets, including facilities, land, equipment, and water and sewer system improvements. This amount represents a net decrease (additions, deductions, and depreciation) of \$254,442 from prior year.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 435,025	\$ 435,025	\$ -	\$ -	\$ 435,025	\$ 435,025
Construction in Progress	7,079	7,079	28,100	28,100	35,179	35,179
Land improvements	360,555	390,992	-	-	360,555	390,992
Building improvements	109,714	116,330	-	-	109,714	116,330
Equipment	51,610	82,491	79,975	92,506	131,585	174,997
Water and sewer	-	-	3,028,622	3,202,599	3,028,622	3,202,599
Total capital assets	\$ 963,983	\$ 1,031,917	\$ 3,136,697	\$ 3,323,205	\$ 4,100,680	\$ 4,355,122

More detailed information about the Town's capital assets is presented in note 4 to the financial statements.

Debt

At year-end, the Town had \$3,234,553 in bonds and notes outstanding, a net (additions and repayments) increase of \$15,201 over last year.

Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Shore United - \$200,000	\$ 155,183	\$ 165,183	\$ 31,000	\$ 31,000	\$ 186,183	\$ 196,183
Shore United - \$100,000	-	-	72,844	92,844	72,844	92,844
Shore United - Sullivan St.	97,501	100,702	-	-	97,501	100,702
Water bond of 2000	-	-	-	1,191,175	-	1,191,175
Sewer bond of 2003	-	-	-	615,250	-	615,250
Sewer bond of 2003	-	-	-	1,023,198	-	1,023,198
Infrastructure Bond of 2017	-	-	1,180,500	-	1,180,500	-
Infrastructure Bond of 2017	-	-	609,500	-	609,500	-
Infrastructure Bond of 2017	-	-	1,014,000	-	1,014,000	-
Shore United - \$1,140,000	-	-	50,595	-	50,595	-
Bond premiums	-	-	23,430	-	23,430	-
Total debt	\$ 252,684	\$ 265,885	\$ 2,981,869	\$ 2,953,467	\$ 3,234,553	\$ 3,219,352

More detailed information about the Town's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The income from current property values is expected to remain the same for 2018-2019 as the property tax rate was not increased. The income from local income taxes is expected to remain the same for 2018-2019. State Highway User revenue is expected to slightly increase in 2018-2019 due to changes made by legislature. At this time the Town continues to benefit from a private grant benefiting the Planning Department. The Town is able to maintain the current level of service.

The Enterprise Fund, as in previous years, continues to be an area of concern for the Town. Significant additional growth and funds from hookup fees, anticipated since 2007-2008, has not yet happened and is not expected in 2018-2019. The consumer water and sewer usage rates were increased by 7% for 2018-2019 and will continue to be raised at least 7% every year from this point until the Town deems financial stability within the Enterprise Fund. The Town is in the process of evaluating and prioritizing the Town's infrastructure and has received grant funding and low interest rate financing for some of these projects in 2018-2019. The Town's increase in water and sewer usage rates, cash reserves and selective budget cuts will allow for financial stability for the 2018-2019 fiscal year. The Town's budget is reviewed monthly by the Town Council and revisions will be recommended when and where necessary.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's management at P.O. Box 162, Trappe, Maryland 21673-0162.

TOWN OF TRAPPE, MARYLAND

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 290,496	\$ 319,721	\$ 610,217
Accounts receivable	8,420	90,754	99,174
Nondepreciable capital assets	442,104	28,100	470,204
Depreciable capital assets, net	521,879	3,108,597	3,630,476
Total assets	1,262,899	3,547,172	4,810,071
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	12,210	12,210
Total deferred outflows of resources	-	12,210	12,210
LIABILITIES			
Accounts payable	13,325	19,604	32,929
Accrued payroll liabilities	2,051	22,802	24,853
Long-term liabilities, due within one year			
Compensated absences	3,439	4,699	8,138
Bonds and notes payable	252,684	242,503	495,187
Long-term liabilities, due in more than one year			
Compensated absences	5,281	8,048	13,329
Bonds and notes payable	-	2,739,366	2,739,366
Total liabilities	276,780	3,037,022	3,313,802
NET POSITION			
Net investment in capital assets	711,299	142,618	853,917
Unrestricted	274,820	379,742	654,562
Total net position	\$ 986,119	\$ 522,360	\$ 1,508,479

