

TOWN OF TRAPPE, MARYLAND

FINANCIAL REPORT

June 30, 2025

TOWN OF TRAPPE, MARYLAND

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INDEPENDENT AUDITORS' REPORT

Commissioners of Trappe
Town of Trappe, Maryland
Trappe, 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, and each major fund of the Town of Trappe, 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, and each major fund 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 conformity 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 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 Auditor's 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2025, the Town adopted new accounting guidance from the Governmental Accounting Standards Board (GASB) Statement No. 101, "Compensated Absences," and Statement No. 102, "Certain Risk Disclosures." Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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 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 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.

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 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. 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 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 27, 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 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.

A handwritten signature in dark ink, appearing to read "UHY LLP", is positioned above the typed name and date.

Salisbury, Maryland
October 27, 2025

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, 2025. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Town's combined net position was \$6,196,508, consisting of \$1,178,933 net investment in capital assets and \$5,017,575 of unrestricted.

The Town's governmental activities net position increased by \$985,132 to \$3,417,543.

The Town's business-type activities net position increased by \$774,916 to \$2,778,965.

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 40% from 2024 to 2025. (See table below) Governmental activities net position increased by 41%, while the business-type activities increased by 39%.

Town's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 3,079,991	\$ 2,663,825	\$ 2,819,276	\$ 2,460,020	\$ 5,899,267	\$ 5,123,845
Capital assets	657,048	643,367	3,983,665	3,120,782	4,640,713	3,764,149
Total assets	\$ 3,737,039	\$ 3,307,192	\$ 6,802,941	\$ 5,580,802	\$ 10,539,980	\$ 8,887,994
Total deferred outflows	\$ -	\$ -	\$ 8,325	\$ 8,880	\$ 8,325	\$ 8,880
Other liabilities	\$ 291,336	\$ 845,287	\$ 567,808	\$ 57,050	\$ 859,144	\$ 902,337
Long-term debt	28,160	29,494	3,464,493	3,528,583	3,492,653	3,558,077
Total liabilities	319,496	874,781	4,032,301	3,585,633	4,351,797	4,460,414
Net investment in capital assets	645,553	628,201	533,380	(386,715)	1,178,933	241,486
Unrestricted	2,771,990	1,804,210	2,245,585	2,390,764	5,017,575	4,194,974
Total net position	\$ 3,417,543	\$ 2,432,411	\$ 2,778,965	\$ 2,004,049	\$ 6,196,508	\$ 4,436,460

The Town's total revenues increased by 11% to \$3,842,545 (See table below). Revenue from business-type activities decreased by 7% to \$2,292,519. Governmental revenues increased by 59% to \$1,550,026, mostly related to an increase in property taxes, income taxes, and impact fees.

The total cost of all programs and services decreased by 22% to \$2,082,497. Costs of business-type activities decreased by 29% to \$1,514,276, mostly due to a decrease in WWTP costs. The Town incurred significant costs in the prior year related to the removal of sludge from the wastewater treatment plant. The cost of governmental activities increased by 4% to \$568,221 due to general increases in costs.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues						
Charges for services	\$ 203,436	\$ 135,270	\$ 1,694,637	\$ 1,743,778	\$ 1,898,073	\$ 1,879,048
Operating grants	187,526	123,037	86,862	638,740	274,388	761,777
Capital grants	53,376	-	400,905	-	454,281	-
General revenues						
Taxes	703,011	542,734	-	-	703,011	542,734
Other	402,677	173,584	110,115	94,832	512,792	268,416
Total revenues	1,550,026	974,625	2,292,519	2,477,350	3,842,545	3,451,975
Expenses						
General government	336,116	314,578	-	-	336,116	314,578
Public safety	20,000	20,000	-	-	20,000	20,000
Public works	212,105	213,105	-	-	212,105	213,105
Debt service - interest	-	48	-	-	-	48
Water and sewer	-	-	1,514,276	2,123,528	1,514,276	2,123,528
Total expenses	568,221	547,731	1,514,276	2,123,528	2,082,497	2,671,259
Transfer in/(out)	3,327	21,707	(3,327)	(21,707)	-	-
Change in net position	\$ 985,132	\$ 448,601	\$ 774,916	\$ 332,115	\$ 1,760,048	\$ 780,716

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues of \$1,550,026 were higher than budgeted revenues. Other revenues were over budget by \$293,869, which mostly relates to impact fees and town improvement fees related to Lakeside Development which were not included in the budget. Those town improvement funds and impact fees totaled \$283,331, and are included with other revenue. The Town was also over budgeted in property taxes, local income taxes, grants, and interest in the amounts of \$128,221, \$100,715, \$83,002, and \$78,808, respectively.

