

TOWN OF BERLIN, MARYLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

TOWN OF BERLIN, MARYLAND

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INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

To the Mayor and Council
Town of Berlin, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 (GAAS) 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 of Berlin, Maryland 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 – Adoption of Accounting Standard

As discussed in the notes to the financial statements, the Town adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Town of Berlin, Maryland's 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 of Berlin, Maryland'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.

Auditor's 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 auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of Berlin, Maryland'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Berlin, Maryland'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 our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 14 and pages 52 through 55 are 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026 on our consideration of the Town of Berlin, Maryland'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 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 effectiveness of 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 of Berlin, Maryland's internal control over financial reporting and compliance.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 12, 2026

TOWN OF BERLIN, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

This section of the Town of Berlin, Maryland’s (the “Town”) annual report presents our discussion and analysis of the Town’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the Town’s financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four financial parts – *management’s discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents schedules of revenues and expenditures/expenses. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town, reporting the Town’s operations in more detail than the Government-wide financial statements.
 - The *governmental funds* statements tell how general government services like general government, public safety, public works, parks, recreation, culture, and planning and economic development were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the electric department, the water and sewer system, and the stormwater system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included schedules of selected revenues and expenditures/expenses.

Government-wide financial statements

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

The two government-wide statements report the Town's *net position* and how it has changed. Net position – the difference between the Town's assets, deferred outflows, liabilities, and deferred inflows – is one way to measure the Town's financial health, or position. Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Town you need to consider additional nonfinancial factors such as changes in the property tax base and the condition of the Town's roads and electric, water, and sewer systems.

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

- *Governmental activities* – Most of the Town's basic services are included here, such as the legislative and executive government, finance administration, police, fire, public works, parks, and planning and economic development. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's electric, water, sewer, and stormwater departments are included here.

Fund financial statements

The fund financial statements provide more detailed information about the Town's most significant *funds* – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. The Town has two kinds of 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 readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long- and short-term financial information. In fact, the Town's *enterprise funds* are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position at June 30, 2025 was \$59,558,737. Of this total, \$38,077,370 was invested in capital assets, net of related debt, \$2,149,222 was restricted, which leaves an unrestricted net position of \$19,332,145. The Town's net position increased \$5,286,360 from last year. The tables below show key financial information in a condensed format for the current year.

Table 1
Town of Berlin, Maryland's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 13,412	\$ 12,555	\$ 12,267	\$ 12,864	\$ 25,679	\$ 25,419
Noncurrent assets	1,038	548	1,731	2,129	2,769	2,677
Capital assets	12,925	11,248	35,037	33,992	47,962	45,240
Total assets	27,375	24,351	49,035	48,985	76,410	73,336
Deferred outflows of resources	1,481	1,126	870	870	2,351	1,996
Current and other liabilities	1,028	697	1,693	2,056	2,721	2,753
Long-term liabilities	5,554	4,769	9,325	9,674	14,879	14,443
Total liabilities	6,582	5,466	11,018	11,730	17,600	17,196
Deferred inflows of resources	622	1,240	980	2,316	1,602	3,556
Net position						
Net investment in capital assets	10,015	8,543	28,062	26,471	38,077	35,014
Restricted	1,038	548	1,112	1,481	2,150	2,029
Unrestricted	10,599	9,680	8,733	7,857	19,332	17,537
Total net position	\$ 21,652	\$ 18,771	\$ 37,907	\$ 35,809	\$ 59,559	\$ 54,580

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in Town of Berlin, Maryland's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program services						
Charges for services	\$ 1,147	\$ 877	\$ 10,931	\$ 11,121	\$ 12,078	\$ 11,998
Operating grants and contributions	595	409			595	409
Capital grants and contributions	652	629	1,728	3,730	2,380	4,359
General revenues						
Property taxes	5,196	4,849			5,196	4,849
Other taxes and fees	943	976			943	976
Unrestricted grants	500	465			500	465
Overhead allocation	1,001	972	(1,001)	(972)		
Other	729	555	108	55	837	610
Total revenues	10,763	9,732	11,766	13,934	22,529	23,666
EXPENSES						
General government	1,888	1,789			1,888	1,789
Public safety	3,390	3,213			3,390	3,213
Public works	1,445	1,473			1,445	1,473
Planning and economic development	521	592			521	592
Recreation and parks	125	135			125	135
Interest on long-term debt	322	108			322	108
Electric			5,753	5,518	5,753	5,518
Water			947	847	947	847
Sewer			2,505	2,498	2,505	2,498
Stormwater			347	283	347	283
Total expenses	7,691	7,310	9,552	9,146	17,243	16,456
Change in net position	\$ 3,072	\$ 2,422	\$ 2,214	\$ 4,788	\$ 5,286	\$ 7,210

Governmental activities

Net position for the Town's governmental activities increased by \$3,071,767 during the fiscal year. The primary reasons for this increase mirror those highlighted in the following analysis of the General Fund.

Business-type activities

During the fiscal year, the Town's net position for business-type activities increased \$2,214,592. Because the change in net position for the Enterprise Funds is an aggregate, for purposes of this management discussion and analysis, Electric, Water, Sewer, and Stormwater funds will be addressed individually below under the analysis of the Town's funds.

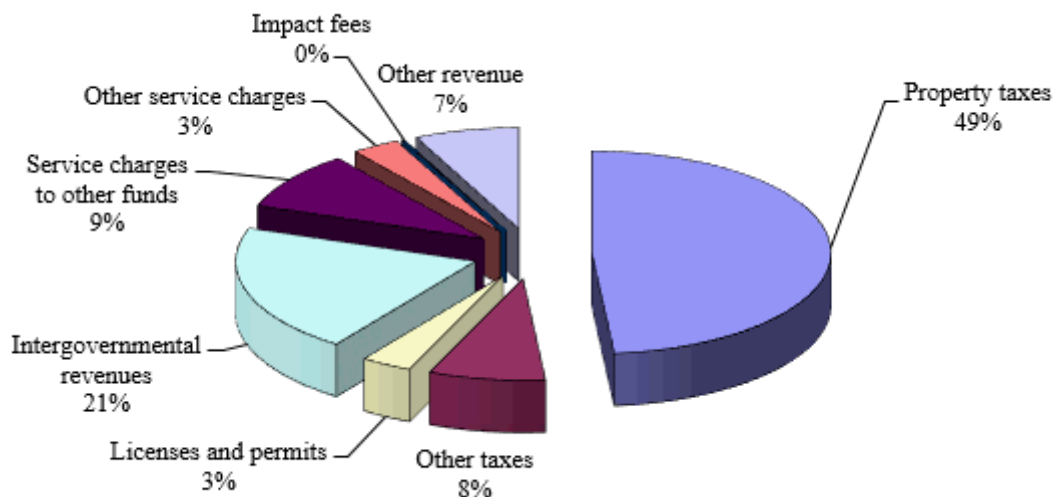
FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund

For the year ended June 30, 2025, the general fund balance increased \$1,485,474.

