TOWN OF TRAPPE, MARYLAND

FINANCIAL REPORT

June 30, 2026

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, 2026, 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, 2026, 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, 2026, the Town adopted new accounting guidance from the Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and Statement No. 104, *Disclosure of Certain Capital Assets*. Our opinion is not modified with respect to this matter.

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, 2026 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.



Salisbury, Maryland
October 27, 2026

TOWN OF TRAPPE, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Town of Trappe, Maryland's (the "Town") financial activities is an overview of the Town's financial performance for the fiscal year ended June 30, 2026. Please read it in conjunction with the Town's basic financial statements which follow this management's discussion and analysis ("MD&A").

OVERVIEW OF THE FINANCIAL STATEMENTS

Using the financial section of this financial report

The financial section of this report has five components—independent auditors' report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The MD&A is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements consist of three components—government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide a broad overview of the Town's finances, in a manner like private-sector business. The statements provide readers with an insight into short-term and long-term financial position for the Town during the fiscal year.

The *Statement of Net Position* presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or declining. In addition, non-financial factors, such as a change in the Town's real estate assessment values or the condition of the Town's facilities and infrastructure, should be considered in assessing the overall financial health of the Town.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is received or paid (accrual basis of accounting). Thus, certain revenues and expenses are reported in this statement for items that will result in cash flows for future periods (e.g., uncollected taxes and earned but unused employee annual leave).

Both government-wide financial statements divide the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a substantial portion of their expenses through user fees and charges (business-type activities). The government-wide financial statements are divided as follows:

Governmental Activities—Many of the activities, programs and services traditionally identified with government are reported here. These activities and services are general government, public safety, and public works. These activities are financed primarily through property taxes, other local taxes, charges for services, and intergovernmental revenues (federal, state, and local grants).

Business-type Activities—These activities are intended to recover all or a significant portion of their expenditures through charges for services or user fees. At the end of the fiscal year, the Town has one business-type activities fund: the Water and Sewer Fund (provides customers with water distribution and sewer conveyance).

Fund financial statements

The fund financial statements provide more detailed information about the Town's most significant funds. A "fund" is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or purposes. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town has no fiduciary funds.

Governmental Funds—Most of the Town's basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances remaining at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The Town's only governmental fund is the General Fund.

Proprietary Funds—These funds are used to account for the operations that are financed in a manner like private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both short-term and long-term financial information. The Town uses *enterprise funds* (one type of proprietary fund) to account for the activities of the Water and Sewer Fund.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the section titled "Notes to the Financial Statements" of this report which immediately follows the basic financial statements.

FINANCIAL SUMMARY

- The Town's total net position at the end of the current fiscal year is $7,789,263, which represents an increase of $1,592,755 or 26% from the prior year. Of this amount, $6,739,818 in unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. See Table 1 for more information.

- The Town's governmental activities net position increased by $709,343 in fiscal year 2026 versus $985,132 in fiscal year 2025. The fiscal year 2026 increase was approximately $276 thousand less than last year due to the decrease in other income of approximately $220 thousand. See Table 2 for more information.

- For the Town's business-type activities, net position increased by $883,412 in fiscal year 2026 versus an increase of $774,916 in fiscal year 2025. The fiscal year 2026 increase was $108 thousand more than last year due to increase in capital grants of $294 thousand. See Table 2 for more information.

- As of the close of fiscal year 2026, the Town's governmental funds reported ending fund balance of $3,524,194, an increase of $739,826 from fiscal year 2025. The General Fund balance increase was driven by revenues exceeding expenditures. See Table 3 for more information.

- The General Fund's unassigned fund balance is available for spending at the Town's discretion and represents 100 percent of the total fund balance of the governmental funds. See Table 3 for more information.

- The Town's net capital assets increased by $2,339,401 or 50% from the prior fiscal year, mostly due to current year investments in the water and sewer system. See Table 4 for more information.

- The Town's total long-term obligations are $5,961,707, which is an increase of $2,469,054, from the prior year. See Table 5 for more information.

