BOROUGH OF TRAPPE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

BOROUGH OF TRAPPE

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INDEPENDENT AUDITORS' REPORT

Borough Council
Borough of Trappe
Trappe, Pennsylvania

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Trappe, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Borough'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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Trappe as of December 31, 2025, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Trappe, 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 - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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, 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 Borough of Trappe'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 Borough of Trappe'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.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison schedule on pages 4 through 11 and 30 through 31 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

STYER ASSOCIATES
Certified Public Accountants

Souderton, Pennsylvania
August 5, 2026

BOROUGH OF TRAPPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025

As management of the Borough of Trappe (the "Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities of the Borough for the year ended December 31, 2025. Please read it in conjunction with the Borough's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Borough exceeded its liabilities at the close of the most recent year by $16,410,010 (*net position*). Of this amount, $2,172,359 (*unrestricted net position*) may be used to meet the Borough's ongoing obligations to citizens and creditors.

- The Borough's total net position increased by $4,391,806 for the year ending December 31, 2025.

- As of the close of the current year, the Borough's governmental funds reported combined ending fund balances of $2,386,601, an decrease of $333,519 in comparison with the prior year. 30% of the amount is *available for spending* at the Borough's discretion (*unassigned fund balance*). The decrease is attributed to capital spending for construction of a new fire house and the Sisca Playground and repayment of debt.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $724,047, or 10% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Borough's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Borough may be changing. Changes in net position may reflect a changing manner in how the Borough may have used previously accumulated funds.

The *statement of activities* presents information showing how the Borough's net position changed during the most recent fiscal year.

Government-Wide Financial Statements (Continued):

The governmental activities of the Borough include general government administration, public safety, and public works. The government-wide financial statements can be found on pages 12 through 13 of this report.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Borough maintains four governmental fund types. The Borough adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others. The basic fiduciary fund financial statements can be found on pages 17 through 18 of this report.

Notes to the Financial Statements:

The notes provide basic 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 on pages 19 through 29 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning budgetary comparisons for the general fund. Supplementary information can be found on pages 30 and 31 of this report.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough, assets exceeded liabilities by $16,410,010 at the close of the most recent fiscal year. A large portion of the Borough's net position, $14,023,409 (85% of total), reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure). The Borough uses these capital assets to provide service to citizens; consequently, these assets are *not* available for future spending (i.e., the Borough's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Borough's Statement of Net Position:

SUMMARY OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025 AND 2024

	Governmental Activities	Governmental Activities
	2025	2024
Current and other assets	$ 2,386,601	$ 2,720,120
Capital assets	16,047,409	13,592,084
TOTAL ASSETS	$ 18,434,010	$16,312,204
Liabilities:		
Long term liabilities	$ 2,024,000	$ 4,294,000
TOTAL LIABILITIES	2,024,000	4,294,000
Net position:		
Invested in capital assets	14,023,409	9,298,084
Restricted	214,242	515,916
Unrestricted	2,172,359	2,204,204
TOTAL NET POSITION	16,410,010	12,018,204
TOTAL LIABILITIES AND NET POSITION	$ 18,434,010	$16,312,204

At the end of the current fiscal year, the Borough is able to report positive balances in all categories of net position.

As noted previously, the Borough's net position increased by $4,391,806 for the year ending December 31, 2025.

The following table summarizes the Borough's Statement of Activities:

CHANGES IN NET POSITION – MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Governmental Activities 2025	Governmental Activities 2024
Revenues:		
Program revenues:		
Charges for services	$ 144,431	$ 136,223
Grants and contributions	4,721,708	2,004,390
General revenues:		
Property taxes	505,782	372,035
Earned income taxes	1,178,719	1,146,388
Other taxes	342,876	430,555
Investment and miscellaneous earnings	164,810	337,558
Total Revenues	7,058,326	4,427,149
Expenses:		
General government	613,300	524,325
Public safety	443,704	257,009
Refuse	551,877	354,764
Public works	501,017	388,228
Recreation and parks	354,481	37,652
Other expenses	202,141	192,603
Total Expenses	2,666,520	1,754,581
Increase in net position	4,391,806	2,672,568
NET POSITION – BEGINNING	12,018,204	9,345,636
NET POSITION – ENDING	$16,410,010	$12,018,204

Financial Analysis of the Borough's Funds

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

Governmental Funds:

The focus of the Borough's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Borough's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- At the end of the current fiscal year, the Borough's governmental funds reported an ending fund balance of $2,386,601, a decrease of $333,519 in comparison with the prior year. The decrease is attributed to capital spending for construction of a new fire house and the Sisca Playground and repayment of debt.