General fund expenditures of \$587,523 were lower than budgeted expenditures of \$769,025 by \$181,502 or 24%, which most relates to over budgeted expenditures related to capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital and Intangible Assets

At June 30, 2025 the Town had \$4,640,713 invested in capital and intangible assets, including facilities, land, equipment, and water and sewer system improvements. This amount represents a net increase (additions, deductions, depreciation, and amortization) from prior year. More detailed information about the Town's capital and intangible assets is presented in note 4 to the financial statements.

Capital and Intangible Assets Net of Depreciation and Amortization

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 406,668	\$ 406,668	\$ -	\$ -	\$ 406,668	\$ 406,668
Construction in Progress	7,079	7,079	1,233,962	482,235	1,241,041	489,314
Land improvements	166,823	188,595	-	-	166,823	188,595
Building improvements	23,683	18,084	-	-	23,683	18,084
Equipment	41,903	8,127	202,323	37,646	244,226	45,773
Right-to-use asset	10,892	14,814	-	-	10,892	14,814
Water and sewer	-	-	2,547,380	2,600,901	2,547,380	2,600,901
Total capital and intangible assets	\$ 657,048	\$ 643,367	\$ 3,983,665	\$ 3,120,782	\$ 4,640,713	\$ 3,764,149

At June 30, 2025 the Town's construction in progress included the following:

	Governmental Activities	Business-type Activities
Greenfield Avenue Project	\$ 7,079	\$ -
WWTP Pumping Station Upgrade	-	1,156,135
WWTP ENR Upgrade	-	76,394
Influent Bar Screen Replacement	-	1,433
Total construction in progress	\$ 7,079	\$ 1,233,962

Debt

At year-end, the Town had \$3,470,105 in bonds, notes, and leases outstanding, a net decrease (additions and repayments) of \$61,438 from last year.

Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Infrastructure Bond of 2017	\$ -	\$ -	\$ 878,500	\$ 924,000	\$ 878,500	\$ 924,000
Infrastructure Bond of 2017	-	-	479,500	499,000	479,500	499,000
Infrastructure Bond of 2017	-	-	798,000	830,500	798,000	830,500
Shore United - \$1,975,500	-	-	469,532	413,106	469,532	413,106
MDE Well Addition	-	-	817,103	832,731	817,103	832,731
Bond premiums	-	-	15,975	17,040	15,975	17,040
Right to-use lease	11,495	15,166	-	-	11,495	15,166
Total debt	\$ 11,495	\$ 15,166	\$ 3,458,610	\$ 3,516,377	\$ 3,470,105	\$ 3,531,543

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 increase for 2025-2026, as all properties within Town limits have been reassessed and new assessment amounts have gone into effect. The property tax rate was not increased for 2025-2026; however, property tax revenue is expected to increase with additional houses being constructed in the Lakeside development. The income from local income taxes is expected to increase for 2025-2026 due to additional residents in Town. State Highway User revenue is expected to increase for 2025-2026 due to additional residents in Town. 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 however continued significant progress has been made due to the additional income from the newly connected houses within the Lakeside Development. The Town continues to seek additional grant funding opportunities to contribute to the expense of upgrading the Town's existing wastewater treatment plant to an ENR plant and continues to build reserve funds to prepare for necessary upgrades to the Town's infrastructure. The Town's budget is reviewed monthly by the Town Council and revisions will be recommended when and where necessary. As of June 30, 2025, 168 houses from the Lakeside Development have been connected to the Town's infrastructure and connections will continue to grow throughout fiscal year 2026.