DETAILED ANALYSES

Statement of Net Position:

The following table presents the condensed Statement of Net Position in comparative format:

Table 1
Summary Statement of Net Position
Comparison as of June 30

	Governmental Activities		Business-type Activities		Total	
	2026	2025	**2026**	2025	**2026**	2025
Current and other assets	**$ 3,551,871**	$ 3,079,991	**$ 3,492,632**	$ 2,819,276	**$ 7,044,503**	$ 5,899,267
Capital assets	**621,766**	657,048	**6,358,348**	3,983,665	**6,980,114**	4,640,713
Total assets	**4,173,637**	3,737,039	**9,850,980**	6,802,941	**14,024,617**	10,539,980
Total deferred outflows	**-**	-	**7,770**	8,325	**7,770**	8,325
Other liabilities	**22,887**	291,336	**258,530**	567,808	**281,417**	859,144
Long-term debt	**23,864**	28,160	**5,937,843**	3,464,493	**5,961,707**	3,492,653
Total liabilities	**46,751**	319,496	**6,196,373**	4,032,301	**6,243,124**	4,351,797
Net investment in capital assets	**614,150**	645,553	**435,295**	533,380	**1,049,445**	1,178,933
Unrestricted	**3,512,736**	2,771,990	**3,227,082**	2,245,585	**6,739,818**	5,017,575
Total net position	**$ 4,126,886**	$ 3,417,543	**$ 3,662,377**	$ 2,778,965	**$ 7,789,263**	$ 6,196,508

Net position may serve over time as a useful indicator of the Town's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $7,789,263, representing an increase of $1,592,755 from the prior year. About 87 percent of the Town's net position is unrestricted and available to meet the Town's ongoing obligations to citizens and creditors.

The net position sub-component, labeled "Net investment in capital assets," reflects the Town's investment in capital assets, net of accumulated depreciation and amortization and outstanding debt associated with acquisitions. The Town uses its capital assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets would not likely be used to liquidate these liabilities.

Statement of Activities:

The following table summarizes Changes in Net Position in comparative format:

Table 2
Summary of Changes in Net Position
Comparison for the years ended June 30

	Governmental Activities		Business-type Activities		Total	
	2026	2025	**2026**	2025	**2026**	2025
Revenues						
Program revenues						
Charges for services	**$ 186,066**	$ 203,436	**$ 1,431,461**	$ 1,694,637	**$ 1,617,527**	$ 1,898,073
Operating grants	**183,744**	187,526	**-**	86,862	**183,744**	274,388
Capital grants	**-**	53,376	**695,303**	400,905	**695,303**	454,281
General revenues						
Taxes	**833,983**	703,011	**-**	-	**833,983**	703,011
Other	**182,948**	402,677	**321,822**	110,115	**504,770**	512,792
Total revenues	**1,386,741**	1,550,026	**2,448,586**	2,292,519	**3,835,327**	3,842,545
Expenses						
General government	**351,948**	336,116	**-**	-	**351,948**	336,116
Public safety	**20,000**	20,000	**-**	-	**20,000**	20,000
Public works	**270,938**	212,105	**-**	-	**270,938**	212,105
Water and sewer	**-**	-	**1,599,686**	1,514,276	**1,599,686**	1,514,276
Total expenses	**642,886**	568,221	**1,599,686**	1,514,276	**2,242,572**	2,082,497
Transfer in/(out)	**(34,512)**	3,327	**34,512**	(3,327)	**-**	-
Change in net position	**709,343**	985,132	**883,412**	774,916	**1,592,755**	1,760,048
Net position, beginning	**3,417,543**	2,432,411	**2,778,965**	2,004,049	**6,196,508**	4,436,460
Net position, ending	**$ 4,126,886**	$ 3,417,543	**$ 3,662,377**	$ 2,778,965	**$ 7,789,263**	$ 6,196,508

Governmental Activities

During the current fiscal year, governmental activities increased the Town's net position by $709,343.

Revenues: For the current fiscal year end, revenues for governmental activities totaled $1,386,741, a decrease of $163,285 or 11 percent from the prior fiscal year. The majority of the changes relate to the following:

- In 2025, the Town received $209 thousand more in impact fee revenue which is included in other income.
- Charges for services decreased by $17 thousand from the prior year mostly due to a decrease in building and inspection fees.
- Capital grant revenue decreased by $53 thousand mostly due to the use of all the remaining ARPA money in 2025.

Expenses: For the current fiscal year end, expenses for governmental activities totaled $642,886, an increase of $74,665 or 13% from the prior fiscal year. The majority of the changes relate to the following:

- General government expenses increased by $15,832 mostly due to an increase in town hall maintenance costs.
- Public works expenses increased by $58,833 mostly due to an increase in paving and sidewalk repairs.

