



October 29, 2025

Members of Council
Town of Port Deposit
Port Deposit, Maryland

We have audited the financial statements of the Town of Port Deposit ("the Town") as of and for the year ended June 30, 2025, and have issued our report thereon dated October 29, 2025. Professional standards also require that we advise you the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 14, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration.

We have identified the following significant risks and applied the following procedures:

Significant Risk Area	Procedures
Management override of internal controls as required by generally accepted auditing standards (GAAS)	We incorporated unpredictability into our audit procedures, emphasized professional skepticism, obtained an understanding of the process and related controls over journal entries and other adjustments, tested journal entries and other adjustments, reviewed significant accounting estimates for evidence of management bias, and obtained an understanding of the Town's rationale for significant and unusual transactions.
Improper revenue recognition as required by GAAS	We confirmed with third parties certain revenues and receivables supplemented with other substantive testing and detailed predictive analytics based on non-financial data.

The procedures applied provided sufficient evidence for our audit opinion.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the Town changed its method of accounting for recording accrued compensated absences by adopting Governmental Accounting Standards Board ("GASB") Statement No. 101, "Compensated Absences." No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements were the accumulated depreciation and related depreciation expense, and compensated absences.

- Management's estimate of the accumulated depreciation and related depreciation expense is based on the estimated useful lives of property and equipment.

- Management's estimate of compensated absences is based on estimates of the amounts owed by the Town according to Town policy.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As part of our audit, we assisted management with the preparation of the year-end adjustments. The attached schedule summarizes the adjustments we assisted management with. Management has posted these adjustments, and they are included in the financial statements of the Town.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule of waived adjustments summarizes an uncorrected misstatement identified during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Town's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated October 29, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and

Members of Council
Town of Port Deposit
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regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditor.

Restriction on Use

This report is intended solely for the information and use of the members of Council and management of the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

TOWN OF PORT DEPOSIT
SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2025

1	2700	Investment in General Fixed Assets	158,959.00	
	3000	Fund Balance - Unrestricted		113,247.53
	3100	Retained Earnings		45,711.47
		<i>To adjust equity to agree with the prior year audited financial statements</i>		
2	2125	Lease Payable	1,013.68	
	5230	Interest	14.62	
	5210	Equipment		1,028.30
		<i>To reclassify the Toshiba copier payments under GASB 87</i>		
3	1410	Accounts Receivable	9,674.84	
	2120	USDA Loan Payable		9,674.84
		<i>To record additional drawdown on the USDA loan not received by year end</i>		
4	1510	Property and Equipment - General	7,325.00	
	2125	Lease Payable		7,325.00
		<i>To record the new Konica lease under GASB 87</i>		
5	2125	Lease Payable	515.16	
	5230	Interest	219.34	
	5210	Equipment		734.50
		<i>To reclassify the Konica copier payments under GASB 87</i>		
6	1550	Construction in Progress	14,356.47	
	5310	Professional Fees		14,356.47
		<i>To reclassify engineering fees associated with the Granit and Race stormwater project to CIP as well as adjust CIP at June 30, 2025.</i>		
7	5190	Functional Depreciation - Gen Gov't	84,052.46	
	5194	Functional Depreciation - Pub Safety	658.40	
	5191	Functional Depreciation - Pub Works	14,986.43	
	5192	Functional Depreciation - Parks	60,956.71	
	1560	Accum Depr - General		160,654.00
		<i>To record current year depreciation and amortization expense</i>		
8	1560	Accum Depr - General	29,884.00	
	1510	Property and Equipment - General		29,884.00
		<i>To write off vehicle sold during the fiscal year</i>		

TOWN OF PORT DEPOSIT
SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2025

9	1560	Accum Depr - General	7,928.00	
	1510	Property and Equipment - General		7,928.00
		<i>To write off leased asset.</i>		
10	5310	Professional Fees	18,591.27	
		Accounts Payable		18,591.27
		<i>To record additional accounts payable</i>		
11	5012	Compensated Absences GG		13,683.20
	5014	Compensated Absences PW		2,712.80
	2500	Compensated Absences Liability	16,396.00	
		<i>To adjust the compensated absence liability to actual at year end</i>		
12	4120	Highway User Revenue	9,227.24	
	1430	Accounts Receivable - State of MD		9,227.24
		<i>To reverse prior year receivable</i>		
13	4010	Real Property Tax	38,994.18	
	1420	Accounts Receivable: Property Tax		38,994.18
		<i>To adjust property and refuse receivable to actual at year end</i>		

TOWN OF PORT DEPOSIT
SCHEDULE OF WAIVED JOURNAL ENTRIES
JUNE 30, 2025

1	Accrued Salaries	12,123.41	
	Accrued Payroll Taxes	927.43	
	Salaries Expense		12,123.41
	Payroll Taxes		927.43

Entry to reverse the prior year accrued payroll and related payroll taxes

2	Salaries Expense	11989.11	
	Payroll Taxes	917.17	
	Accrued Salaries		11989.11
	Accrued Payroll Taxes		917.17

Entry to record the current year accrued payroll and related payroll taxes



October 29, 2025

Members of Council
Town of Port Deposit
Port Deposit, Maryland

In planning and performing our audit of the financial statements of the Town of Port Deposit ("the Town") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing auditing 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses, and matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 29, 2025 on the basic financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

STATUS OF PRIOR YEAR RECOMMENDATIONS

FUND BALANCE POLICY

During our prior year audits, we noted that the Town has not formally adopted a fund balance policy in accordance with GASB Statement No. 54.

The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Recommendation

We recommended that the Town formally prepare and adopt a fund balance policy in accordance with the guidelines established by GASB Statement No. 54.

Status

During our current year audit, we noted that while a formal written fund balance policy was not adopted during the year, the Town is in the process of developing a policy. Therefore, this recommendation remains applicable for the current year.

CAPITALIZATION POLICY

During our prior year audit, we noted that the Town does not have a formally adopted capitalization policy. The Town's current practice is to capitalize assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost (if known) or estimated cost (if unknown) when purchased or constructed. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the asset are not capitalized.

Recommendation

We recommended that the Town formally prepare and adopt a formal written policy over the capitalization of assets to ensure proper accounting treatment of equipment and other capital purchases.

Status

During our current year audit, we noted that while a formal written capitalization policy was not adopted during the year, the Town follows an informal policy of capitalizing additions over \$5,000. The Town is in the process of developing a policy. Therefore, this recommendation remains applicable for the current year.

CURRENT YEAR RECOMMENDATIONS

None.

This report is intended solely for the information and use of the members of Council and management of the Town of Port Deposit and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company LLP
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