General fund revenues by source were as follows:

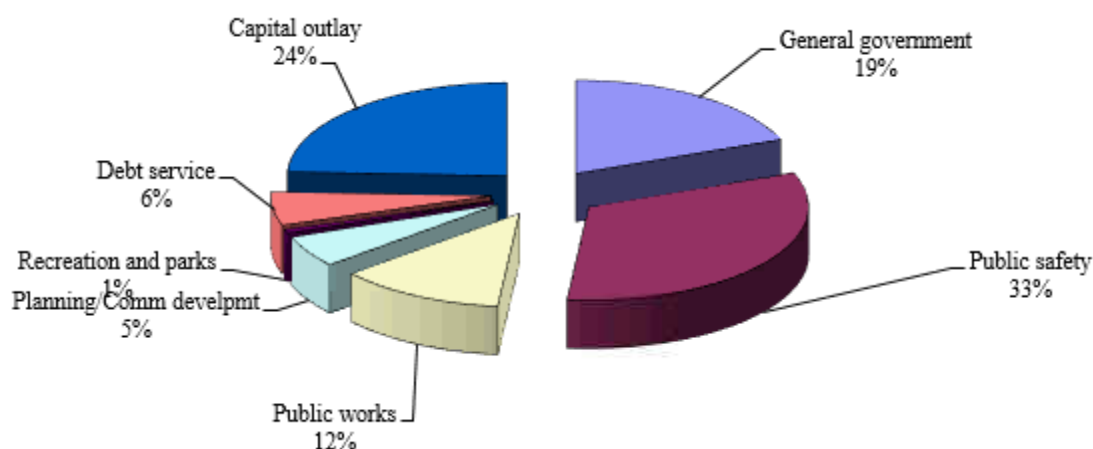
	2025		2024	
	\$	%	\$	%
Property taxes	\$ 5,237,620	48.50%	\$ 4,783,666	49.43%
Other taxes	849,404	7.87%	878,133	9.07%
Licenses and permits	373,339	3.46%	393,893	4.07%
Intergovernmental revenues	2,213,124	20.49%	1,886,678	19.50%
Service charges to other funds	1,001,381	9.27%	972,085	10.04%
Other service charges	348,982	3.23%	70,690	0.73%
Impact fees	12,919	0.12%	120,096	1.24%
Other revenue	762,498	7.06%	572,219	5.90%
Totals	\$ 10,799,267	100.00%	\$ 9,677,460	100.00%



General fund revenues increased \$1,121,807 over the prior year. Significant changes for the year included increases in property taxes, intergovernmental revenues, other service charges and earnings on investments.

General fund expenditures by program were as follows:

	2025		2024	
	\$	%	\$	%
General government	\$ 1,863,763	19.07%	\$ 1,758,759	23.07%
Public safety	3,177,386	32.51%	2,970,804	38.97%
Public works	1,197,382	12.25%	1,219,603	16.00%
Planning/Comm developmt	533,201	5.46%	591,782	7.76%
Recreation and parks	63,062	0.65%	73,743	0.97%
Debt service	562,167	5.75%	293,385	3.85%
Capital outlay	2,377,284	24.30%	714,892	9.38%
Totals	\$ 9,774,245	100.00%	\$ 7,622,968	100.00%



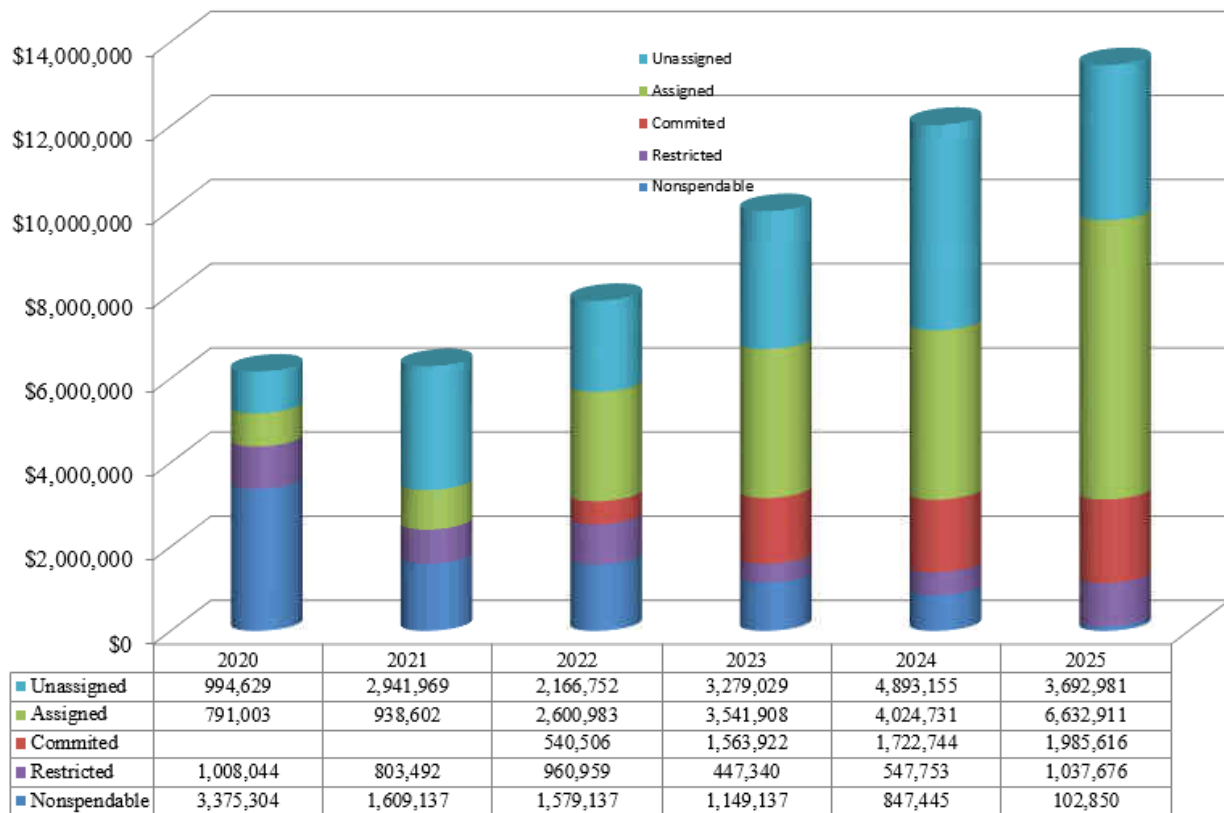
General fund expenditures increased from the prior year by \$2,151,277. The increase is a combination of increases in general government, public safety, debt service and capital outlay expenditures.

At the end of the year, the General fund had a fund balance of \$13,452,034 broken down as follows:

	<u>2025</u>	<u>2024</u>
Fund balances, end of year		
Nonspendable (due from other funds)	\$ 102,850	\$ 847,445
Restricted (slots)	1,037,676	547,753
Committed (disaster recovery, debt service, impact fees)	1,985,616	1,722,744
Assigned (insurance, LEOPS, community center, police forfeitures, stabilization, and capital reserves)	6,632,911	4,024,731
Unassigned	3,692,981	4,893,155
Total fund balances	<u>\$ 13,452,034</u>	<u>\$ 12,035,828</u>

The unassigned fund balance of \$3,692,981 is the amount set aside for future purposes and is available for emergencies. The unassigned fund balance represents 4.6 months of operating expenses. Total unrestricted fund balances (assigned, committed, and unassigned) were \$12,311,508 and represents 15.3 months of operating expenses.

The following graph shows the general fund balance for the six years from 2020 through 2025.