Business-type Activities

During the current fiscal year, business-type activities increased the Town's net position by $883,412.

Revenues: For the current fiscal year end, revenues for business-type activities totaled $2,448,586, an increase of $156,067 or 7% from the prior fiscal year. The majority of the changes relate to the following:

- In 2025, the Town recorded $86,862 of ARPA related operating grant revenue.
- In addition, the Town recorded $38 thousand of capacity fee service charges in 2026 that did not occur in 2025.

Expenses: For the current fiscal year end, expenses for business-type activities totaled $1,599,686, an increase of $85,410 or 6% from the prior fiscal year. The majority of the changes relate to the following:

- An increase in depreciation expense related to the significant capital improvements made to the water and sewer system.
- An increase in interest expense related to an increase of $2.5 million in bonds and notes payable.

Financial analysis of the Town's funds

Governmental funds—The General Fund is the major operating governmental fund of the Town. See Note 2 in the notes to financial statements section for more fund information.

The following table summarizes Governmental Fund Balances in comparative format:

Table 3
Governmental Fund Balances
Comparison as of June 30

	General Fund	
	2026	2025
Nonspendable	**$ -**	$ -
Restricted	**-**	-
Committed	**-**	-
Assigned	**-**	-
Unassigned	**3,524,194**	2,784,368
Total fund balance	**$ 3,524,194**	$ 2,784,368

As of the end of the current fiscal year, the Town's total governmental fund balance, which is made up entirely by the General fund, increased by $739,826. That increase went entirely into the unassigned fund balance.

Proprietary funds—The financial statements for the Town's enterprise funds, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements for business-type activities, but in greater detail.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Capital assets

At June 30, 2026, the Town held $6,980,114 invested in a broad range of capital and leased capital assets, net of depreciation and amortization. This amount represents a net increase (including additions, disposals, depreciation, and amortization) of $2,339,401 or 50% from last year. The following tables (Note 4) reflect additions and disposals of capital and leased capital assets for governmental and business-type activities.

Table 4
Summary of Capital Assets
Comparison as of June 30

Governmental Activities Capital Assets:

	2025	Additions	Transfers / Disposals	2026
Land	$ 406,668	$ -	$ -	$ 406,668
Construction in progress	7,079	-	-	7,079
Land improvements	529,354	-	-	529,354
Building improvements	75,534	-	-	75,534
Equipment	176,509	6,850	-	183,359
Leased assets - equipment	20,081	-	-	20,081
Less: Accumulated depreciation	(548,988)	(38,210)	-	(587,198)
Less: Accumulated amortization	(9,189)	(3,922)	-	(13,111)
Total Capital Assets, Net	$ 657,048	$ (35,282)	$ -	$ 621,766

Business-type Activities Capital Assets:

	2025	Additions	Transfers / Disposals	2026
Construction in progress	$ 1,233,962	$ 565,931	$ (1,125,318)	$ 674,575
Water and sewer system	8,793,696	2,149,875	1,125,318	12,068,889
Equipment	414,844	-	-	414,844
Less: Accumulated depreciation	(6,458,837)	(341,123)	-	(6,799,960)
Total Capital Assets, Net	$ 3,983,665	$ 2,374,683	$ -	$ 6,358,348

Explanations for significant changes in total capital asset balances compared to the prior year are as follows:

Current year additions:	
Mower	$ 6,850
Sewer system	2,715,806
Less:	
Net transfers / disposals	-
Depreciation and amortization	(383,255)
Net change in capital assets	$ 2,339,401

Long-term financing activity

The following table summarizes Long-Term Debt information (Note 5) in comparative format.

Table 5
Summary of Long-Term Obligations
Comparison as of June 30

Governmental Activities long-term obligations:

	2025	Additions	Reductions	2026
Compensated absences	$ 16,665	$ -	$ (417)	$ 16,248
Intangible right-to-use lease	11,495	-	(3,879)	7,616
Total long-term liabilities	$ 28,160	$ -	$ (4,296)	$ 23,864

Business-type Activities long-term obligations:

	2025	Additions	Reductions	2026
Compensated absences	$ 5,883	$ 1,137	$ -	$ 7,020
Bonds and notes payable	3,458,610	5,116,547	(2,644,334)	5,930,823
Total long-term liabilities	$ 3,464,493	$ 5,117,684	$ (2,644,334)	$ 5,937,843