At the end of the current fiscal year, unassigned fund balance of the General Fund was $724,047. As a measure of the General Fund's liquidity, the fund balance represents 10% of the total General Fund expenditures.

Capital Assets:

The Borough's investment in capital assets for its governmental activities as of December 31, 2025, amounts to $16,047,409 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, machinery and equipment, and infrastructure.

Capital assets, net of accumulated depreciation, are illustrated below in the following table:

	Governmental Activities	Governmental Activities
	2025	2024
Land	$ 90,803	$ 90,803
Buildings	8,472,288	7,803,747
Equipment	2,863,581	1,611,740
Infrastructure	4,620,737	4,085,794
Total	$16,047,409	$13,592,084

Additional information on the Borough's capital assets can be found in Note 4 on pages 24 and 25 of this report.

Long Term Debt:

At the end of the current year, the Borough had total outstanding debt of $2,024,000 and details are summarized in the following table:

OUTSTANDING DEBT AT YEAR END

	2025	2024
Notes payable.....	$ 2,024,000	$ 4,294,000

Additional information on the Borough's long-term debt and compliance can be found in Note 5 on pages 25 through 26 of this report.

Economic Factors and Next Year's Budgets and Rates

Revenues

The Earned Income Tax is the Borough's primary revenue source. (Note: Trappe Borough residents currently pay 1.4% earned income tax, but 0.9% of that is collected for the Perkiomen Valley School District.) Earned income includes salaries, wages, net business profits and tips. Earned income does not include income received from Social Security, unemployment compensation, interest, dividends, pension plans, disability payments and distributions from 401(k) and like retirement accounts. The $1,250,000 budgeted for 2026 is derived by increasing the 12 months ending November 30, 2025 annualized. The 2026 budget assumes revenue to grow as development continues. The budget for 2026-2027 assumes an annual five percent (5%) increase in earned income tax for the following two years due to the population growth and expected regional salary growth.

As required by Act 32, earned income tax paid by a majority of County residents was collected by a single entity (the "Tax Collection Officer") beginning January 1, 2012. Tax collection compensation will remain at $2.75 per tax bill.

The Local Services Tax includes funds received from a $52 per year tax paid by persons who work within the Borough limits. Individuals earning less than $12,000 per year, and certain military personnel, are exempt from paying this tax. The $87,500 budgeted for 2026 was reduced from 2025 to approximately the actual collections for the 12 months ended November 30, 2025. The budget for the subsequent four years allows for a half a percent (.005%) annual increase. The 2027-2030 Budget assumes a collection fee of one and three-quarter percent (1.75%), plus postage costs, pursuant to the Montgomery County Tax Collection Committee's Agreement with Berkheimer.

Another source of income is from fees paid by cable television providers for the use of the public right-of-ways (i.e., underground trenches in the roadway and overhead wires at utility poles) needed to transmit service to homes and businesses in the Borough. This fee is not assessed to satellite television providers, as these companies do not utilize public rights-of-way. Since 2009, Verizon and Comcast have offered service in the Borough. The Borough has a franchise agreement with each provider, and each franchise agreement requires the provider to pay a fee equal to five percent of certain revenues, which include basic and premium subscription rates, equipment rentals and installation charges. Internet services are not subject to the fee. The Comcast and Verizon Franchise Agreement was renewed in 2023 for an additional 8 years. The Borough joined an eleven-member consortium of Montgomery County communities to negotiate the new 8-year agreement. By joining forces, the municipalities gained bargaining strength, and as such were able to secure more favorable agreement terms. The 2026 Budget of $70,000 is reflective of the actual receipts for 2025 and decreased due to more streaming services being used. It is anticipated that cable revenues, and the franchise fees paid to the Borough, will not increase over the upcoming four years due to continued cord cutting.