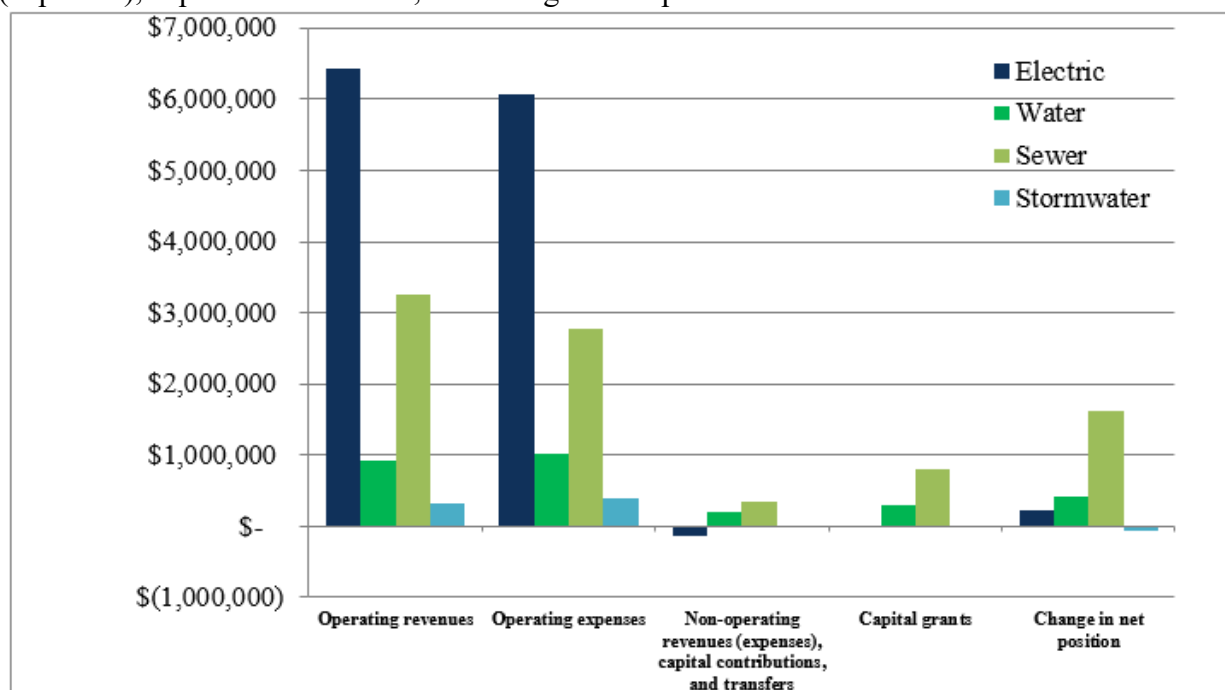


A comparison of revenues and expenditures for the general fund for a three-year period is shown on page 57 of the financial statements.

Enterprise Funds

The Town operates four utilities and accounts for their activities in funds. The utilities are electric, water, sewer, and stormwater. For the year ended June 30, 2025, the enterprise funds had an increase in net position of \$2,114,498 (prior to contributions). Capital contributions from special connection fees were \$100,094 for the year resulting in an increase in net position of \$2,214,592.

The following graph shows operating revenues, operating expenses, non-operating revenues (expenses), capital contributions, and change in net position for the utilities.



Net position at the end of the year was \$37,906,725 broken down as follows:

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Invested in capital assets, net of debt	\$ 4,067,157	3,929,155	16,302,229	3,763,447	\$ 28,061,988
Restricted for capital projects		471,559	639,987		1,111,546
Unrestricted	2,682,414	1,981,353	4,053,481	15,943	8,733,191
Total net position	\$ 6,749,571	\$ 6,382,067	\$ 20,995,697	\$ 3,779,390	\$ 37,906,725

Electric Fund

The Electric Fund had an operating income of \$360,714 compared to an operating income of \$638,146 last year. Net position at June 30, 2025 was \$6,749,571, an increase of \$232,140.

Service charges increased by less 1% from last year. It should be noted that revenues in a given fiscal year are not a true representation of kilowatts sold in that same fiscal year because you are always recovering power costs from prior years. Operating expenses increased from last year by 3% primarily due to increases in supplies and operating.

A comparison of revenues and expenses for a three-year period is shown on page 58 of the financial statements.

Water Fund

The Water Fund had an operating loss of \$78,882 and a total increase in net position (before special connection fees) of \$395,564 compared to a net increase last year of \$675,537. The timing of the recognition of capital grants was the main cause of this fluctuation.

Service charge revenues increased by 1% and operating expenses increased by 2%. Expenses increased primarily due to increase in personnel expenses.

Special connection fees of \$26,574 were received. These fees are restricted for capital projects and the repayment of debt.

A comparison of revenues and expenses for a three-year period is shown on page 59 of the financial statements.

Sewer Fund

The Sewer Fund had an operating income of \$479,768 and a total increase in net position (before special connection fees) of \$1,557,990 compared to an increase in net position last year of \$1,119,356. Special connection fees of \$73,520 increased the overall change in net position to \$1,631,510.

Operating revenues decreased 3% and operating expenses increased 4% due to increases in personnel expenses.

Special connection fees of \$73,520 were received in the current year. Special connection fees are restricted for capital projects and the repayment of debt.

A comparison of revenues and expenses for a three-year period is shown on page 60 of the financial statements.

At June 30, 2025, the due to General Fund from Sewer fund was paid in full.

Stormwater Fund

The Stormwater Fund had an operating loss of \$71,196 compared to the prior year operating loss of \$7,458.

Operating revenues increased by less than 1% and operating expenses increased 20% due to increases in personnel expenses, contracted services and depreciation.

A comparison of revenues and expenses for a three-year period is shown on page 61 of the financial statements.

At June 30, 2025, the Stormwater Fund owes the General Fund \$102,850.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenues exceeded the amended budget by \$1,648,460 due to favorable variances in taxes, intergovernmental revenues, licenses and permits, service charges and earnings on investments. Actual expenditures were less than the amount budgeted by \$4,288,937 due to timing of capital projects.

A budgetary comparison schedule is included in the financial statements on page 52.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital assets

At the end of the fiscal year, the Town had \$47,962,652, net of accumulated depreciation, invested in a broad range of capital assets.

Table 3
Town of Berlin, Maryland's Net Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,188	\$ 4,188	\$ 8,723	\$ 6,989	\$ 12,911	\$ 11,177
Infrastructure	6,952	6,391	61,993	60,116	68,945	66,507
Buildings and improvements	5,095	4,783	780	780	5,875	5,563
Equipment	1,382	1,321	5,346	4,792	6,728	6,113
Vehicles	3,040	2,027	2,168	1,963	5,208	3,990
Leased equipment	365	21			365	21
Construction in progress	398	384	1,962	3,942	2,360	4,326
Less: accumulated depreciation	(8,495)	(7,867)	(45,935)	(44,590)	(54,430)	(52,457)
Total	<u>\$ 12,925</u>	<u>\$ 11,248</u>	<u>\$ 35,037</u>	<u>\$ 33,992</u>	<u>\$ 47,962</u>	<u>\$ 45,240</u>

This year's major capital asset additions included:

Governmental activities

- Henry Park playground unit
- Heron Park property improvements
- Decatur Street realignment
- West & Washington parking lot
- Peterbilt trash truck
- CAT backhoe
- Four Chevy Tahoe vehicles
- Ford F150 truck
- Ford F550 dump truck
- Town Hall and War Memorial flag poles

Business-type activities

- Engineering and equipment for power plant
- Two Ford F550 trucks
- Harrison Ave water main replacement
- Franklin Ave and Branch Street wells
- Broad street lift station improvements
- Pine, Franklin and Nelson St improvements
- Hudson Branch Street restoration
- John Deere cab utility trailer
- CAT skid loader

Long-term debt

At the end of the fiscal year, the Town had \$11,157,282 in general obligation bonds payable.

Table 4
Town of Berlin, Maryland's Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2025	2024	2025	2024	2025	2024	
General obligation bonds	\$ 2,605	\$ 2,700	\$ 8,247	\$ 8,910	\$ 10,852	\$ 11,610	-7%
Leases payable	305	5			305	5	
Total	<u>\$ 2,910</u>	<u>\$ 2,705</u>	<u>\$ 8,247</u>	<u>\$ 8,910</u>	<u>\$ 11,157</u>	<u>\$ 11,615</u>	-4%

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Town approved a \$17.4 million general fund budget for fiscal year 2026. The tax rate was approved at \$.8275 per \$100 of assessed value.

In March 2024, the Town was awarded a \$1.2 million federal grant through the Inflation Reduction Act to support the planning and design of a pedestrian and bicycle bridge over Route 113 in Berlin, as well as other sidewalk and street crossing improvements, to better connect both sides of the Town, which is currently split by the roadway. In August 2025, the Town received notification from the U.S. Department of Transportation that \$950,000 in Neighborhood Access and Equity (NAE) Program funding previously awarded for the this project had been cut. However, \$250,000 in obligated funds remains available for use. The Town will continue to advocate for alternative federal and state funding options to pursue these needed improvements.

During fiscal year 2024, the Town enrolled in the Law Enforcement Officers Pension System (LEOPS) to improve police recruitment and retention efforts. The initial payment for this was made in December 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town'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 information should be addressed to the Town of Berlin, Maryland, 10 William Street, Berlin, Maryland 21811.