At the end of fiscal year 2026, the Town had $5,961,707 in outstanding long-term obligations which includes compensated absences, lease liability, and bonds and notes payable, as reflected in the above table. Explanations for significant changes in total long-term obligations compared to the prior year are as follows:

Net increase (decrease) in compensated absences	$	720
Repayment of right-to-use lease		(3,879)
Proceeds from bonds and notes payable		5,116,547
Repayment of bonds and notes payable		(2,644,334)
Net change in long-term obligations	$	2,469,054

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The total adopted fiscal year 2027 budget (all funds), including inter-fund transfers, is $2,479,042, which is approximately 6.2% higher than the adopted budget for fiscal year 2026. This increase of $143,896 is the result of additions in the governmental funds of $60,962 and proprietary funds of $82,934.

The real property assessment remains the same as the prior year at $.33 per $100 assessed value under the 2027 budget. Property tax revenues are expected to increase with additional houses being constructed in the Lakeside development.

Water and sewer rates remain the same as the prior year.

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, 2026, 220 houses from the Lakeside Development have been connected to the Town's infrastructure and connections will continue to grow throughout fiscal year 2027.

Contacting the Town's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Office, PO Box 162, Trappe, MD 21673.

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TOWN OF TRAPPE, MARYLAND

STATEMENT OF NET POSITION
June 30, 2026

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,527,907	$ 3,159,337	$ 6,687,244
Receivables:			
Service charges	-	149,942	149,942
Other	1,013	-	1,013
Due from other governments	22,951	183,353	206,304
Nondepreciable capital assets	413,747	674,575	1,088,322
Capital and intangible assets, net	208,019	5,683,773	5,891,792
Total assets	4,173,637	9,850,980	14,024,617
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	7,770	7,770
Total deferred outflows of resources	-	7,770	7,770
LIABILITIES			
Accounts payable	13,127	231,596	244,723
Accrued liabilities	9,760	26,934	36,694
Long-term liabilities, due within one year			
Compensated absences	4,790	2,687	7,477
Bonds and notes payable	-	713,364	713,364
Right-to-use lease	4,102	-	4,102
Long-term liabilities, due in more than one year			
Compensated absences	11,458	4,333	15,791
Bonds and notes payable	-	5,217,459	5,217,459
Right-to-use lease	3,514	-	3,514
Total liabilities	46,751	6,196,373	6,243,124
NET POSITION			
Net investment in capital assets	614,150	435,295	1,049,445
Unrestricted	3,512,736	3,227,082	6,739,818
Total net position	$ 4,126,886	$ 3,662,377	$ 7,789,263

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

TOWN OF TRAPPE, MARYLAND

STATEMENT OF ACTIVITIES
Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-type Activities	Total
Governmental activities							
General government	$ 351,948	$ 186,066	$ 65,000	$ -	$ (100,882)	$ -	$ (100,882)
Public safety	20,000	-	-	-	(20,000)	-	(20,000)
Public works	270,938	-	118,744	-	(152,194)	-	(152,194)
Total governmental activities	642,886	186,066	183,744	-	(273,076)	-	(273,076)
Business-type activities							
Water and sewer	1,599,686	1,431,461	-	695,303	-	527,078	527,078
Total business-type activities	1,599,686	1,431,461	-	695,303	-	527,078	527,078
Total	$ 2,242,572	$ 1,617,527	$ 183,744	$ 695,303	(273,076)	527,078	254,002
General revenues							
Property taxes					551,996	-	551,996
Corporate & public utilities tax					56,014	-	56,014
Local income taxes					225,973	-	225,973
Other income					81,779	214,294	296,073
Interest income					101,169	107,528	208,697
Transfer in/(out)					(34,512)	34,512	-
Total general revenues and transfers					982,419	356,334	1,338,753
Change in net position					709,343	883,412	1,592,755
Net position, beginning of year					3,417,543	2,778,965	6,196,508
Net position, end of year					$ 4,126,886	$ 3,662,377	$ 7,789,263

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

TOWN OF TRAPPE, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2026

	General Fund
ASSETS	
Cash and cash equivalents	$ 3,527,907
Receivables:	
Other	1,013
Due from other governments	22,951
Total assets	$ 3,551,871
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	13,127
Accrued liabilities	9,760
Compensated absences	4,790
Total liabilities	27,677
FUND BALANCES	
Unassigned	3,524,194
Total fund balances	3,524,194
Total liabilities and fund balances	$ 3,551,871