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, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,059,787	\$ 2,629,788	\$ 5,689,575
Accounts receivable	20,204	189,488	209,692
Nondepreciable capital assets	413,747	1,233,962	1,647,709
Capital and intangible assets, net	243,301	2,749,703	2,993,004
Total assets	3,737,039	6,802,941	10,539,980
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	8,325	8,325
Total deferred outflows of resources	-	8,325	8,325
LIABILITIES			
Accounts payable	13,139	548,778	561,917
Accrued payroll liabilities	5,828	19,030	24,858
Unearned revenue - ARPA	272,369	-	272,369
Long-term liabilities, due within one year			
Compensated absences	4,287	3,577	7,864
Bonds and notes payable	-	586,787	586,787
Right-to-use lease	3,879	-	3,879
Long-term liabilities, due in more than one year			
Compensated absences	12,378	2,306	14,684
Bonds and notes payable	-	2,871,823	2,871,823
Right-to-use lease	7,616	-	7,616
Total liabilities	319,496	4,032,301	4,351,797
NET POSITION			
Net investment in capital assets	645,553	533,380	1,178,933
Unrestricted	2,771,990	2,245,585	5,017,575
Total net position	\$ 3,417,543	\$ 2,778,965	\$ 6,196,508

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

TOWN OF TRAPPE, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 336,116	\$ 203,436	\$ 94,626	\$ 30,555	\$ (7,499)	\$ -	\$ (7,499)
Public safety	20,000	-	-	-	(20,000)	-	(20,000)
Public works	212,105	-	92,900	22,821	(96,384)	-	(96,384)
Debt Service - Interest	-	-	-	-	-	-	-
Total governmental activities	568,221	203,436	187,526	53,376	(123,883)	-	(123,883)
Business-type activities							
Water and sewer	1,514,276	1,694,637	86,862	400,905	-	668,128	668,128
Total business-type activities	1,514,276	1,694,637	86,862	400,905	-	668,128	668,128
Total	\$ 2,082,497	\$ 1,898,073	\$ 274,388	\$ 454,281	(123,883)	668,128	544,245
General revenues							
Property taxes					461,195	-	461,195
Corporate & public utilities tax					51,101	-	51,101
Local income taxes					190,715	-	190,715
Other income					293,869	368	294,237
Interest income					108,808	109,747	218,555
Transfer in/(out)					3,327	(3,327)	-
Total general revenues and transfers					1,109,015	106,788	1,215,803
Change in net position					985,132	774,916	1,760,048
Net position, beginning of year					2,432,411	2,004,049	4,436,460
Net position, end of year					\$ 3,417,543	\$ 2,778,965	\$ 6,196,508

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

TOWN OF TRAPPE, MARYLAND

BALANCE SHEET GOVERNMENTAL FUND June 30, 2025

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3,059,787
Accounts receivable	20,204
Total assets	\$ 3,079,991
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 13,139
Accrued liabilities	5,828
Compensated absences	4,287
Unearned revenue - ARPA	272,369
Total liabilities	295,623
FUND BALANCES	
Unassigned	2,784,368
Total fund balances	2,784,368
Total liabilities, deferred inflows of resources and fund balances	\$ 3,079,991

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, 2025

Total fund balances, governmental funds	\$ 2,784,368
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Amounts reported for governmental activities in the statement of net position are different because:

Capital and intangible 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.	657,048
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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	(12,378)
Right-to-use lease	(11,495)

Net position of governmental activities in the Statement of Net Position	\$ 3,417,543
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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, 2025

	General Fund
REVENUES:	
Taxes:	
Property taxes	\$ 461,195
Corporate & public utilities tax	51,101
Local income taxes	190,715
Grants	148,002
Intergovernmental	92,900
Licenses and permits	68,831
Interest	108,808
Trash pick-up	134,605
Other	293,869
Total revenues	1,550,026
EXPENDITURES:	
Current:	
General government	332,706
Public Safety	20,000
Public works	181,440
Capital outlay	53,377
Total expenditures	587,523
Excess of revenues over expenditures	962,503
OTHER FINANCING SOURCES (USES):	
Operating transfers in/(out)	3,327
Total other financing sources (uses)	3,327
Net change in fund balance	965,830
Fund balance, beginning of year	1,818,538
Fund balance, end of year	\$ 2,784,368

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 STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

Net change in fund balances, governmental funds	\$ 965,830
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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:

Capital outlay	53,377
Depreciation and amortization expense	(39,696)

Governmental funds report the issuance of long term obligations as income and the repayment of long term obligations as expenditures. However, in the government-wide statements, the issuance and repayment of long term obligations is reported as a change in a long-term liability

Repayment of right-to-use lease	3,671
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Governmental funds report expenditures for compensated absences when paid. However, in the Statement of Activities, these expenditures are recorded when earned.