TOWN OF BERLIN, MARYLAND

STATEMENT OF NET POSITION

JUNE 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 12,275,422	\$ 971,611	\$ 13,247,033
Pooled cash and investments	400,485	9,546,421	9,946,906
Taxes receivable	172,731		172,731
Accounts receivable, net	143,752	1,512,360	1,656,112
Leases receivable, current		30,692	30,692
Internal balances	102,850	(102,850)	
Due from other governments	287,055		287,055
Prepaid expenses	30,000		30,000
Inventories		308,441	308,441
Total current assets	<u>13,412,295</u>	<u>12,266,675</u>	<u>25,678,970</u>
Noncurrent assets			
Restricted cash	1,037,676	1,111,546	2,149,222
Leases receivable, noncurrent		618,836	618,836
Capital assets, net of accumulated depreciation	12,925,178	35,037,474	47,962,652
Total noncurrent assets	<u>13,962,854</u>	<u>36,767,856</u>	<u>50,730,710</u>
Total assets	<u>27,375,149</u>	<u>49,034,531</u>	<u>76,409,680</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	1,481,217	869,783	2,351,000
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	561,369	739,264	1,300,633
Current portion of accrued compensated absences	232,390	153,234	385,624
Accrued interest payable	39,859	32,700	72,559
Customer deposits		65,800	65,800
Current portion of bonds and leases payable	194,712	701,461	896,173
Total current liabilities	<u>1,028,330</u>	<u>1,692,459</u>	<u>2,720,789</u>
Noncurrent liabilities			
Bonds and leases payable, less current portion	2,715,084	7,546,025	10,261,109
Net pension liability	2,629,674	1,684,893	4,314,567
Accrued compensated absences, less current portion	209,075	94,496	303,571
Total noncurrent liabilities	<u>5,553,833</u>	<u>9,325,414</u>	<u>14,879,247</u>
Total liabilities	<u>6,582,163</u>	<u>11,017,873</u>	<u>17,600,036</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	569,571	251,652	821,223
Deferred grant revenue	52,621	134,955	187,576
Deferred lease revenue		593,109	593,109
Total deferred inflows of resources	<u>622,192</u>	<u>979,716</u>	<u>1,601,908</u>
NET POSITION			
Net investment in capital assets	10,015,382	28,061,988	38,077,370
Restricted	1,037,676	1,111,546	2,149,222
Unrestricted	10,598,953	8,733,191	19,332,144
Total net position	<u>\$ 21,652,011</u>	<u>\$ 37,906,725</u>	<u>\$ 59,558,736</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,887,888	\$ 734,649	\$	\$ 434,930	\$ (718,309)	\$	\$ (718,309)
Public safety	3,390,288	296,931	125,678		(2,967,679)		(2,967,679)
Public works	1,445,298	37,660	400,827		(1,006,811)		(1,006,811)
Planning and economic development	520,823	77,760	68,614		(374,449)		(374,449)
Recreation and parks	124,549			216,600	92,051		92,051
Interest on long-term debt	321,925				(321,925)		(321,925)
Total governmental activities	<u>7,690,771</u>	<u>1,147,000</u>	<u>595,119</u>	<u>651,530</u>	<u>(5,297,122)</u>		<u>(5,297,122)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	5,753,154	6,422,158				669,004	669,004
Water	946,947	933,043		459,075		445,171	445,171
Sewer	2,504,966	3,260,458		1,269,238		2,024,730	2,024,730
Stormwater	347,015	315,560				(31,455)	(31,455)
Total business-type activities	<u>9,552,082</u>	<u>10,931,219</u>		<u>1,728,313</u>		<u>3,107,450</u>	<u>3,107,450</u>
Total	<u>\$ 17,242,853</u>	<u>\$ 12,078,219</u>	<u>\$ 595,119</u>	<u>\$ 2,379,843</u>	<u>(5,297,122)</u>	<u>3,107,450</u>	<u>(2,189,672)</u>
GENERAL REVENUES							
Taxes							
Property taxes					5,196,081		5,196,081
Public service taxes					137,901		137,901
State income taxes					711,503		711,503
Franchise fees					93,508		93,508
Grants and contributions not restricted to specific programs					500,000		500,000
Unrestricted investment earnings					717,849	90,896	808,745
Overhead allocation					1,001,381	(1,001,381)	
Gain on disposal of assets					10,666	17,627	28,293
Total general revenues					<u>8,368,889</u>	<u>(892,858)</u>	<u>7,476,031</u>
Change in net position					<u>3,071,767</u>	<u>2,214,592</u>	<u>5,286,359</u>
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>18,580,244</u>	<u>35,692,133</u>	<u>54,272,377</u>
NET POSITION, END OF YEAR					<u>\$ 21,652,011</u>	<u>\$ 37,906,725</u>	<u>\$ 59,558,736</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2025

ASSETS

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 12,275,422	\$	\$ 12,275,422
Pooled cash and investments	373,348	27,137	400,485
Taxes receivable	172,731		172,731
Accounts and notes receivable, net	143,752		143,752
Due from other governments	287,055		287,055
Due from other funds	102,850		102,850
Prepaid expenses	30,000		30,000
Restricted cash	1,037,676		1,037,676
Total assets	<u>\$ 14,422,834</u>	<u>\$ 27,137</u>	<u>\$ 14,449,971</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

LIABILITIES

Accounts payable and accrued expenses	\$ 560,844	\$ 525	\$ 561,369
Accrued compensated absences	232,390		232,390
Total liabilities	<u>793,234</u>	<u>525</u>	<u>793,759</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	152,082	27,137	179,219
Deferred grant revenue	25,484		25,484
Total deferred inflows of resources	<u>177,566</u>	<u>27,137</u>	<u>204,703</u>

FUND BALANCES (DEFICIT)

Nonspendable	102,850		102,850
Restricted	1,037,676	(525)	1,037,151
Committed	1,985,616		1,985,616
Assigned	6,632,911		6,632,911
Unassigned	3,692,981		3,692,981
Total fund balance	<u>13,452,034</u>	<u>(525)</u>	<u>13,451,509</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,422,834</u>	<u>\$ 27,137</u>	<u>\$ 14,449,971</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2025

Total fund balances, governmental funds	\$ 13,451,509
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	12,925,178
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Certain expenditures that reduce current financial resources are reported as expenditures in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position:

Deferred financing outflows - retirement	1,481,217
Deferred property taxes	152,082

Some liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the fund financial statements, but are included in the governmental activities in the Statement of Net Position.

Bonds payable, leases payable, and accrued interest	(2,949,655)
Compensated absences	(209,075)
Deferred financing inflows - retirement	(569,571)
Net pension liability	<u>(2,629,674)</u>

Net position, governmental activities	<u><u>\$ 21,652,011</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 6,087,024	\$	\$ 6,087,024
Licenses and permits	373,339		373,339
Intergovernmental revenues	2,213,124	5,965	2,219,089
Service charges	1,350,363		1,350,363
Impact fees	12,919		12,919
Earnings on investments	717,849		717,849
Miscellaneous	44,649		44,649
Total revenues	<u>10,799,267</u>	<u>5,965</u>	<u>10,805,232</u>
EXPENDITURES			
Current			
General government	1,863,763		1,863,763
Public safety	3,177,386	8,197	3,185,583
Public works	1,197,382		1,197,382
Planning and economic development	533,201		533,201
Recreation and parks	63,062		63,062
Debt service	562,167		562,167
Capital outlay	2,377,284		2,377,284
Total expenditures	<u>9,774,245</u>	<u>8,197</u>	<u>9,782,442</u>
Excess of revenues over (under) expenditures	1,025,022	(2,232)	1,022,790
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets	10,666		10,666
Proceeds from issuance of long-term debt	449,786		449,786
Net other financing sources	<u>460,452</u>		<u>460,452</u>
Net change in fund balance	1,485,474	(2,232)	1,483,242
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>11,966,560</u>	<u>1,707</u>	<u>11,968,267</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ 13,452,034</u></u>	<u><u>\$ (525)</u></u>	<u><u>\$ 13,451,509</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, 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, 2025