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Operating		Governmental Activities	Business-type Activities	Total
		Charges for Services	Grants and Contributions			
Governmental activities						
General government	\$ 282,411	\$ 93,527	\$ 64,330	\$ (124,554)	\$ -	\$ (124,554)
Public safety	55,269	-	10,040	(45,229)	-	(45,229)
Public works	169,904	-	38,847	(131,057)	-	(131,057)
Debt Service - Interest	6,882	-	-	(6,882)	-	(6,882)
Total governmental activities	514,466	93,527	113,217	(307,722)	-	(307,722)
Business-type activities						
Water and sewer	821,838	816,006	-	-	(5,832)	(5,832)
Total business-type activities	821,838	816,006	-	-	(5,832)	(5,832)
Total	\$ 1,336,304	\$ 909,533	\$ 113,217	\$ (307,722)	\$ (5,832)	\$ (313,554)
General revenues						
Property taxes				229,500	-	229,500
Corporate & public utilities tax				29,537	-	29,537
Local income taxes				69,451	-	69,451
Other income				22,536	-	22,536
Interest income				582	116	698
Transfer in/(out)				(22,856)	22,856	-
Total general revenues and transfers				328,750	22,972	351,722
Change in net position				21,028	17,140	38,168
Net position, beginning of year				965,091	505,220	1,470,311
Net position, end of year				\$ 986,119	\$ 522,360	\$ 1,508,479

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 290,496
Accounts receivable	8,420
<hr/>	
Total assets	\$ 298,916
<hr/>	
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 13,325
Accrued liabilities	2,051
<hr/>	
Total liabilities	15,376
<hr/>	
FUND BALANCES	
Unassigned	283,540
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Total fund balances	283,540
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Total liabilities, deferred inflows of resources and fund balances	\$ 298,916

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018**

Total fund balances, governmental funds \$ 283,540

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources and are
therefore not reported in the fund financial statements, but are reported in the
governmental activities of the Statement of Net Position. 963,983

Some liabilities are not due and payable in the current period and therefore are
not reported in the fund financial statements, but are reported in the governmental
activities of the Statement of Net Position. Those liabilities consist of:

Compensated absences	(8,720)
Bonds and notes payable	(252,684)

Net position of governmental activities in the Statement of Net Position \$ 986,119

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2018**

	<u>General Fund</u>
REVENUES:	
Taxes:	
Property taxes	\$ 230,055
Corporate & public utilities tax	29,537
Local income taxes	69,451
Grants	74,370
Intergovernmental	38,847
Licenses and permits	14,621
Interest	582
Trash pick-up	60,950
Rental income	17,956
Other	22,536
<hr/>	
Total revenues	558,905
<hr/>	
EXPENDITURES:	
Current:	
General government	282,522
Public Safety	36,780
Public works	127,696
Debt service:	
Principal retirement	13,201
Interest	6,882
<hr/>	
Total expenditures	467,081
<hr/>	
Excess of revenues over expenditures	91,824
OTHER FINANCING SOURCES:	
Operating transfers in/(out)	(22,856)
<hr/>	
Total other financing sources (uses)	(22,856)
<hr/>	
Net change in fund balance	68,968
Fund balance, beginning of year	214,572
<hr/>	
Fund balance, end of year	\$ 283,540

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

Net change in fund balances, governmental funds \$ 68,968

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Depreciation expense (53,345)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of assets disposed of, less accumulated depreciation. (14,589)

Funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. 13,201

Because some revenues will not be collected for several months after the Town's fiscal year ends, they are not considered "available" revenues. Deferred inflow of resources changed by this amount this year. (555)

Government Funds report compensated absences when paid. However, on the Statement of Activities they are recorded when earned. 7,348

Change in net position of governmental activities \$ 21,028

The Notes to Financial Statements are an integral part of this statement.