	1,950
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Change in net position of governmental activities	\$ 985,132
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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, 2025

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u> <u>Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,629,788
Accounts receivable	189,488
Total current assets	2,819,276
Noncurrent assets	
Nondepreciable capital assets	1,233,962
Depreciable capital assets, net	2,749,703
Total noncurrent assets	3,983,665
Total assets	6,802,941
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	8,325
Total deferred outflows of resources	8,325
LIABILITIES	
Current liabilities	
Accounts payable	548,778
Accrued expenses	19,030
Compensated absences	3,577
Current maturities of long-term debt	586,787
Total current liabilities	1,158,172
Noncurrent liabilities	
Compensated absences	2,306
Long-term debt	2,871,823
Total noncurrent liabilities	2,874,129
Total liabilities	4,032,301
NET POSITION	
Net investment in capital assets	533,380
Unrestricted	2,245,585
Total net position	\$ 2,778,965

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

TOWN OF TRAPPE, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION BUSINESS-TYPE ACTIVITIES Year Ended June 30, 2025

	<u>Enterprise Fund</u> Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 1,353,249
Miscellaneous	341,388
Total operating revenues	1,694,637
OPERATING EXPENSES:	
Salaries	189,721
Payroll taxes and benefits	55,737
Depreciation	286,684
Electric	81,529
Supplies	97,384
Supervisory Services	342,377
Repairs and maintenance	113,431
Other operating expenses	251,208
Total operating expenses	1,418,071
Operating income (loss)	276,566
NONOPERATING REVENUES (EXPENSES):	
Transfer in/(out)	(3,327)
Intergovernmental revenues	487,767
Gain on sale of capital asset	368
Interest expense	(96,205)
Interest income	109,747
Total nonoperating revenues (expenses), net	498,350
Change in net position	774,916
Net position, beginning of year	2,004,049
Net position, end of year	\$ 2,778,965

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

TOWN OF TRAPPE, MARYLAND

STATEMENT OF CASH FLOWS BUSINESS-TYPE ACTIVITIES Year Ended June 30, 2025

	<u>Enterprise Fund</u> Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,720,621
Payments to suppliers	(375,171)
Payments to employees	(251,781)
Net cash provided by operating activities	1,093,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Intergovernmental revenues	487,767
Interfund transfers in (out)	(3,327)
Net cash provided by noncapital financing activities	484,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,152,700)
Proceeds from sale of capital assets	3,501
Proceeds from long-term debt	56,426
Principal paid on long-term debt	(114,193)
Deferred charge on refunding	555
Interest paid on long-term debt	(96,205)
Net cash used by capital and related financing activities	(1,302,616)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	109,747
Net cash provided by investing activities	109,747
Net increase in cash and cash equivalents	385,240
Cash and cash equivalents, beginning of year	2,244,548
Cash and cash equivalents, end of year	\$ 2,629,788
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 276,566
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	286,684
(Increase) decrease in assets:	
Accounts receivable	25,984
Increase (decrease) in liabilities:	
Accounts payable	512,033
Accrued expenses	(7,598)
Net cash provided by operating activities	\$ 1,093,669

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

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

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.

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

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.

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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.

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, 2025.

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

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.

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 position. 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, 2025.

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 2. Summary of Significant Accounting Policies (continued)

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 if used within 60 days subsequent to year end.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

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, 2025.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

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.

Q. New Accounting Policies

The Town Adopted Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures at July 1, 2024. GASB Statement No. 101's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model. The adoption of this standard did not require a change in the Town's compensated absences recognition and measurement policy. GASB Statement No. 102's objective is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Town has not identified any events associated with a concentration or constraint that would require disclosure.

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, 2025 the Town had bank deposits with various financial institutions totaling \$5,646,003 (carrying value \$5,689,576) 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, 2025 all deposits were fully insured or collateralized.