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, 2026

Total fund balances, governmental funds	$ 3,524,194
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.	621,766
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	(11,458)
Right-to-use lease	(7,616)
Net position of governmental activities in the Statement of Net Position	$ 4,126,886

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, 2026

	General Fund
REVENUES:	
Taxes:	
Property taxes	$ 551,996
Corporate & public utilities tax	56,014
Local income taxes	225,973
Grants	65,000
Intergovernmental	118,744
Licenses and permits	36,240
Interest	101,169
Trash pick-up	149,826
Other	81,779
Total revenues	1,386,741
EXPENDITURES:	
Current:	
General government	346,445
Public Safety	20,000
Public works	239,108
Capital outlay	6,850
Total expenditures	612,403
Excess of revenues over expenditures	774,338
OTHER FINANCING SOURCES (USES):	
Operating transfers in/(out)	(34,512)
Total other financing sources (uses)	(34,512)
Net change in fund balance	739,826
Fund balance, beginning of year	2,784,368
Fund balance, end of year	$ 3,524,194

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, 2026

Net change in fund balances, governmental funds	$	739,826
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		6,850
Depreciation and amortization expense		(42,132)
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		3,879
Governmental funds report expenditures for compensated absences when paid. However, in the Statement of Activities, these expenditures are recorded when earned.		920
Change in net position of governmental activities	$	709,343

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, 2026

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 3,159,337
Receivables:	
Service charges	149,942
Due from other governments	183,353
Total current assets	3,492,632
Noncurrent assets	
Nondepreciable capital assets	674,575
Depreciable capital assets, net	5,683,773
Total noncurrent assets	6,358,348
Total assets	9,850,980
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	7,770
Total deferred outflows of resources	7,770
LIABILITIES	
Current liabilities	
Accounts payable	231,596
Accrued expenses	26,934
Compensated absences	2,687
Current maturities of long-term debt	713,364
Total current liabilities	974,581
Noncurrent liabilities	
Compensated absences	4,333
Long-term debt	5,217,459
Total noncurrent liabilities	5,221,792
Total liabilities	6,196,373
NET POSITION	
Net investment in capital assets	435,295
Unrestricted	3,227,082
Total net position	$ 3,662,377

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, 2026

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	$ 1,431,461
Total operating revenues	1,431,461
OPERATING EXPENSES:	
Salaries	169,223
Payroll taxes and benefits	55,581
Depreciation	341,123
Electric	86,598
Supplies	121,298
Supervisory Services	278,690
Repairs and maintenance	189,845
Other operating expenses	195,987
Total operating expenses	1,438,345
Operating income (loss)	(6,884)
NONCAPITAL SUBSIDIES	
Reimbursed expenses	214,294
Transfer in/(out) - noncapital	34,512
Total noncapital subsidies	248,806
Operating income (loss) plus noncapital subsidies	241,922
NONOPERATING REVENUES (EXPENSES):	
Intergovernmental revenues - capital grants	695,303
Interest expense	(161,341)
Interest income	107,528
Total nonoperating revenues (expenses), net	641,490
Change in net position	883,412
Net position, beginning of year	2,778,965
Net position, end of year	$ 3,662,377

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, 2026

	Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 1,471,007
Payments to suppliers	(1,181,696)
Payments to employees	(223,667)
Net cash provided by operating activities	65,644
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Reimbursed expenses	214,294
Transfer in/(out) - noncapital	34,512
Net cash provided by noncapital financing activities	248,806
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(2,715,806)
Proceeds from long-term debt	5,116,547
Principal paid on long-term debt	(2,644,334)
Deferred charge on refunding	555
Interest paid on long-term debt	(161,341)
Intergovernmental revenues - capital grants	511,950
Net cash used by capital and related financing activities	(404,379)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	107,528
Net cash provided by investing activities	107,528
Net increase in cash and cash equivalents	17,599
Cash and cash equivalents, beginning of year	2,629,788
Cash and cash equivalents, end of year	$ 2,647,387
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (6,884)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	341,123
(Increase) decrease in assets:	
Accounts receivable	39,546
Increase (decrease) in liabilities:	
Accounts payable	(317,182)
Accrued expenses	9,041
Net cash provided by operating activities	$ 65,644

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

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.

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.

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 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.

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, 2026.

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.

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, 2026.

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

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.