In addition to permitting the construction of new residential and non-residential developments, Trappe Borough requires a series of permits as designated by the Borough Fee Schedule. The permitting process ensures improvements are both constructed to applicable building codes and installed pursuant to all other Borough regulations. The Borough believes most of the expense to review and issue a building or zoning permit should be assumed by the individual requesting a permit. In 2022, the Borough studied costs related to permits issued during the previous twelve months, then established permit fees to recapture at least 90% of these expenses. Because a sound permitting program offers recognized benefits to the entire community (i.e., the protection of property values, a reduced demand for emergency services), the Borough believes permit fees need not recover all expected permit costs. Permit fees are reviewed periodically, and fee adjustments are made, when warranted.

The actual results for the ten months ended October 31, 2025 were generally assumed to be indicative of the fees for the 2026 Budget.

Interest earned on Trappe Borough funds is another source of income. To protect the Borough, public funds are invested in Pennsylvania approved securities. As a result, the interest rate earned is relatively modest .The Borough officials continually assess interest rates and the availability of investment vehicles acceptable to Borough standards.

The Liquor License fee includes a $200 annual fee assessed for each retail alcohol license in the Borough. Wholesale alcohol licenses (i.e., beer distributors) are not assessed for this fee. The Pennsylvania Liquor Control Board levies and collects the fee, and remits the funds to the Borough.

Expenditures

The 2026 actual capital expenditures were of standard design, with the largest being the loan payment for the firehouse.

The roadwork planned for 2026 will be funded in the General Fund.

The Borough contracts with a private vendor for the collection and disposal of waste and recyclable materials at residential properties possessing four or fewer units. The Borough has a solid waste disposal contract through June 30, 2026, with the ability to extend annually for 3 one-year terms.

Salaries and Benefits include a full time Borough Manager, staff members, and a part time independently contracted Treasurer. Projected expenses are not to exceed as follows: $431,000 for 2026.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Borough of Trappe, 525 West Main Street, Trappe, PA 19426.

BOROUGH OF TRAPPE
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash	$ 2,374,091
Prepaid expenses	9,922
Due from custodial fund	2,588
Capital Assets:	
Land	90,803
Other capital assets, net of depreciation	15,956,606
Total Capital Assets	16,047,409
TOTAL ASSETS	$18,434,010
LIABILITIES	
Long term liabilities:	
Due within one year	$ 279,000
Due in more than one year	1,745,000
Total Liabilities	2,024,000
NET POSITION	
Invested in capital assets, net of related debt	14,023,409
Restricted for:	
State liquid fuels funds	192,249
Fire prevention	20,834
Open space	1,159
Unrestricted	2,172,359
Total Net Position	16,410,010
TOTAL LIABILITIES AND NET POSITION	$18,434,010

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

BOROUGH OF TRAPPE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total
General government	$ 613,300	$ 14,315	$ 2,148	$	$ (596,837)
Public safety	443,704	130,116	33,333	3,360,705	3,080,450
Refuse collection	551,877				(551,877)
Public works	501,017		106,245		(394,772)
Recreation and parks	354,481		200,824	1,018,453	864,796
Insurance and miscellaneous	64,105				(64,105)
Interest	138,036				(138,036)
Total Activities	2,666,520	144,431	342,550	4,379,158	2,199,619
General Revenues					
Taxes:					
Property taxes, levied for general purposes					123,800
Property taxes, levied for fire prevention					381,982
Earned income taxes					1,178,719
Local services taxes					89,888
Real estate transfer taxes					185,729
Franchise fees					67,259
Investment earnings					76,924
Miscellaneous					87,886
Total General Revenues					2,192,187
Change in Net Position					4,391,806
Net Position – Beginning					12,018,204
Net Position – Ending					$16,410,010