TOWN OF TRAPPE, MARYLAND

**STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITIES**

June 30, 2018

	<u>Enterprise Fund</u> Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 319,721
Accounts Receivable	90,754
Total current assets	410,475
Noncurrent assets	
Nondepreciable capital assets	28,100
Depreciable capital assets, net	3,108,597
Total noncurrent assets	3,136,697
Total assets	3,547,172
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	12,210
Total deferred outflows of resources	12,210
LIABILITIES	
Current liabilities	
Accounts payable	19,604
Accrued expenses	22,802
Compensated absences	4,699
Current maturities of long-term debt	242,503
Total current liabilities	289,608
Noncurrent liabilities	
Compensated absences	8,048
Long-term debt	2,739,366
Total noncurrent liabilities	2,747,414
Total liabilities	3,037,022
NET POSITION	
Net investment in capital assets	154,828
Unrestricted	367,532
Total net position	\$ 522,360

TOWN OF TRAPPE, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2018**

	<u>Enterprise Fund</u> Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 794,774
Miscellaneous	21,232
Total operating revenues	816,006
OPERATING EXPENSES:	
Salaries	127,196
Payroll taxes and benefits	20,780
Depreciation	261,087
Electric	46,381
Supplies	31,344
Supervisory Services	9,043
Repairs and maintenance	71,176
Other operating expenses	157,256
Total operating expenses	724,263
Operating income	91,743
NONOPERATING REVENUES (EXPENSES):	
Transfer in/(out)	22,856
Interest expense	(97,575)
Interest income	116
Total nonoperating revenues (expenses)	(74,603)
Change in net position	17,140
Net position, beginning of year	505,220
Net position, end of year	\$ 522,360

TOWN OF TRAPPE, MARYLAND

**STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2018**

	<u>Enterprise Fund</u> Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 832,712
Payments to suppliers	(285,302)
Payments to employees	(142,950)
Net cash provided by operating activities	404,460
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund transfers	22,856
Net cash provided by noncapital financing activities	22,856
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(74,579)
Proceeds from long-term debt	2,950,117
Principal paid on long-term debt	(2,921,715)
Deferred charge on refunding	(12,727)
Interest paid on long-term debt	(97,058)
Net cash used by capital and related financing activities	(155,962)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	116
Net cash provided by investing activities	116
Net increase in cash and cash equivalents	271,470
Cash and cash equivalents, beginning of year	48,251
Cash and cash equivalents, end of year	\$ 319,721
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 91,743
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	261,087
(Increase) decrease in assets:	
Accounts receivable	16,706
Increase (decrease) in liabilities:	
Accounts payable	10,159
Accrued expenses	24,765
Net cash provided by operating activities	\$ 404,460

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Town of Trappe, Maryland

The Town of Trappe ("the Town") is located on the Eastern Shore of Maryland and was incorporated in 1856. Some of the major services provided by the Town include: streets, public safety, planning and zoning, water and sewer, trash removal and general administrative services.

Reporting entity - Based upon criteria set forth by the GASB standards related to component units, it was determined that the Town has no component units.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Town's accounting policies are described below.

A. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department, and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Town has no non-major funds.

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Town has no fiduciary funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's only governmental fund:

General Fund - The general fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise.

Enterprise fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's major enterprise fund is:

Water and Sewer Fund - The water and sewer fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operations of the Town's water and sewer services.

C. Measurement Focus

Government-wide financial statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

Fund financial statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Town is defined as collected within 60 days subsequent to year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes, grants, interest and rent.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

Formal budgetary accounting is employed as a management control for the Town's General and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by the fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for capital outlay and principal payments on debt. The budgets shown in the financial statements are the budget ordinances at the close of the day on June 30, 2018.

The Town follows these procedures in establishing budgetary data reflected in the financial statements.