Net change in fund balances, governmental funds	\$ 1,483,242
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense (\$2,059,629) exceeded depreciation (\$725,678) in the current period.	1,651,606
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Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities.	355,213
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Some expenses reported in the Statements of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	(30,174)
Change in long-term compensated absences	(35,658)
Change in net pension liability	(427,206)
Change in deferred financing inflows	295,646

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned:

Change in deferred property taxes	(41,539)
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Governmental funds report loan and proceeds as revenue. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities.	(449,786)
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Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	<u>270,423</u>
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Change in net position, governmental activities	<u><u>\$ 3,071,767</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2025

ASSETS	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Current assets					
Cash	\$	\$ 259,594	\$ 712,017	\$	\$ 971,611
Pooled cash and investments	4,094,267	1,849,215	3,428,307	174,632	9,546,421
Accounts receivable, net of allowance	704,910	189,279	576,737	41,434	1,512,360
Leases receivable, current		30,692			30,692
Inventory	245,371	50,498	12,572		308,441
Total current assets	<u>5,044,548</u>	<u>2,379,278</u>	<u>4,729,633</u>	<u>216,066</u>	<u>12,369,525</u>
Noncurrent assets					
Restricted cash		471,559	639,987		1,111,546
Leases receivable, noncurrent		618,836			618,836
Capital assets, net of accumulated depreciation	4,913,764	3,929,155	22,431,108	3,763,447	35,037,474
Total noncurrent assets	<u>4,913,764</u>	<u>5,019,550</u>	<u>23,071,095</u>	<u>3,763,447</u>	<u>36,767,856</u>
Total assets	<u>9,958,312</u>	<u>7,398,828</u>	<u>27,800,728</u>	<u>3,979,513</u>	<u>49,137,381</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred financing outflows - retirement	390,204	123,128	313,854	42,597	869,783
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	393,680	115,170	200,612	29,802	739,264
Accrued compensated absences	89,341	14,550	42,903	6,440	153,234
Accrued interest payable	11,895		20,805		32,700
Customer deposits	65,800				65,800
Current portion of bonds payable	378,000		323,461		701,461
Total current liabilities	<u>938,716</u>	<u>129,720</u>	<u>587,781</u>	<u>36,242</u>	<u>1,692,459</u>
Noncurrent liabilities					
Bonds payable	1,740,607		5,805,418		7,546,025
Due to other funds				102,850	102,850
Net pension liability	755,881	238,516	607,980	82,516	1,684,893
Accrued compensated absences	50,844	7,965	26,899	8,788	94,496
Total noncurrent liabilities	<u>2,547,332</u>	<u>246,481</u>	<u>6,440,297</u>	<u>194,154</u>	<u>9,428,264</u>
Total liabilities	<u>3,486,048</u>	<u>376,201</u>	<u>7,028,078</u>	<u>230,396</u>	<u>11,120,723</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred financing inflows - retirement	112,897	35,624	90,807	12,324	251,652
Deferred grant revenue		134,955			134,955
Deferred lease revenue		593,109			593,109
Total deferred inflows of resources	<u>112,897</u>	<u>763,688</u>	<u>90,807</u>	<u>12,324</u>	<u>979,716</u>
NET POSITION					
Net investment in capital assets	4,067,157	3,929,155	16,302,229	3,763,447	28,061,988
Restricted for capital projects		471,559	639,987		1,111,546
Unrestricted	2,682,414	1,981,353	4,053,481	15,943	8,733,191
Total net position	<u>\$ 6,749,571</u>	<u>\$ 6,382,067</u>	<u>\$ 20,995,697</u>	<u>\$ 3,779,390</u>	<u>\$ 37,906,725</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2025

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
REVENUES					
Service charges	\$ 6,259,323	\$ 820,906	\$ 2,495,907	\$ 313,848	\$ 9,889,984
Sales and services	133,040	15,503			148,543
Hauler fees			716,346		716,346
Interest on delinquent accounts	29,551	10,255	35,389	1,662	76,857
Miscellaneous	244	86,379	12,816	50	99,489
Total revenues	<u>6,422,158</u>	<u>933,043</u>	<u>3,260,458</u>	<u>315,560</u>	<u>10,931,219</u>
EXPENSES					
Purchased power	3,250,836				3,250,836
Personnel expenses	1,254,421	424,353	1,026,972	132,885	2,838,631
Supplies and operating	395,618	204,563	492,004	12,756	1,104,941
Professional services	160,366			18,432	178,798
Contracted services	80,202	18,498	32,134	12,132	142,966
Insurance	28,769	14,584	27,344	1,951	72,648
Repairs and maintenance	24,415	117,465	102,668		244,548
Depreciation	395,502	167,484	674,221	168,859	1,406,066
General overhead	471,315	64,978	425,347	39,741	1,001,381
Total expenses	<u>6,061,444</u>	<u>1,011,925</u>	<u>2,780,690</u>	<u>386,756</u>	<u>10,240,815</u>
Operating income (loss)	<u>360,714</u>	<u>(78,882)</u>	<u>479,768</u>	<u>(71,196)</u>	<u>690,404</u>
NONOPERATING REVENUES (EXPENSES)					
Capital grants		297,456	814,150		1,111,606
Capital service fees		135,045	381,568		516,613
Interest income	34,451	27,144	29,301		90,896
Interest expense	(163,025)		(149,623)		(312,648)
Gain on disposal of assets		14,801	2,826		17,627
Net nonoperating revenues (expenses)	<u>(128,574)</u>	<u>474,446</u>	<u>1,078,222</u>		<u>1,424,094</u>
Income (loss) before contributions	232,140	395,564	1,557,990	(71,196)	2,114,498
Capital contributions - special connection fees		26,574	73,520		100,094
Change in net position	232,140	422,138	1,631,510	(71,196)	2,214,592
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>6,517,431</u>	<u>5,959,929</u>	<u>19,364,187</u>	<u>3,850,586</u>	<u>35,692,133</u>
NET POSITION, END OF YEAR	<u>\$ 6,749,571</u>	<u>\$ 6,382,067</u>	<u>\$ 20,995,697</u>	<u>\$ 3,779,390</u>	<u>\$ 37,906,725</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2025

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 6,648,497	\$ 828,992	\$ 3,266,225	\$ 317,043	\$ 11,060,757
Other receipts	244	76,112	12,816	500,050	589,222
Payments to suppliers	(3,758,725)	(480,928)	(596,840)	(498,037)	(5,334,530)
Payments to employees	(1,245,316)	(393,704)	(995,543)	(119,049)	(2,753,612)
Payments for interfund services	(471,315)	(64,978)	(425,347)	(39,741)	(1,001,381)
Net cash provided (used) by operating activities	1,173,385	(34,506)	1,261,311	160,266	2,560,456
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund borrowings			(694,595)	(50,000)	(744,595)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	34,451	27,144	29,301		90,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(613,029)	(524,548)	(1,271,604)	(42,023)	(2,451,204)
Proceeds from the sale of capital assets		14,801	2,826		17,627
Proceeds from capital service fees		135,045	381,568		516,613
Proceeds from capital grants		297,456	814,150		1,111,606
Cash transferred due to reallocation of deferred ARPA funds		(297,456)	(814,150)		(1,111,606)
Principal paid on long-term debt	(345,693)		(317,287)		(662,980)
Interest paid on long-term debt	(165,017)		(150,022)		(315,039)
Capital contributions - special connection fees		26,574	73,520		100,094
Net cash used by capital and related financing activities	(1,123,739)	(348,128)	(1,280,999)	(42,023)	(2,794,889)
Net increase (decrease) in cash	84,097	(355,490)	(684,982)	68,243	(888,132)
CASH, BEGINNING OF YEAR	4,010,170	2,935,858	5,465,293	106,389	12,517,710
CASH, END OF YEAR	\$ 4,094,267	\$ 2,580,368	\$ 4,780,311	\$ 174,632	\$ 11,629,578
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 360,714	\$ (78,882)	\$ 479,768	\$ (71,196)	\$ 690,404
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	395,502	167,484	674,221	168,859	1,406,066
Deferred financing outflows - retirement	38,758	(16,487)	(15,204)	(7,031)	36
Deferred financing inflows - retirement	(95,988)	(16,306)	(54,622)	(4,995)	(171,911)
Deferred lease revenue		(53,176)			(53,176)
(Increase) decrease in assets					
Accounts receivable	257,090	(17,672)	18,583	1,533	259,534
Grants receivable				500,000	500,000
Leases receivable		42,909			42,909
Inventory	50,621	2,607	(2,346)		50,882
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	197,195	(64,983)	160,911	(426,904)	(133,781)
Customer deposits	(30,507)				(30,507)
Net cash provided (used) by operating activities	\$ 1,173,385	\$ (34,506)	\$ 1,261,311	\$ 160,266	\$ 2,560,456