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, 2026.

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. 103, Financial Reporting Model Improvements, and Statement No. 104, Disclosure of Certain Capital Assets, at July 1, 2025. GASB Statement No. 103's objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountabilities. The statement addresses certain application issues surrounding the following – management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. GASB Statement No. 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34.

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, 2026, the Town had bank deposits with various financial institutions totaling $6,626,921 (carrying value $6,687,244). 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, 2026, all deposits were fully insured or collateralized.

As of June 30, 2026, the Town has no investments; therefore the Town has no credit risk.

Note 4. Capital and Intangible Assets

The following is a summary of changes in capital assets for the year ended June 30, 2026:

	June 30, 2025	Additions	Transfers / Deductions	June 30, 2026
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 or amortized				
Land improvements	529,354	-	-	529,354
Building improvements	75,534	-	-	75,534
Equipment	176,509	6,850	-	183,359
Leased assets - equipment	20,081	-	-	20,081
Subtotal	801,478	6,850	-	808,328
Less accumulated depreciation and amortization:				
Land improvements	(362,531)	(29,022)	-	(391,553)
Building improvements	(51,851)	(1,558)	-	(53,409)
Equipment	(134,606)	(7,630)	-	(142,236)
Leased assets - equipment	(9,189)	(3,922)		(13,111)
Subtotal	(558,177)	(42,132)	-	(600,309)
Total capital assets, being depreciated or amortized	243,301	(35,282)	-	208,019
Governmental activities capital assets, net	$ 657,048	$ (35,282)	$ -	$ 621,766

Depreciation and amortization expense was charged to governmental functions as follows:

General government	$ 10,302
Public works	31,830
Total depreciation expense	$ 42,132

Note 4. Capital and Intangible Assets (continued)

	June 30, 2025	Additions	Transfers / Deductions	June 30, 2026
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	$ 1,233,962	$ 565,931	$ (1,125,318)	$ 674,575
Total capital assets, not being depreciated	1,233,962	565,931	(1,125,318)	674,575
Capital assets, being depreciated:				
Water and sewer system	8,793,696	2,149,875	1,125,318	12,068,889
Equipment	414,844	-	-	414,844
Total capital assets, being depreciated	9,208,540	2,149,875	1,125,318	12,483,733
Less accumulated depreciation:				
Water and sewer system	(6,246,316)	(305,976)	-	(6,552,292)
Equipment	(212,521)	(35,147)	-	(247,668)
Total accumulated depreciation	(6,458,837)	(341,123)	-	(6,799,960)
Total capital assets, being depreciated, net	2,749,703	1,808,752	1,125,318	5,683,773
Business-type activities capital assets, net	$ 3,983,665	$ 2,374,683	$ -	$ 6,358,348

Construction in progress consists of the ENR upgrades to the Town's wastewater treatment plant. This project is expected to cost approximately $12.2 million. In January 2026, the Town authorized a $645,000 Shore United Bank line of credit for interim ENR financing, repayable from grant funds and backed by the Town's full faith and credit. As of June 30, 2026, $542,079 is outstanding on the interim financing.

During 2026, the Town was awarded a $1,149,000 fiscal year 2026 Congressionally Directed Spending Grant. As of June 30, 2026, no grant monies have been received by the Town.

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, 2025	Additions	Retirements and Repayments	Balances June 30, 2026	Amount Due in One Year
Compensated absences			$ 16,665	$ -	$ (417)	$ 16,248	$ 4,790
Intangible right-to-use lease			11,495	-	(3,879)	7,616	4,102
Total governmental type debt			$ 11,495	$ -	$ (3,879)	$ 7,616	$ 4,102

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

Description	Interest Rate	Maturity Date	Balances June 30, 2025	Additions	Retirements and Repayments	Balances June 30, 2026	Amount Due in One Year
Compensated absences			$ 5,883	$ 1,137	$ -	$ 7,020	$ 2,687
DHCD Infastructure Bond, 2017 Series A-1.	3.35%	4/2040	878,500	-	(47,000)	831,500	49,000
DHCD Infastructure Bond, 2017 Series A-2.	3.48%	4/2043	479,500	-	(20,000)	459,500	21,000
DHCD Infastructure Bond, 2017 Series A-3.	3.48%	4/2043	798,000	-	(33,500)	764,500	35,000
Maryland Department of the Environment, borrowed under the $982,310 credit facility.	0.40%	2/2052	817,103	-	(15,690)	801,413	15,753
USDA $1,376,000 General Obligation Bond Series 2026A	2.375%	3/2066	-	1,376,000	(5,379)	1,370,621	21,022
USDA $1,141,000 General Obligation Bond Series 2026B	2.125%	3/2066	-	1,141,000	(4,700)	1,136,300	18,445
Bond premiums.			15,975	-	(1,065)	14,910	1,065
Total bonds payable			2,989,078	2,517,000	(127,334)	5,378,744	161,285