- At least 60 days prior to the new fiscal year, the budget is legally enacted by a favorable vote of at least a majority of a quorum of the Commissioners.
- The Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.
- All annual appropriations lapse at fiscal year-end.

F. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

G. Property Tax

The Town's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the Town. The Maryland State Department of Assessments and Taxation (SDAT) establishes assessed values. Payments are due by September 30. Beginning October 1, interest is charged each month on taxes that remain unpaid. Property represented by delinquent taxes is sold at public auction in June. The Talbot County Treasurer's office collects the Town's real property taxes along with county real property taxes. Collections are remitted to the Town on a monthly basis.

Personal property taxes are levied on personal property owned by businesses operating within the incorporated Town. These taxes are based on the assessed values of personal property certified by SDAT and taxed at the same rate as real property taxes. The Town office is responsible for the collection of personal property taxes.

H. Accounts Receivable

Allowance for doubtful accounts - The Town has evaluated the collectability of outstanding amounts due to the Town for water and sewer service charges. Based on its analysis the Town has determined that all water and sewer accounts are collectable, and as such, has not established an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables and Transfers In/Out

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. There were no Interfund Balances at June 30, 2018.

Interfund transfers in/out are classified in other financing (uses) sources in the statement of revenues, expenditures and changes in fund balances and in nonoperating revenues (expenses) in the statement of revenues, expenses and change in fund net position.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Asset Class	Depreciable Life (years)
Land / Construction in progress	n/a
Land Improvements	10 - 15
Buildings	15 - 40
Equipment	5 - 10
Water and Sewer Systems	5 - 40

K. Compensated Absences

The Town accrues a liability for vested compensated absences, which includes annual vacation leave with various limitations. All accrued compensated absences liabilities are recorded in the government-wide financial statements.

Town employees earn annual leave based on length of service. Annual leave accumulates, and any unused portion up to 240 hours is paid upon termination.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Position

Net position represents the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources. Invested in capital assets, net of debt consist of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted components of net position are reported when limitations imposed on their use either through enabling legislation or through external restrictions imposed by grantors, contributors, creditors, or laws and regulations of other governments.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can only be spent for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Town Council ordinance or resolutions.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

The Town did not have any nonspendable, restricted, committed or assigned fund balances at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

P. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3. Cash, Cash Equivalents, and Certificates of Deposit

The Town is authorized to invest unexpended revenues from taxation, lawful distributions of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose. The Town can invest such funds in federally insured banking institutions that pledge United States Treasury bills, notes, or other obligations to secure such deposits.

At June 30, 2018 the Town had bank deposits with various financial institutions totaling \$628,270 (carrying value \$610,217) As required by law, a depository is required to pledge securities, in addition to FDIC insurance, at least equal to the amount on deposit at all times. The depository bank pledges collateral for specific accounts, which are held in the Town's name by their trust department of agents. As of June 30, 2018 all deposits were fully insured or collateralized.

As of June 30, 2018, the town has no investment therefore the town has no credit risk.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	June 30, 2017	Additions	Transfers / Deductions	June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 435,025	\$ -	\$ -	\$ 435,025
Construction in progress	7,079	-	-	7,079
Total capital assets, not being depreciated	442,104	-	-	442,104
Capital assets, being depreciated:				
Land improvements	522,104	-	-	522,104
Building improvements	169,230	-	-	169,230
Equipment	203,604	-	(63,441)	140,163
Total capital assets, being depreciated	894,938	-	(63,441)	831,497
Less accumulated depreciation:				
Land improvements	(131,112)	(30,437)	-	(161,549)
Building improvements	(52,900)	(6,616)	-	(59,516)
Equipment	(121,113)	(16,292)	48,852	(88,553)
Total accumulated depreciation	(305,125)	(53,345)	48,852	(309,618)
Total capital assets, being depreciated, net	589,813	(53,345)	(14,589)	521,879
Governmental activities capital assets, net	\$ 1,031,917	\$ (53,345)	\$ (14,589)	\$ 963,983