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

BOROUGH OF TRAPPE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

ASSETS:	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Cash	$ 2,159,477	$	$ 214,614	$ 2,374,091
Prepaid expenses	9,922			9,922
Due from other funds	2,960	1,438,390		1,441,350
TOTAL ASSETS	$ 2,172,359	$1,438,390	$ 214,614	$ 3,825,363
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Due to other funds	$ 1,438,390	$	$ 372	$ 1,438,762
Total Liabilities	1,438,390	0	372	1,438,762
Fund Balances:				
Nonspendable	9,922			9,922
Restricted for:				
State liquid fuels funds			192,249	192,249
Fire prevention			20,834	20,834
Open space			1,159	1,159
Assigned for:				
Capital expenditures		1,438,390		1,438,390
Unassigned	724,047			724,047
Total Fund Balances	733,969	1,438,390	214,242	2,386,601
TOTAL LIABILITIES AND FUND BALANCES	$ 2,172,359	$1,438,390	$ 214,614	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,047,409
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,024,000)
Net Position of Governmental Activities	$16,410,010

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

BOROUGH OF TRAPPE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes, penalties, and interest	$ 1,578,136	$	$ 381,982	$ 1,960,118
Franchise taxes	67,259			67,259
Charges for services	6,609			6,609
Intergovernmental revenues	4,611,239		106,245	4,717,484
Licenses and permits	127,512			127,512
Interest and rents	11,012	59,647	16,265	86,924
Fines and forfeitures	310			310
Miscellaneous	92,111			92,111
Total Revenues	6,494,188	59,647	504,492	7,058,327
Expenditures:				
General government	573,456		372	573,828
Public safety	148,062			148,062
Refuse collection	551,877			551,877
Public works	182,810		28,794	211,604
Recreation and parks	303,776			303,776
Debt service - principal	2,270,000			2,270,000
Debt service - interest	138,036			138,036
Capital outlays	3,130,930			3,130,930
Insurance and miscellaneous	63,733			63,733
Total Expenditures	7,362,680	0	29,166	7,391,846
Excess (Deficiency) of Revenues Over Expenditures	(868,492)	59,647	475,326	(333,519)
Other Financing Sources:				
Operating transfers in	777,000			777,000
Operating transfers out			(777,000)	(777,000)
Total Other Financing Sources (Uses)	777,000	0	(777,000)	0
Net Change in Fund Balances	(91,492)	59,647	(301,674)	(333,519)
FUND BALANCES – BEGINNING	825,461	1,378,743	515,916	2,720,120
FUND BALANCES – ENDING	$ 733,969	$1,438,390	$ 214,242	$ 2,386,601

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

BOROUGH OF TRAPPE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2025

Net change in fund balances – total governmental funds	$ (333,519)
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. This is the amount by which capital outlays ($3,124,036) exceeded depreciation ($668,711) in the current period.	2,455,325
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets. This is the amount of debt principal expenditures.	2,270,000
Change in net position of governmental activities	$ 4,391,806

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

BOROUGH OF TRAPPE
STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

	Custodial Fund
Assets:	
Cash	$ 87,812
Due from developers	2,873
TOTAL ASSETS	$ 90,685
Liabilities:	
Due to other funds	$ 2,588
TOTAL LIABILITIES	$ 2,588
Net Position:	
Restricted for:	
Developers and individuals	$ 88,097
TOTAL NET POSITION	$ 88,097

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

BOROUGH OF TRAPPE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

	Custodial Fund
Additions:	
Contributions:	
Developers and individuals	$134,844
Total Contributions	134,844
Total Additions	134,844
Deductions:	
Professional fees	118,165
Return of contributions	252,866
Total Deductions	371,031
NET DECREASE	(236,187)
NET POSITION - BEGINNING OF YEAR	324,284
NET POSITION - END OF YEAR	$ 88,097

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

Note 1 – Summary of Significant Accounting Policies:

The Borough of Trappe is a municipal corporation incorporated under Article II of the Commonwealth of Pennsylvania Municipal Code Act of 1966, as amended. The Borough operates under a Borough Council form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the Borough and its inhabitants.

The Borough's financial statements are prepared in accordance with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing regulations for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the Borough are discussed below.