The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Berlin, Maryland, (the “Town”), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The basic criteria for including component units in the Town’s financial statements are the exercise of oversight responsibility over such units by the Town’s elected officials and the scope of public services as it pertains to the activities benefiting the residents within the geographic boundaries of the Town. Oversight responsibility embraces such factors as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the above criteria as set forth by the GASB, the Town of Berlin, Maryland has no component units.

Basis of Presentation

Government-wide financial statements - The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation (continued)

Fund financial statements - The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. Any remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions.

The Town reports the following major governmental fund: general fund. This is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Town reports the following major proprietary funds: electric, water, sewer, and stormwater. These funds account for the operation and management of the electric, water, sewer, and stormwater departments.

The Town reports the following non-major governmental fund: special revenue fund. This fund accounts for state and federal grants with specific compliance restrictions.

Measurement Focus, Basis of Accounting

The government-wide and proprietary fund statements are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting (continued)

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary Data

The Town's budgetary year begins July 1 of each year. By Town Ordinance, the Council must approve a budget for the succeeding year by June 30 after holding at least two public hearings. Appropriations lapse at year-end unless obligated or encumbered. Expenditures in excess of amounts appropriated for or transferred to a general classification of expenditures in the budget are prohibited by the Town's charter. Budget amendments can be made during the year, but must be approved by the Mayor and Council. Appropriations from prior year fund balance are recorded as other financing sources for budgetary purposes.

The general fund budget is adopted on a basis consistent with generally accepted accounting principles for governmental funds. No budget is adopted or required for the special revenue fund.

Cash Equivalents

The Town treats certificates of deposit with original maturities of 90 days or less and investments in repurchase agreements with short-term maturities as cash equivalents for purposes of preparing the cash flow statement.

Restricted Cash

Restricted cash in the general fund consists of slots revenue restricted by the State of Maryland. Restricted cash in the enterprise funds consists of EDU escrow deposits.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Allowance for Uncollectible Accounts

Provision is made for estimated uncollectible electric, water, sewer, and stormwater charges and miscellaneous accounts receivable based upon the Town's determination of individual accounts not likely to be collected. At June 30, 2025, the allowance in the General Fund was \$39,699 and the Enterprise Fund was \$98,463.

Inventories

Inventories of supplies are stated at cost at year-end as determined by the first-in, first-out method. Inventories are charged to expense when consumed, rather than when purchased or donated.

Deferred Inflows and Outflows of Resources

The Town reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period. The Town has three types of items that qualify for reporting in this category: (a) deferred property taxes which are not recognized until available (collected not later than 60 days after the end of the Town's fiscal year), (b) deferred financing inflows related to the retirement plan, and (c) deferred antenna leases.

The Town may report decreases in net assets that relate to a future period as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The Town has one item that qualifies for reporting in this category: deferred financing outflows related to the retirement plan.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS), and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS.

Property Taxes

Real and personal property taxes are calculated based on the assessable basis of the property as of the January 1 preceding the fiscal year which begins July 1. The taxes are levied July 1 of each year and are due October 1 with penalties charged on payments not received by October 1.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. General infrastructure assets, such as streets, curbs, gutters, storm drains, traffic lighting systems and similar assets, acquired after June 30, 2000 are capitalized in the government-wide financial statements. The Town has established a \$5,000 minimum threshold amount for capitalization. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Leased equipment is amortized over the life of the lease.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10 - 50 years
Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 10 years
Transportation equipment	5 - 15 years
Leased equipment (Right-to-use)	Life of lease

Accrued Compensated Absences

The Town accrues a liability in the government-wide, governmental and proprietary fund statements for certain compensated absences (vacation, sick and compensatory time) that have been earned but not yet paid. Employees will accrue vacation days based on the number of years employed. Unused vacation may be carried over from one fiscal year to the next up to a maximum of 240 accumulated hours. Sick leave shall accrue at a rate of 3.70 hours per pay, beginning on the date of hire. Sick leave may be accrued and carried over from year to year without limitation. Sick pay is not paid out upon termination or resignation.

Capital Contributions - Enterprise Funds

Capital contributions in the water and sewer funds consist of special connection fees that were assessed for payment of debt service costs and capital improvements to the water and sewer plants. Interest earned that is attributable to the special connections fees is reported in the water and sewer funds.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net positions are divided into three components as follows:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted - consists of assets that are restricted by enabling legislation. In the governmental activities, this amount represents impact fees that are restricted for use on future capital projects and slots revenue that is restricted by the State of Maryland. In the business-type activities, this amount represents EDU escrow deposits.

Unrestricted - all other not reported in the above categories.

When an expense is incurred that can be paid using either restricted or unrestricted net position, the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Governmental Fund Balances

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

Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action of the Mayor and Council.

Assigned fund balance - amounts the Mayor and Council intend to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Fund Balances (continued)

Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the Town's General Fund.

In governmental funds, the Town'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) before using unassigned fund balances.

Adoption of GASB Statement No. 101, *Compensated Absences*

Effective July 1, 2024, the Town adopted the new accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

In estimating the leave that is more likely than not to be used or otherwise paid or settled, the Town considered relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in accrued compensated absences.

The net position in the governmental activities and enterprise funds and fund balance in the general fund at June 30, 2024 have been restated to reflect the implementation of GASB Statement No. 101, *Compensated Absences*. The following adjustments have been to the 2024 amounts:

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**BASIS OF PRESENTATION AND
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Adoption of GASB Statement No. 101, *Compensated Absences*

Increase in compensated absences:	
Government-wide:	
Governmental activities	\$ 190,948
Business-type activities	117,182
	<u>\$ 308,130</u>
General fund	<u>\$ 69,268</u>
Enterprise funds:	
Electric fund	\$ 63,488
Water fund	6,762
Sewer fund	39,072
Stormwater fund	7,859
	<u>\$ 117,181</u>

DEPOSITS AND INVESTMENTS

The Town follows the State of Maryland laws related to types of deposits and investments, selection of depositories, and collateral requirements. The Annotated Code of Maryland requires that deposits with financial institutions be fully collateralized. Full collateralization is necessary to minimize the risk of loss of a deposit in the event of the default of a financial institution.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2025, \$15,849,461 of the Town's deposits were exposed to custodial credit risk. These amounts were not covered by the Federal Deposit Insurance Corporation (FDIC). Of this amount, \$12,503,670 was collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name and \$3,345,791 was uncollateralized.