Depreciation expense was charged to governmental functions as follows:

General government	\$ 7,237
Public safety	3,900
Public works	42,208
Total depreciation expense	\$ 53,345

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

	June 30, 2017	Additions	Deductions	June 30, 2018
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	\$ 28,100	\$ -	\$ -	\$ 28,100
Total capital assets, not being depreciated	28,100	-	-	28,100
Capital assets, being depreciated:				
Water and sewer system	7,472,629	74,579	-	7,547,208
Equipment	194,340	-	-	194,340
Total capital assets, being depreciated	7,666,969	74,579	-	7,741,548
Less accumulated depreciation:				
Water and sewer system	(4,270,030)	(248,556)	-	(4,518,586)
Equipment	(101,834)	(12,531)	-	(114,365)
Total accumulated depreciation	(4,371,864)	(261,087)	-	(4,632,951)
Total capital assets, being depreciated, net	3,295,105	(186,508)	-	3,108,597
Business-type activities capital assets, net	\$ 3,323,205	\$ (186,508)	\$ -	\$ 3,136,697

Note 5. Long-term liabilities

The following is a summary of the changes in the governmental type long-term debt obligations:

Description	Interest Rate	Maturity Date	Balances June 30, 2017	Additions	Retirements and Repayments	Balances June 30, 2018	Amount Due in One Year
Compensated absences			\$ 16,068	\$ -	\$ (7,348)	\$ 8,720	\$ 3,439
Note payable Shore United Bank, borrowed under the \$200,000 credit facility	2.55%	12/2018	\$ 165,183	\$ -	\$ (10,000)	\$ 155,183	\$ 155,183
Note payable Shore United Bank - 29428 Sullivan Street	3.00%	9/2018	100,702	-	(3,201)	97,501	97,501
Total governmental type debt			\$ 265,885	\$ -	\$ (13,201)	\$ 252,684	\$ 252,684

The annual requirements to amortize all governmental type debt outstanding are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 252,684	\$ 1,720	\$ 254,404
Total	\$ 252,684	\$ 1,720	\$ 254,404

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term liabilities (Continued)

The following is a summary of the changes in the business type long-term debt obligations:

Description	Interest Rate	Maturity Date	Balances June 30, 2017	Additions	Retirements and Repayments	Balances June 30, 2018	Amount Due in One Year
Compensated absences			\$ 7,721	\$ 5,026	\$ -	\$ 12,747	\$ 4,699
Water system improvement bond of 2000	4.50%	9/2040	\$ 1,191,175	\$ -	\$ (1,191,175)	\$ -	\$ -
Sewer system improvement bond of 2003	4.25%	9/2043	615,250	-	(615,250)	-	-
Sewer system improvement bond of 2003	4.25%	9/2043	1,023,198	-	(1,023,198)	-	-
Note payable Shore United Bank, borrowed under the \$100,000 credit facility	2.55%	12/2018	92,844	-	(20,000)	72,844	72,844
Note payable Shore United Bank, borrowed under the \$200,000 credit facility	2.55%	12/2018	31,000	-	-	31,000	31,000
DHCD Infrastructure Bond, 2017 Series A-1	3.35%	4/2040	-	1,213,784	(33,284)	1,180,500	40,500
DHCD Infrastructure Bond, 2017 Series A-2	3.48%	4/2043	-	623,768	(14,268)	609,500	17,500
DHCD Infrastructure Bond, 2017 Series A-3	3.48%	4/2043	-	1,037,556	(23,556)	1,014,000	29,000
Note payable Shore United Bank, borrowed under the \$1,140,000 credit facility	2.55%	2/2020	-	50,595	-	50,595	50,594
Bond premiums			-	24,414	(984)	23,430	1,065
Total business type debt			\$ 2,953,467	\$ 2,950,117	\$ (2,921,715)	\$ 2,981,869	\$ 242,503

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term liabilities (Continued)

The annual requirements to amortize all business type debt outstanding are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 242,503	\$ 89,150	\$ 331,653
2020	90,065	86,382	176,447
2021	92,065	84,557	176,622
2022	93,565	82,692	176,257
2023	95,565	80,796	176,361
2024 - 2028	511,325	371,597	882,922
2029 - 2033	586,325	293,861	880,186
2034 - 2038	687,325	192,607	879,932
2039 - 2043	583,131	63,281	646,412
Total	\$ 2,981,869	\$ 1,344,923	\$ 4,326,792

Note 6. Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For general, property, 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 coverage and operate under the terms of the Trust Agreement.