As of June 30, 2025, the town has no investments therefore the town has no credit risk.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 4. Capital and Intangible Assets

The following is a summary of changes in capital assets for the year ended June 30, 2025:

	June 30, 2024	Additions	Transfers / Deductions	June 30, 2025
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 406,668	\$ -	\$ -	\$ 406,668
Construction in progress	7,079	-	-	7,079
Total capital assets, not being depreciated	413,747	-	-	413,747
Capital assets, being depreciated:				
Land improvements	522,104	7,250	-	529,354
Building improvements	68,365	7,169	-	75,534
Equipment	142,839	38,958	(5,288)	176,509
Total capital assets, being depreciated	733,308	53,377	(5,288)	781,397
Less accumulated depreciation:				
Land improvements	(333,509)	(29,022)	-	(362,531)
Building improvements	(50,281)	(1,570)	-	(51,851)
Equipment	(134,712)	(5,182)	5,288	(134,606)
Total accumulated depreciation	(518,502)	(35,774)	5,288	(548,988)
Total capital assets, being depreciated, net	214,806	17,603	-	232,409
Governmental activities capital assets, net	\$ 628,553	\$ 17,603	\$ -	\$ 646,156

Depreciation expense was charged to governmental functions as follows:

General government	\$ 5,109
Public works	30,665
Total depreciation expense	\$ 35,774

Intangible right-to-use asset activity for the year ended June 30, 2025 is as follows:

	June 30, 2024	Additions	Transfers / Deductions	June 30, 2025
Intangible right-to-use assets				
Leased equipment	\$ 36,742	\$ -	\$ (16,661)	\$ 20,081
Less accumulated amortization	(21,928)	(3,922)	16,661	(9,189)
Intangible right-to-use assets, net	\$ 14,814	\$ (3,922)	\$ -	\$ 10,892

Amortization expense for the period ended June 30, 2025 totaled \$3,922.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 4. Capital and Intangible Assets (continued)

	June 30, 2024	Additions	Transfers / Deductions	June 30, 2025
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	\$ 482,235	\$ 753,227	\$ (1,500)	\$ 1,233,962
Total capital assets, not being depreciated	482,235	753,227	(1,500)	1,233,962
Capital assets, being depreciated:				
Water and sewer system	8,594,460	205,111	(5,875)	8,793,696
Equipment	244,190	194,362	(23,708)	414,844
Total capital assets, being depreciated	8,838,650	399,473	(29,583)	9,208,540
Less accumulated depreciation:				
Water and sewer system	(5,993,559)	(257,000)	4,243	(6,246,316)
Equipment	(206,544)	(29,684)	23,707	(212,521)
Total accumulated depreciation	(6,200,103)	(286,684)	27,950	(6,458,837)
Total capital assets, being depreciated, net	2,638,547	112,789	(1,633)	2,749,703
Business-type activities capital assets, net	\$ 3,120,782	\$ 866,016	\$ (3,133)	\$ 3,983,665

Construction in progress consists of various improvements to the Town's wastewater treatment plant, including pumping station upgrades, ENR upgrades, and influent bar screen replacement.

The pumping station upgrades project is being funded by a USDA Rural Utility Service (RUS) loan. Shore United Bank is providing interim financing for this project (see Note 5), and the interim financing will be repaid from the proceeds of the USDA RUS loan upon project completion. The total cost of this project is expected to be approximately \$3.1 million and is expected to be complete in January 2026. Total construction in progress for this project is \$1,156,135 at June 30, 2025.

The ENR upgrades project is being funded by the Town. The Town continues to seek grant funding opportunities to contribute to the expense of upgrading the Town's existing wastewater treatment plant to an ENR plant. This project is still in the planning/design phase, which is expected to be completed in January 2026. Total construction in progress for this project is \$76,394 at June 30, 2025.

The influent bar screen replacement project is being funded with a portion of the Town's remaining ARPA funding. The total cost of this project was approximately \$190,000 and was completed in September 2025. Total construction in progress for this project is \$1,433 at June 30, 2025.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

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, 2024	Additions	Retirements and Repayments	Balances June 30, 2025	Amount Due in One Year
Compensated absences			\$ 14,328	\$ 2,337	\$ -	\$ 16,665	\$ 4,287
Intangible right-to-use lease			15,166	-	(3,671)	11,495	3,879
Total governmental type debt			\$ 15,166	\$ -	\$ (3,671)	\$ 11,495	\$ 3,879