In July 2025, the Town implemented the use of Insurance Cash Sweep (ICS), which automatically transfer (or "sweep") excess funds from a primary account into deposit accounts at a network of different FDIC-insured banks, ensuring that no single bank balance exceeds \$150,000, mitigating uninsured balances at any point in time.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 4,188,472	\$	\$	\$ 4,188,472
Construction in progress	384,105	557,288	542,957	398,436
Total capital assets not being depreciated	<u>4,572,577</u>	<u>557,288</u>	<u>542,957</u>	<u>4,586,908</u>
<i>Capital assets being depreciated</i>				
Infrastructure	6,391,391	560,854		6,952,245
Buildings and improvements	4,781,788	312,784		5,094,572
Equipment	1,321,377	91,274	30,824	1,381,827
Vehicles	2,027,497	1,080,387	68,126	3,039,758
Leased equipment	64,153	317,655	16,759	365,049
Total capital assets being depreciated	<u>14,586,206</u>	<u>2,362,954</u>	<u>115,709</u>	<u>16,833,451</u>
Less accumulated depreciation for:				
Infrastructure	3,746,126	227,225		3,973,351
Buildings and improvements	1,937,072	198,152		2,135,224
Equipment	856,424	85,804	30,822	911,406
Vehicles	1,312,060	185,554	68,126	1,429,488
Leased equipment	29,914	28,943	13,145	45,712
Total accumulated depreciation	<u>7,881,596</u>	<u>725,678</u>	<u>112,093</u>	<u>8,495,181</u>
Total capital assets being depreciated, net	<u>6,704,610</u>	<u>1,637,276</u>	<u>3,616</u>	<u>8,338,270</u>
Governmental activities capital assets, net	<u>\$ 11,277,187</u>	<u>\$ 2,194,564</u>	<u>\$ 546,573</u>	<u>\$ 12,925,178</u>

Construction in progress in the governmental activities includes the Heron Park property realignment, Berlin bike path, Public Works department building, West street roadway and utilities, Stephen Decatur Park comfort station, Town Hall renovations, Community Center project, and Washington Street and West parking lot improvements.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
<u>Electric:</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 304,510	\$	\$	\$ 304,510
Construction in progress	425,000	58,995	425,000	58,995
Total capital assets not being being depreciated	729,510	58,995	425,000	363,505
<i>Capital assets being depreciated</i>				
Infrastructure	15,294,325	456,375		15,750,700
Buildings and improvements	766,456			766,456
Equipment	3,371,050	318,750		3,689,800
Vehicles	798,256	203,909		1,002,165
Total capital assets being depreciated	20,230,087	979,034		21,209,121
Less accumulated depreciation for:				
Infrastructure	13,205,490	222,869		13,428,359
Buildings and improvements	640,584	8,342		648,926
Equipment	1,772,621	111,768		1,884,389
Vehicles	644,665	52,523		697,188
Total accumulated depreciation	16,263,360	395,502		16,658,862
Total capital assets being depreciated, net	3,966,727	583,532		4,550,259
Electric activities, capital assets, net	4,696,237	642,527	425,000	4,913,764

Construction in progress in the Electric Fund consists of the metering project.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewer:</u>				
<i>Capital assets not being depreciated</i>				
Land	3,495,233			3,495,233
Construction in progress	185,007	889,655	1,061,212	13,450
Total capital assets not being depreciated	3,680,240	889,655	1,061,212	3,508,683
<i>Capital assets being depreciated</i>				
Infrastructure	38,828,407	1,138,377		39,966,784
Buildings and improvements	1,510			1,510
Equipment	1,140,194	210,615		1,350,809
Vehicles	805,932	94,169	27,786	872,315
Total capital assets being depreciated	40,776,043	1,443,161	27,786	42,191,418
Less accumulated depreciation for:				
Infrastructure	21,005,942	586,313		21,592,255
Buildings and improvements	1,510			1,510
Equipment	950,369	52,040		1,002,409
Vehicles	664,737	35,868	27,786	672,819
Total accumulated depreciation	22,622,558	674,221	27,786	23,268,993
Total capital assets being depreciated, net	18,153,485	768,940		18,922,425
Sewer, capital assets, net	21,833,725	1,658,595	1,061,212	22,431,108

Construction in progress in the Sewer Fund consists of the West Street pump station project.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water:</u>				
<i>Capital assets not being depreciated</i>				
Land	82,039			82,039
Construction in progress	1,637,971	415,200	162,255	1,890,916
Total capital assets not being depreciated	1,720,010	415,200	162,255	1,972,955
<i>Capital assets being depreciated</i>				
Infrastructure	6,002,918	271,603		6,274,521
Buildings and improvements	11,781			11,781
Equipment	327,012		21,788	305,224
Vehicles	277,984		9,998	267,986
Total capital assets being depreciated	6,619,695	271,603	31,786	6,859,512
Less accumulated depreciation for:				
Infrastructure	4,309,976	134,903		4,444,879
Buildings and improvements	11,091	276		11,367
Equipment	240,092	14,843	21,788	233,147
Vehicles	206,455	17,462	9,998	213,919
Total accumulated depreciation	4,767,614	167,484	31,786	4,903,312
Total capital assets being depreciated, net	1,852,081	104,119		1,956,200
Water, capital assets, net	3,572,091	519,319	162,255	3,929,155

Construction in progress in the Water Fund includes the Powellton Avenue well building addition, smart water meter upgrades, William Street water service replacement, and Franklin Avenue water tower and well.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Stormwater:</u>				
<i>Capital assets not being depreciated</i>				
Construction in progress	1,693,681	42,023	1,734,584	1,120
Total capital assets not being depreciated	1,693,681	42,023	1,734,584	1,120
<i>Capital assets being depreciated</i>				
Land improvements	3,106,835	1,734,584		4,841,419
Vehicles	26,352			26,352
Total capital assets being depreciated	3,133,187	1,734,584		4,867,771
Less accumulated depreciation for:				
Land improvements	910,233	168,859		1,079,092
Vehicles	26,352			26,352
Total accumulated depreciation	936,585	168,859		1,105,444
Total capital assets being depreciated, net	2,196,602	1,565,725		3,762,327
Stormwater, capital assets, net	3,890,283	1,607,748	1,734,584	3,763,447
 Business-type activities				
Capital assets, net	\$ 33,992,336	\$ 4,428,189	\$ 3,383,051	\$ 35,037,474

Construction in progress in the Stormwater Fund consists of the Bottle Branch watershed project.

Depreciation expense for governmental activities was charged to functions as follows:

Governmental Activities:	
General government	\$ 67,256
Public safety	277,753
Public works	318,171
Planning and community development	1,011
Recreation and parks	61,487
	<u>\$ 725,678</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

FUND BALANCES

Nonspendable funds are the net of amounts due from/due to other funds as these will not be available to pay current expenditures.

Restricted fund balances are local impact grant funds (state slots revenue) that are restricted by the State of Maryland and may be used for infrastructure improvements, facilities, public safety, sanitation, economic and community development, and other public services and improvements.

Committed fund balances consist of \$263,999 set aside for disaster recovery, \$508,538 for debt service, and \$1,213,079 from impact fees.

Assigned fund balances are monies that the Mayor and Council have designated for the following purposes:

Health insurance	\$ 331,703
LEOPS	846,396
Police forfeitures	41,393
Community Center	402,798
Stabilization	2,235,317
Capital reserve	2,775,304
	<u>\$ 6,632,911</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

INTERNAL BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2025 consist of the following:

	June 30, 2024	Increase (Decrease)	June 30, 2025
Due to the general fund from the sewer fund	\$ 694,595	\$ (694,595)	\$
Due to the general fund from the stormwater fund	\$ 152,850	\$ (50,000)	\$ 102,850

During fiscal year 2025, budgeted repayments from the sewer fund of \$300,000 and from the Stormwater fund of \$50,000 were made. In addition, since the sewer funds financial position was profitable during fiscal year 2025, a decision was made to pay the due to the general fund from the sewer fund in full. An additional payment from the sewer fund of \$386,287 was made. The remaining balance due to the general fund from the stormwater fund is not expected to be repaid within one year.