Note 5. Long-term liabilities (Continued)

Description	Interest Rate	Maturity Date	Balances June 30, 2025	Additions	Retirements and Repayments	Balances June 30, 2026	Amount Due in One Year
Note payable Shore United Bank, borrowed under the $1,975,500 credit facility.	5.25%	6/2026	469,532	906,468	(1,376,000)	-	-
Note payable Shore United Bank, borrowed under the $1,975,500 credit facility.	5.25%	6/2026	-	1,141,000	(1,141,000)	-	-
Note payable Shore United Bank, borrowed under the $645,000 credit facility.	5.25%	12/2026	-	552,079	-	552,079	552,079
Total notes payable			469,532	2,599,547	(2,517,000)	552,079	552,079
Total business type debt			$ 3,458,610	$ 5,116,547	$ (2,644,334)	$ 5,930,823	$ 713,364

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.

Note 5. Long-term liabilities (Continued)

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

	Bonds		Notes	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest
2027	$ 161,285	$ 130,261	$ 552,079	$ 7,838
2028	163,672	126,171	-	-
2029	167,805	121,790	-	-
2030	171,734	117,522	-	-
2031	175,760	113,065	-	-
2032 - 2036	1,344,732	490,427	-	-
2037 - 2041	1,027,677	340,543	-	-
2042 - 2046	558,882	203,870	-	-
2047 - 2051	410,409	156,023	-	-
2052 - 2056	362,813	116,587	-	-
2057 - 2061	406,197	73,203	-	-
2062 - 2067	427,778	24,677	-	-
Total	$ 5,378,744	$ 2,014,139	$ 552,079	$ 7,838

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.

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
2027	$ 4,102	$ 607	$ 4,709
2028	2,291	211	2,502
2029	1,223	31	1,254
Total	$ 7,616	$ 849	$ 8,465

Interest expense on the above intangible right-to-use assets was approximately $600 for the year ended June 30, 2026.

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. The Town also makes matching contributions up to 5% of each eligible employee's salary for employees who choose to make contributions to their retirement account. 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, 2026 was $9,651.

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, 2026

	Original Budget	Final Budget	Variance Between Original and Final Budget	Actual	Variance Between Final Budget and Actual	
Taxes:						
Property taxes	$ 447,666	$ 447,666	$ -	$ 551,996	$ 104,330	**A**
Corporate & Public Utilities taxes	50,000	50,000	-	56,014	6,014	
Total taxes	497,666	497,666	-	608,010	110,344	
Local income taxes	110,000	110,000	-	225,973	115,973	**B**
Grants	65,000	65,000	-	65,000	-	
Intergovernmental	114,953	114,953	-	118,744	3,791	
Licenses and permits	28,500	28,500	-	36,240	7,740	
Interest	40,000	40,000	-	101,169	61,169	**C**
Trash pick-up	113,880	113,880	-	149,826	35,946	**D**
Other	6,500	6,500	-	81,779	75,279	**E**
Total revenue	$ 976,499	$ 976,499	$ -	$ 1,386,741	$ 410,242	

TOWN OF TRAPPE, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
EXPENDITURE DETAIL
Year Ended June 30, 2026