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

The Town is fully insured for workers' compensation, employee health, and accidental insurance through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing acts of embezzlement or theft. There have been no significant reductions in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 7. Operating Lease

The Town holds two operating leases for office equipment. Lease expense for the year ended June 30, 2018 was approximately \$6,000.

Office copier - 60 month term, maturing January 2020. Payments are due monthly, with a minimum payment of \$333.

Office mail equipment - 63 month term, maturing May 2021. Payments due quarterly, minimum payment \$423.

Minimum Lease Payments		
2019	\$	6,000
2020		4,000
2021		2,000

Note 8. Pension Expense

The Town participates in a deferred Compensation Plan administered by Nationwide Retirement Solutions. The Town contributes at a rate of 3% of each eligible employee's salary. Participants are vested after an initial six month employment probationary period and are entitled to 100% of vested contributions. The plan is a deferred Compensation Plan qualified under section 457(b) of the Internal Revenue Code. Pension expense for the year ended June 30, 2018 was \$7,006.

Note 9. Commitments, Contingencies and Subsequent Events

The Town is the recipient of several state-shared taxes and grants. These programs are subject to audit and retroactive adjustment which could result in reimbursement to the State.

An agreement with Rocks Engineering to fund the planning department is in effect until the Town receives the 500th building permit issued in the Lakeside Development, as per the Developer's Rights and Responsibilities Agreement. Once this agreement comes to an end, it will have a negative impact on this department.

Note 10. Required Fund Disclosures

The following had expenditures exceeding budgeted amounts:

Funds	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
Water and Sewer	\$ 580,344	\$ 724,263	\$ 143,919

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TRAPPE, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
REVENUE DETAIL
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Taxes:				
Property taxes	\$ 228,690	\$ 228,690	\$ 230,055	\$ 1,365
Corporate & Public Utilities taxes	34,000	34,000	29,537	(4,463)
Total taxes	262,690	262,690	259,592	(3,098)
Local income taxes	60,000	60,000	69,451	9,451
Grants	172,150	172,150	74,370	(97,780)
Intergovernmental	39,333	39,333	38,847	(486)
Licenses and permits	7,525	7,525	14,621	7,096
Interest	750	750	582	(168)
Trash pick-up	58,800	58,800	60,950	2,150
Rental income	16,800	16,800	17,956	1,156
Other	-	-	22,536	22,536
Total revenue	\$ 618,048	\$ 618,048	\$ 558,905	\$ (59,143)

TOWN OF TRAPPE, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
EXPENDITURE DETAIL
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget
GENERAL GOVERNMENT:				
Legislative:				
Town commissioner's salaries	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Other legislative	5,800	5,800	5,600	200
	15,800	15,800	15,600	200
Financial administration:				
Town office salary	73,180	73,180	72,879	301
Payroll taxes and benefits	73,700	73,700	51,519	22,181
Office expense	15,820	15,820	17,142	(1,322)
Professional fees	40,000	40,000	38,238	1,762
Other financial administrative	32,112	32,112	33,714	(1,602)
	234,812	234,812	213,492	21,320
Planning department:				
Reimbursable salaries and insurance	67,711	67,711	51,165	16,546
Other planning department	6,000	6,000	2,265	3,735
	73,711	73,711	53,430	20,281
Total general government	324,323	324,323	282,522	41,801
PUBLIC SAFETY:				
Volunteer fire department	10,000	10,000	10,000	-
Reimbursable salaries and insurance	71,246	71,246	8,925	62,321
Other public safety	43,441	43,441	17,855	25,586
Total public safety	124,687	124,687	36,780	87,907
PUBLIC WORKS:				
Storm water management	2,000	2,000	300	1,700
Streets	49,500	49,500	51,480	(1,980)
Sanitation	58,200	58,200	58,094	106
Other public works	18,316	18,316	17,822	494
Total public works	128,016	128,016	127,696	320