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

Description	Interest Rate	Maturity Date	Balances June 30, 2024	Additions	Retirements and Repayments	Balances June 30, 2025	Amount Due in One Year
Compensated absences			\$ 12,206	\$ -	\$ (6,323)	\$ 5,883	\$ 3,577
DHCD Infrastructure Bond, 2017 Series A-1.	3.35%	4/2040	924,000	-	(45,500)	878,500	47,000
DHCD Infrastructure Bond, 2017 Series A-2.	3.48%	4/2043	499,000	-	(19,500)	479,500	20,000
DHCD Infrastructure Bond, 2017 Series A-3.	3.48%	4/2043	830,500	-	(32,500)	798,000	33,500
Maryland Department of the Environment, borrowed under the \$982,310 credit facility.	0.40%	2/2052	832,731	-	(15,628)	817,103	15,690
Bond premiums.			17,040	-	(1,065)	15,975	1,065
Total bonds payable			3,103,271	-	(114,193)	2,989,078	117,255
Note payable Shore United Bank, borrowed under the \$1,975,500 credit facility.	5.25%	6/2026	413,106	56,426	-	469,532	469,532
Total notes payable			413,106	56,426	-	469,532	469,532
Total business type debt			\$ 3,516,377	\$ 56,426	\$ (114,193)	\$ 3,458,610	\$ 586,787

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 5. Long-term liabilities (Continued)

In August 2017, the Town issued 2017 Series A-1, A-2 and A-3, Infrastructure Bonds, with interest rates ranging between 3.35% and 3.48%. The proceeds of \$2,875,108 were used to refund \$1,191,175 of the water system improvement bond of 2000, \$615,250 of the sewer system improvement bond of 2003, and \$1,023,198 of the sewer system improvement bond of 2003. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$12,727, recorded as a deferred charge on refunding on the statement of net position. This difference is being charged to operations as a component of interest expense through the year 2040. The Town completed the refunding to reduce the total debt service payments over a period of 27 years by approximately \$518,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$149,000.

The annual requirements to amortize all business type bonds and notes outstanding are as follows:

Fiscal Year Ending June 30,	Bonds		Notes	
	Principal	Interest	Principal	Interest
2026	\$ 117,255	\$ 76,388	\$ 469,532	\$ 24,650
2027	121,818	73,848	-	-
2028	123,381	70,582	-	-
2029	126,444	67,271	-	-
2030	129,508	63,868	-	-
2031 - 2035	1,092,592	262,472	-	-
2036 - 2040	818,627	147,859	-	-
2041 - 2045	356,462	25,426	-	-
2046 - 2050	85,655	1,377	-	-
2051	17,336	69	-	-
Total	\$ 2,989,078	\$ 789,160	\$ 469,532	\$ 24,650

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.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

Note 6. Risk Management (Continued)

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.

Note 7. Intangible Right-to-Use Leases

In accordance with GASB No. 87, *Leases*, the Town has recognized the value of various equipment leased under long-term contracts along with a related right of use asset.

The Town has various lease agreements for equipment. Payments under these leases total approximately \$4,200 per year. These leases range from the period 2022 through 2029. For purposes of discounting future payments on these leases, the Town used its incremental borrowing rate in place at the time of lease inception ranging from 2.65% - 8.50%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 4.

The future minimum lease payments are approximately as follows:

	Equipment		
	Principal	Interest	Total
2026	\$ 3,879	\$ 964	\$ 4,843
2027	4,102	607	4,709
2028	2,291	211	2,502
2029	1,223	31	1,254
Total	\$ 11,495	\$ 1,813	\$ 13,308

Interest expense on the above intangible right-to-use assets was approximately \$900 for the year ended June 30, 2025.

TOWN OF TRAPPE, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2025

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, 2025 was \$10,016.

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 could have a negative impact on this department.