	Original Budget	Final Budget	Variance Between Original and Final Budget	Actual	Variance Between Final Budget and Actual	
GENERAL GOVERNMENT:						
Legislative:						
Town commissioner's salaries	$ 15,000	$ 15,000	$ -	$ 14,500	$ 500	
Other legislative	7,500	7,500	-	6,425	1,075	
	22,500	22,500	-	20,925	1,575	
Financial administration:						
Town office salary	103,000	103,000	-	105,081	(2,081)	
Payroll taxes and benefits	48,030	48,030	-	45,393	2,637	
Office expense	20,000	20,000	-	21,388	(1,388)	
Professional fees	41,000	41,000	-	36,810	4,190	
Other financial administrative	27,140	27,140	-	60,421	(33,281)	**F**
	239,170	239,170	-	269,093	(29,923)	
Planning department:						
Reimbursable salaries and insurance	43,255	43,255	-	42,166	1,089	
Other planning department	28,909	28,909	-	14,261	14,648	
	72,164	72,164	-	56,427	15,737	
Total general government	333,834	333,834	-	346,445	(12,611)	
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	-	2,950	12,050	
Streets	54,000	54,000	-	100,324	(46,324)	**G**
Sanitation	113,880	113,880	-	119,013	(5,133)	
Other public works	244,632	244,632	-	23,671	220,961	**H**
Total public works	427,512	427,512	-	245,958	181,554	
Total expenditures	781,346	781,346	-	612,403	168,943	
Excess (deficiency) of revenue over expenditures	195,153	195,153	-	774,338	579,185	
OTHER FINANCING SOURCES (USES):						
Operating transfer in/(out)	-	-	-	(34,512)	(34,512)	**I**
Reserve of fund balance	(195,153)	(195,153)	-	-	195,153	**J**
	(195,153)	(195,153)	-	(34,512)	160,641	
Net change in fund balance	$ -	$ -	$ -	$ 739,826	$ 739,826	

TOWN OF TRAPPE, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended June 30, 2026

Budgetary Information
The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by the fund.

Explanation of Budget to GAAP difference.
There are no budget to GAAP differences to report.

Excess of expenditures over appropriations

Total general government	$	(12,611)

These over-expenditures were funded by reduced spending in other departments.

Significant Budget Variations
A variance of greater than $16,000 and 10% are explain below:

Significant variances between the Original and Final budget are as follows:
There were no significant variances between original and final budget

Significant variances between the Final budget and Actual are as follows:
Revenues

A	The Town budgets income conservatively and property taxes are based off of prior year actual. Current year revenues were greater than expected.	$	104,330
B	The Town budgets income conservatively and local income taxes were greater than expected.		115,973
C	The Town budgets income conservatively and interest income was greater than expected.		61,169
D	Increase in trash pick-up fees due to slight rate increase and additional homes in the Lakeside Development.		35,946
E	Unbudgeted revenue received from Town Improvement and Capital Impact fees.		75,279

Expenditures

F	Due to unexpected water damage and HVAC repairs.	(33,281)
G	Due to higher than expected repairs, and an unbudgeted lawn mower purchase.	(46,324)
H	Budgeted street repairs were not completed due to cost and water line replacements that are needed before street repairs are completed.	220,961
I	Town did not budget for any transfers in the current year.	(34,512)
J	Town budgeted for use of prior year fund balance reserves that were not needed.	195,153

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, 2026

	Original Budget	Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES:				
Charges for services	$ 1,327,997	$ 1,327,997	$ 1,431,461	$ 103,464
Total operating revenues	1,327,997	1,327,997	1,431,461	103,464
OPERATING EXPENSES:				
Salaries	115,207	115,207	169,223	(54,016)
Payroll taxes and benefits	54,344	54,344	55,581	(1,237)
Depreciation	-	-	341,123	(341,123)
Electric	100,000	100,000	86,598	13,402
Supplies	140,000	140,000	121,298	18,702
Supervisory Services	85,000	85,000	278,690	(193,690)
Repairs and maintenance	146,380	146,380	189,845	(43,465)
Other operating expenses	525,193	525,193	195,987	329,206
Total operating expenses	1,166,124	1,166,124	1,438,345	(272,221)
Operating income (loss)	161,873	161,873	(6,884)	(168,757)
NONCAPITAL SUBSIDIES				
Reimbursed expenses	500	500	214,294	213,794
Transfer in/(out) - noncapital	-	-	34,512	34,512
Total noncapital subsidies	500	500	248,806	248,306
Operating income (loss) plus noncapital subsidies	162,373	162,373	241,922	79,549
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental revenues	-	-	695,303	695,303
Debt principal payments	(100,500)	(100,500)	-	100,500
Interest expense	(91,873)	(91,873)	(161,341)	(69,468)
Interest income	30,000	30,000	107,528	77,528
Total nonoperating revenues (expenses), net	(162,373)	(162,373)	641,490	803,863
Change in net position	$ -	$ -	$ 883,412	$ 883,412

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, 2026, 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, 2026.

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.



Salisbury, Maryland
October 27, 2026