Basis of Accounting:
Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Modified Cash Basis:
The records of the Borough are maintained on the modified cash basis of accounting and the accompanying financial statements have been prepared on that basis. Except for capital asset purchases, note payable activity, and prepaid expenses, all transactions are recognized as either revenues or expenses. Noncash transactions, except depreciation, are not recognized. The modified cash basis differs from generally accepted accounting principles primarily because certain revenues are recognized as received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Reporting Entity:
The financial statements of the Borough of Trappe include all governmental activities, organizations, and functions for which the Borough exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the Borough's financial statements include the degree of oversight responsibility exercised by the Borough Council over a government organization, activity, or function, the Borough's accountability for the activity's fiscal matters, its scope of public service, and the nature of any special financing relationships which may exist between the Borough and a given government activity. There are no agencies or organizations that require reporting in the Borough financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued):

Related Organizations:
The Borough of Trappe appoints members to the governing boards of the following:

1. Collegeville-Trappe Joint Public Works Department – three of the six members of the governing board are appointed by Trappe. The Department provides water service and public works service to the residents of Trappe and Collegeville Boroughs.

2. Collegeville-Trappe Municipal Authority – three of the six members of the governing board are appointed by Trappe. The Authority provides sewer service to residents of Trappe and Collegeville Boroughs.

The provisions have not been met regarding component units, therefore, the above organizations are not included in the financial statements of the Borough of Trappe.

Basic Financial Statements – Government-Wide Statements:
The Borough's basic financial statements include both government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major funds). The Borough's public safety, parks and recreation, public works, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities (a) are presented on a consolidated basis by column and (b) are reported on the modified cash basis of accounting, which recognizes all long-term assets as well as long term debt and obligations. The Borough's net position is reported in three parts – Invested in capital assets, net of related debt; Restricted for state liquid fuels, open space, and fire prevention funds; and Unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Borough's functions (fire, public works, etc.). The functions are also supported by general government revenues (property and earned income taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (public works, etc.).

The net costs (by function) are normally covered by general revenue (property and earned income taxes, franchise fees, intergovernmental revenues, interest income, etc.).

The Borough does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

Note 1 – Summary of Significant Accounting Policies (Continued):

Basic Financial Statements – Fund Financial Statements:
The financial transactions of the Borough are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Borough:

1. Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Borough:

   a. **General fund** is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund.
   b. **Capital projects funds** are used to account for financial resources to be used for the acquisition of capital assets and equipment or construction of major capital facilities.
   c. **Special revenue funds** are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally or administratively restricted to expenditures for specified purposes. The Borough only has two **Special revenue funds** which are used to account for state liquid fuel funds and specific expenditures related to that revenue and one for fire prevention.
   d. **Open space fund** is used to account for financial resources to be used for the purchase of open space or improvements to the parks of the Borough.

   The **Special revenue and Open space funds** of the Borough are not major funds and are reported in the **Other governmental funds** column in the fund financial statements.

2. Fiduciary Funds – These funds are used to report assets held in a trustee or custodial capacity for others and, therefore, are not available to support Borough programs.

   a. **Custodial fund** is used to account for funds posted by developers who have projects in progress in the Borough. The funds are used to pay legal, engineering, and administrative costs incurred by the Borough relating to those projects.

Cash and Cash Equivalents:
The Borough considers cash and cash equivalents to include cash on hand, demand deposits, bank savings and money market accounts, and amounts pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT).

Note 1 – Summary of Significant Accounting Policies (Continued):

Budget:
The Borough Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Beginning at least 30 days prior to adoption of the budget, a proposed budget for the ensuing year shall be prepared in a manner designated by Council. The proposed budget shall be kept on file with the borough secretary and made available for public inspection for a period of 10 days.

2. Notice that the proposed budget is available for inspection must be published in a newspaper of general circulation in the Borough and posted during the 10-day period noted in item 1.

3. After 10 days, Council shall adopt the budget no later than December 31 and file it with the Pennsylvania Department of Community and Economic Development.

4. Annual budgets are generally adopted for the general fund.

5. For budgetary purposes, appropriations lapse at the end of each year.

6. The budget is prepared on the modified cash basis of accounting.

7. The budget was not amended during 2025.

Use of Estimates:
The preparation of financial statements in conformity with the modified cash basis of accounting used by the Borough requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Date of Management Evaluation of Subsequent Events:
Management has evaluated subsequent events through August 5, 2026, the date on which the financial statements were available to be issued.