TOWN OF TRAPPE, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
EXPENDITURE DETAIL
Year Ended June 30, 2018
(continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
DEBT SERVICE:				
Principal retirement	\$ 12,500	\$ 12,500	\$ 13,201	\$ (701)
Interest expense	9,370	9,370	6,882	2,488
Total debt service	21,870	21,870	20,083	1,787
CAPITAL OUTLAY				
	19,152	19,152	-	19,152
Total expenditures	618,048	618,048	467,081	150,967
Excess (deficiency) of revenue over expenditures	-	-	91,824	91,824
OTHER FINANCING SOURCES:				
Operating transfer in/(out)	-	-	(22,856)	(22,856)
	-	-	(22,856)	(22,856)
Net change in fund balance	\$ -	\$ -	\$ 68,968	\$ 68,968

OTHER SUPPLEMENTARY INFORMATION

TOWN OF TRAPPE, MARYLAND

**OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND
REVENUE AND EXPENSE DETAIL
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES:				
Charges for services	\$ 789,414	\$ 789,414	\$ 794,774	\$ 5,360
Miscellaneous	500	500	21,232	20,732
Total operating revenues	789,914	789,914	816,006	26,092
OPERATING EXPENSES:				
Salaries	119,874	119,874	127,196	(7,322)
Payroll taxes and benefits	22,100	22,100	20,780	1,320
Depreciation	-	-	261,087	(261,087)
Electric	46,000	46,000	46,381	(381)
Supplies	40,000	40,000	31,344	8,656
Supervisory Services	5,000	5,000	9,043	(4,043)
Repairs and maintenance	66,365	66,365	71,176	(4,811)
Other operating expenses	281,005	281,005	157,256	123,749
Total operating expenses	580,344	580,344	724,263	(143,919)
Operating income (loss)	209,570	209,570	91,743	(117,827)
NONOPERATING REVENUES (EXPENSES):				
Operating transfer in/(out)	-	-	22,856	22,856
Debt principle payments	(83,900)	(83,900)	-	83,900
Interest expense	(125,700)	(125,700)	(97,575)	28,125
Interest income	30	30	116	86
Total nonoperating revenues (expenses)	(209,570)	(209,570)	(74,603)	134,967
Change in net position	\$ -	\$ -	\$ 17,140	\$ 17,140

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



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

Commissioners of Trappe
Town of Trappe, Maryland
Trappe, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Trappe, Maryland ("the Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified the following deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

Finding Number 2018-1

Criteria: Proper segregation of duties should be in place to strengthen internal controls to provide reasonable assurance that a material misstatement to the financial statements is prevented.

Condition: We noted that the system currently in place creates conflicts within duties assigned to a single individual and produces a high level of internal control risk. During our audit, we noted a lack of segregation of duties.

Cause: The lack of appropriately designed internal control systems has produced conflicts regarding assigned duties.

Effect: Segregation of duties issues do not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, the misappropriation of assets and/or errors on a timely basis.

Recommendation: We recommend that, when possible, responsibilities for authorization, recording, and maintaining custody of assets be assigned to different employees. In situations where this is not possible, we recommend the implementation of certain transaction review controls. It is important to note that review controls do not eliminate all risk when segregation of duties conflicts exist, and management and those charged with governance need to be aware of such risks.

Identification of Repeat Finding: Due to the nature and size of the Town, this is a repeat finding.

Views of Responsible Officials: It has been determined that it would not be cost effective for the Town to add additional personnel to ensure complete segregation of duties in the finance department.

Compliance and Other Matters

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

Purpose of this Report

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



Salisbury, Maryland
October 12, 2018