The Town has an Allocation Agreement with the Lakeside development to connect the development's first 120 houses to the Town's existing wastewater treatment plant. Lakeside completed construction on their treatment plant which is now fully operation and have pulled back their 120 connections from the Town. Lakeside still owns the connections but are not currently utilizing them. The Town retained the 120 connection fees and at this time there are no plans to return that money to Lakeside.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TRAPPE, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND REVENUE DETAIL Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Taxes:				
Property taxes	\$ 332,974	\$ 332,974	\$ 461,195	\$ 128,221
Corporate & Public Utilities taxes	47,500	47,500	51,101	3,601
Total taxes	380,474	380,474	512,296	131,822
Local income taxes	90,000	90,000	190,715	100,715
Grants	65,000	65,000	148,002	83,002
Intergovernmental	85,551	85,551	92,900	7,349
Licenses and permits	18,000	18,000	68,831	50,831
Interest	30,000	30,000	108,808	78,808
Trash pick-up	100,000	100,000	134,605	34,605
Other	-	-	293,869	293,869
Total revenue	\$ 769,025	\$ 769,025	\$ 1,550,026	\$ 781,001

TOWN OF TRAPPE, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND EXPENDITURE DETAIL Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
GENERAL GOVERNMENT:				
Legislative:				
Town commissioner's salaries	\$ 11,000	\$ 11,000	\$ 13,000	\$ (2,000)
Other legislative	6,500	6,500	5,975	525
	17,500	17,500	18,975	(1,475)
Financial administration:				
Town office salary	96,236	96,236	98,546	(2,310)
Payroll taxes and benefits	47,350	47,350	46,353	997
Office expense	20,000	20,000	21,933	(1,933)
Professional fees	41,000	41,000	38,296	2,704
Other financial administrative	25,100	25,100	30,839	(5,739)
	229,686	229,686	235,967	(6,281)
Planning department:				
Reimbursable salaries and insurance	41,200	41,200	42,519	(1,319)
Other planning department	30,500	30,500	35,245	(4,745)
	71,700	71,700	77,764	(6,064)
Total general government	318,886	318,886	332,706	(13,820)
PUBLIC SAFETY:				
Volunteer fire department	20,000	20,000	20,000	-
Total public safety	20,000	20,000	20,000	-
PUBLIC WORKS:				
Storm water management	15,000	15,000	10,075	4,925
Streets	50,700	50,700	35,945	14,755
Sanitation	100,000	100,000	100,239	(239)
Other public works	264,439	264,439	88,558	175,881
Total public works	430,139	430,139	234,817	195,322
Total expenditures	769,025	769,025	587,523	181,502
Excess (deficiency) of revenue over expenditures	-	-	962,503	962,503
OTHER FINANCING SOURCES (USES):				
Operating transfer in/(out)	-	-	3,327	3,327
	-	-	3,327	3,327
Net change in fund balance	\$ -	\$ -	\$ 965,830	\$ 965,830

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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES:				
Charges for services	\$ 1,201,137	\$ 1,201,137	\$ 1,353,249	\$ 152,112
Miscellaneous	500	500	341,388	340,888
Total operating revenues	1,201,637	1,201,637	1,694,637	493,000
OPERATING EXPENSES:				
Salaries	196,204	196,204	189,721	6,483
Payroll taxes and benefits	53,400	53,400	55,737	(2,337)
Depreciation	-	-	286,684	(286,684)
Electric	75,000	75,000	81,529	(6,529)
Supplies	125,000	125,000	97,384	27,616
Supervisory Services	10,000	10,000	342,377	(332,377)
Repairs and maintenance	130,700	130,700	113,431	17,269
Other operating expenses	439,749	439,749	251,208	188,541
Total operating expenses	1,030,053	1,030,053	1,418,071	(388,018)
Operating income (loss)	171,584	171,584	276,566	104,982
NONOPERATING REVENUES (EXPENSES):				
Operating transfer in/(out)	-	-	(3,327)	(3,327)
Intergovernmental revenues	-	-	487,767	487,767
Debt principal payments	(97,500)	(97,500)	-	97,500
Gain on sale of capital asset	-	-	368	368
Interest expense	(94,084)	(94,084)	(96,205)	(2,121)
Interest income	20,000	20,000	109,747	89,747
Total nonoperating revenues (expenses), net	(171,584)	(171,584)	498,350	669,934
Change in net position	\$ -	\$ -	\$ 774,916	\$ 774,916



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, 2025, 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 27, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Report on Compliance and Other Matters

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

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.

A stylized, handwritten signature in dark blue ink that reads "UHY LLP". The letters are cursive and fluid, with the "U" and "H" being particularly prominent.

Salisbury, Maryland
October 27, 2025