Note 2 – Deposits:

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, and qualifying commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocal arrangements. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The Borough does not have a formal deposit and investment policy but adheres to state statutes and prudent business practice. Governmental funds' amounts are maintained in demand deposits, highly liquid money market funds, or pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT). They are captioned as "cash" in the statement of net position. These amounts are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Deposits:

Concentration of Credit Risk – At December 31, 2025, 3% of the balances shown as cash on the Borough's statement of net position – modified cash basis were held by PLGIT, and 97% were held by Victory Bank.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough follows state statutes as they relate to custodial credit risk. As of December 31, 2025, the Borough's total bank balances of $2,569,248 were exposed to custodial credit risk as follows:

Balances subject to FDIC Insurance	$2,496,677
Balances uninsured and uncollateralized PLGIT funds	72,571
TOTAL	$2,569,248

Note 3 – Prepaid Expenses:

Prepaid expenses relate to funds taken by the payroll service on December 31, 2025 for the first payroll of 2026.

Note 4 – Capital Assets:

Capital assets purchased or acquired with an original cost of $3,500 or more and infrastructure construction of $25,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets are expensed in the fund financial statement.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 – 30 years
Equipment	5 – 15 years
Infrastructure	25 years

Changes in Capital Assets:

The following is a summary of changes in capital assets for the year ended December 31, 2025:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 90,803	$	$	$ 90,803
Total Capital Assets Not Being Depreciated	90,803	0	0	90,803
Capital assets:				
Buildings	8,439,192	971,585		9,410,777
Equipment	1,843,990	1,385,663		3,229,653
Infrastructure	5,519,685	766,788		6,286,473
Total Capital Assets at Historical Cost	15,802,867	3,124,036	0	18,926,903
Less accumulated depreciation:				
Building	(635,445)	(303,044)		(938,489)
Equipment	(232,250)	(133,822)		(366,072)
Infrastructure	(1,433,891)	(231,845)		(1,665,736)
Total Accumulated Depreciation	(2,301,586)	(668,711)	0	(2,970,297)
Other capital assets, net	13,501,281	2,455,325	0	15,956,606
Total Capital Assets, Net	$13,592,084	$2,455,325	$ 0	$16,047,409

Note 4 – Capital Assets(Continued):

Depreciation Expense:

Depreciation expense was charged to functions of the Borough as follows:

General government	$ 39,844
Public safety	288,749
Public works	289,413
Recreation and parks	50,705
	$ 668,711

Note 5 – Long Term Liabilities:

The following is a summary of changes in long term liabilities for the year ending December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes payable:					
Truist – Fire House Note	$4,294,000	$ 0	$(2,270,000)	$2,024,000	$279,000

Note payable to Truist Bank – Proceeds of $4,555,000 used to provide funds for construction of a new fire house, the purchase of a new fire truck and new emergency services equipment for the Trappe Fire Company No. 1, upgrades to Borough sidewalks, and the costs and expenses of issuing the note. Interest is 3.26% for the term of the loan. Semi-annual interest payments are due with one annual principal payment starting June 1, 2024. Interest paid on the note in 2025 was $135,583.

Note 5 – Long Term Liabilities (Continued):

Maturities of the note are as follows:

December 31,	Principal	Interest	Total
2026	$ 279,000	$ 61,435	$ 340,435
2027	288,000	52,192	340,192
2028	298,000	42,641	340,641
2029	307,000	32,779	339,779
2030	318,000	22,592	340,592
2031-2032	534,000	15,420	549,420
	$2,024,000	$ 227,059	$2,251,059

Note 6 – Government-Wide Net Position:

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the Borough's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Note 7 – Fund Balance:

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Borough classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or amounts constrained due to enabling legislation.

Note 7 – Fund Balance (Continued):

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Borough through formal action of the Council. Presently the Borough has no committed fund balances.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by Borough Council.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Note 8 – Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Borough's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Borough's policy is to first apply the expenditure toward restricted fund balance and then to other less restrictive classifications (committed and then assigned fund balances) if there are any before using unassigned fund balances.

Note 9 – Real Estate Taxes:

Real estate taxes are levied in January. Liens are placed on uncollected taxes by January 15th of the following year. The Borough uses a tax collector to make collections throughout the year. Due to the Borough being on the modified cash basis, real estate taxes are recognized when collected.

Note 10 – Earned Income Taxes:

The Borough's main source of tax revenue is from earned income taxes. Borough residents currently pay a 1.4% earned income tax, but .9% of that is collected for the Perkiomen Valley School District.

Note 11 – Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliations to the government-wide financial statements.

Note 11 – Interfund Activity (Continued):

Interfund receivables and payables at December 31, 2025 were as follows:

Funds	Due From Other Funds	Due To Other Funds
General Fund	$ 2,960	$1,438,390
Capital Projects Funds	1,438,390	
Fire Tax Fund		372
Custodial Fund		2,588
Total All Funds	$1,441,350	$1,441,350

The above interfund receivable and payable between the General and Capital Projects Funds is a result of pooling of cash in the General Fund to maximize investment earnings. The interfund receivable to the General Fund from the Fire Tax Fund is due from real estate tax refund amounts paid by the General Fund. The interfund receivable to the General Fund from the Custodial Fund is interest income owed to the General fund.

Individual fund operating transfers for the year ended December 31, 2025 were as follows:

Fund	Transfer In	Transfer Out
General Fund	$ 777,000	$
Liquid Fuels Fund		250,000
Fire Tax Fund		392,000
Open Space Fund		135,000
Total All Funds	$ 777,000	$ 777,000

Transfers from the Liquid Fuels Fund to the General Fund were to reimburse the General Fund for roadwork. Transfers from the Fire Tax Fund to the General Fund were used in construction of a new fire house and debt payments. Transfers from the Open Space Fund to the General Fund were for capital expenses for the Sisca Park project.

Note 12 – Contingent Liability: Collegeville-Trappe Joint Public Works Department (CTJPWD) Pension:

In December, 2010, the Boroughs of Trappe and Collegeville entered into an agreement which includes a provision whereby each Borough agrees to assume 50% of the financial responsibility for the pension liability of each CTJPWD employee in the event Collegeville's pension plan, which includes the CTJPWD employees, becomes "financially insolvent to make payments as required". In addition, the agreement provides that in the event Collegeville's pension plan is liquidated, any overfunded balance attributed to CTJPWD employees shall be paid equally to the Boroughs of Trappe and Collegeville.

As of the most recent measurement date of December 31, 2024, Collegeville's pension plan had a net pension asset of $336,823. Due to the plan having a net pension asset, no obligation would be due as of December 31, 2025.

SUPPLEMENTARY INFORMATION

BOROUGH OF TRAPPE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
Revenues:			
Taxes, penalties, and interest	$1,603,560	$ 1,578,136	$ (25,424)
Franchise taxes	72,000	67,259	(4,741)
Charges for services	12,339	6,609	(5,730)
Intergovernmental revenues	5,413,128	4,611,239	(801,889)
Licenses and permits	81,100	127,512	46,412
Interest and rents	150,000	11,012	(138,988)
Fines and forfeitures	750	310	(440)
Miscellaneous	10,750	92,111	81,361
Total Revenues	7,343,627	6,494,188	(849,439)
Expenditures:			
General government	710,987	573,456	137,531
Public safety	188,258	148,062	40,196
Refuse collection	508,588	551,877	(43,289)
Public works	244,400	182,810	61,590
Recreation and parks	68,426	303,776	(235,350)
Debt service - principal	0	2,270,000	(2,270,000)
Debt service - interest	135,583	138,036	(2,453)
Capital outlays	2,364,500	3,130,930	(766,430)
Insurance and miscellaneous	60,500	63,733	(3,233)
Total Expenditures	4,281,242	7,362,680	(3,081,438)
Excess (Deficiency) of Revenues Over Expenditures	3,062,385	(868,492)	(3,930,877)
Other Financing Sources:			
Operating transfers in	0	777,000	777,000
Operating transfers out	0	0	0
Total Other Financing Sources	0	777,000	777,000
Net Change in Fund Balance	3,062,385	(91,492)	(3,153,877)
FUND BALANCE - BEGINNING	825,461	825,461	0
FUND BALANCE - ENDING	$ 3,887,846	$ 733,969	$ (3,153,877)

(See note to budgetary comparison schedule.)

BOROUGH OF TRAPPE
NOTE TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
DECEMBER 31, 2025

Note 1 – Funds and Basis of Accounting:

The Budgetary Comparison Schedule is presented for the General Fund of the Borough, the main governmental operating fund. It is prepared on the modified cash basis of accounting.