LONG-TERM DEBT

Changes in long-term obligations for the year June 30, 2025 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General obligation bonds	\$ 2,699,724	\$	\$ 222,078	\$ 2,477,646
Bond premium		132,132	4,955	127,177
Leases	34,325	317,655	47,007	304,973
	<u>\$ 2,734,049</u>	<u>\$ 449,787</u>	<u>\$ 274,040</u>	<u>\$ 2,909,796</u>
Business-type Activities:				
Electric				
General obligation bonds	\$ 2,464,300	\$	\$ 428,685	\$ 2,035,615
Bond premium		87,939	4,947	82,992
	<u>\$ 2,464,300</u>	<u>\$ 87,939</u>	<u>\$ 433,632</u>	<u>\$ 2,118,607</u>
Sewer				
General obligation bonds	6,446,166		317,287	6,128,879
	<u>\$ 8,910,466</u>	<u>\$ 87,939</u>	<u>\$ 750,919</u>	<u>\$ 8,247,486</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (continued)

Governmental Activities

Bonds payable consists of the following:

	Principal Balance Outstanding at June 30, 2025
Public improvement bonds of 2002 payable to the U.S. Department of Agriculture. The original obligations are dated September 26, 2002. Debt is amortized over 40 years at an interest rate of 4.75%. Interest and principal is due quarterly, with payments ranging from \$362 to \$1,026 through September 26, 2042.	\$ 414,438
Public improvement bonds of 2016 payable to the Bank of Ocean City for the purchase of property. The original obligations are dated January 22, 2016. Debt is amortized over 30 years at an interest rate of 3.50%. Interest and principal is due annually, with principal payments of \$100,000 through December 1, 2045.	2,100,000
Local government infrastructure bond of 2024 payable to the Maryland Department of Housing and Community Development (MDHCD) in the original amount of \$2,800,000 including bond premiums of \$132,132 and less issuance costs of \$53,923. Bond proceeds will be used to finance in part or in full a public works building. Debt is amortized over 30 years at an interest rate of 4.68%. Interest and principal is due semi-annually with payments ranging from \$74,464 to \$169,596 through April 1, 2054.	2,685,000
Unamortized bond premium	127,177
Undrawn bond proceeds held by MDHCD	(2,721,792)
Total Governmental Activities	<u>\$ 2,604,823</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (continued)

Business-type Activities – Electric Fund

	Principal Balance Outstanding at June 30, 2025
2015 bonds payable to the Maryland Department of Housing and Community Development dated August 27, 2015 for \$2,288,100. Proceeds were used to refinance 2004 bonds payable. Debt is amortized over 19 years at an interest rate averaging 3.24%. Interest and principal is due semi-annually, with total annual payments ranging from \$19,251 to \$165,546 through April 1, 2034.	\$ 1,272,000
Local government infrastructure bonds of 2012 payable to the Maryland Department of Housing and Community Development. Proceeds were used to refinance general obligation bonds of 1999. The original obligations are dated May 17, 2012 in the amount of \$1,431,232. Debt is amortized over 17 years. Interest rates range from 1.41% to 3.94%. Interest is due semi-annually with principal payments due annually, ranging from \$2,098 to \$106,500 through May 1, 2029.	402,800
Local government infrastructure bonds of 2012 payable to the Maryland Department of Housing and Community Development. Proceeds were used to refinance general obligation bonds of 1998. The original obligations are dated May 17, 2012 in the amount of \$1,820,652. Debt is amortized over 16 years. Interest rates range from 1.41% to 3.94%. Interest is due semi-annually with principal payments due annually, ranging from \$2,778 to \$141,000 through May 1, 2028.	408,000
Local government infrastructure bond of 2024 payable to the Maryland Department of Housing and Community Development. Proceeds were used to finance the Electric AMI Meter System in the amount of \$1,000,000 including bond premiums of \$87,939 and less issuance costs of \$19,327. Debt is amortized over 20 years at an interest rate averaging 4.24%. Interest is due semi-annually with principal payments due annually, ranging from \$26,232 to \$66,718 through April 1, 2044.	900,000
Unamortized bond premium	82,992
Undrawn bond proceeds held by MDHCD	(947,187)
Total Electric Fund	<u>\$ 2,118,607</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (continued)

Business-type Activities – Sewer Fund

Principal Balance
Outstanding at
June 30, 2025

Real property acquisition bond payable to an individual. This obligation is being used to finance the purchase of real property for use in the spray irrigation project. The original obligation is dated December 15, 2010 in the amount of \$500,000. Debt is amortized over 25 years at an interest rate of 8.422%. Interest and principal is due monthly with payments in the amount of \$4,045. The maturity date is January 2036.

318,672

Bond payable to the U.S. Department of Agriculture. This obligation was used to fund the lagoon liner and wastewater treatment plant projects. The original obligation is dated November 16, 2010 in the amount of \$5,988,000. Interest and principal is due in semi-annual payments of \$113,952 at an interest rate of 2.25%. The maturity date is November 2050.

4,400,945

Loan payable to Maryland Department of the Environment. This loan is being used to fund construction of Phase II of the spray irrigation project. Total amount available to draw is \$3,207,000. Interest payments at .80% are due in semi-annual payments. Principal payments begin annually February 2015. The maturity date is February 2033.

1,409,262

Total Sewer Fund

6,128,879

Total long-term debt - Business-type Activities

\$ 8,247,486

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (continued)

Leases payable

The Town is leasing various copiers and printers, a postage machine and a mail stuffer under leases expiring in 2030. In addition, the Town is leasing land for additional parking space under a lease expiring in 2035. The asset and liability are recorded at the present value of the future lease payments of \$304,973. The assets are amortized over the life of the lease. Amortization of the assets under operating leases is included in depreciation expense.

Debt Service Requirements

Principal and interest requirements to amortize bond and lease obligations as of June 30, 2025 are as follows:

Governmental Activities				
<u>Year Ending</u>	<u>General Obligation Bonds</u>		<u>Operating Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 116,058	\$ 91,157	\$ 33,654	\$ 11,938
2027	116,834	86,880	32,437	10,631
2028	117,648	82,739	35,219	9,371
2029	118,502	78,213	33,193	8,025
2030	119,396	73,818	29,703	6,802
2031-2035	611,990	301,718	140,767	14,579
2036-2040	641,813	184,414		
2041-2045	572,191	65,588		
2046-2055	63,214	1,755		
	<u>\$ 2,477,646</u>	<u>\$ 966,282</u>	<u>\$ 304,973</u>	<u>\$ 61,346</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

LONG-TERM DEBT (continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of June 30, 2025 are as follows:

Business-Type Activities		
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 671,461	\$ 223,518
2027	692,040	204,359
2028	711,270	184,185
2029	586,065	162,366
2030	490,647	145,098
2031-2035	2,095,562	514,664
2036-2040	848,043	291,477
2041-2045	948,426	191,094
2046-2050	1,060,689	78,831
2051	60,291	1,254
	<u>\$ 8,164,494</u>	<u>\$ 1,996,846</u>

INTEREST COST - ENTERPRISE FUND

During the year ended June 30, 2025, total interest incurred and paid in the Enterprise Fund was \$286,847 all of which was charged to operations.

CONDUIT DEBT

The Town has issued tax exempt conduit Hospital Revenue Bond 2017 Series in the principal amount of \$10,000,000. The proceeds were loaned to Atlantic General Hospital Corporation (AGH) for certain capital projects pursuant to a financing agreement dated September 1, 2017. The bond is secured by a pledge of specific revenues and a lien on the financed property. The Town is not obligated in any manner for the repayment of the bond. Accordingly, the bond is not a liability to the Town and not reported in the accompanying financial statements.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

CONTINGENCIES

The Town is the recipient of various federal and state grants. The Town may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. The Town is not aware of any repayment requests.

INTERNAL CHARGES AND SERVICES

The Town provides administrative services to the proprietary funds for certain services paid in the general fund. A payment in lieu of taxes is no longer charged to the Electric Fund. The total services billed for the year ended June 30, 2025 were as follows:

<u>Service Type</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Administrative services	<u>\$ 471,315</u>	<u>\$ 64,978</u>	<u>\$ 425,347</u>	<u>\$ 39,741</u>	<u>\$ 1,001,381</u>

ANTENNA LEASE AGREEMENTS

The Town has entered into lease agreements expiring in 2053 and 2026 with AT&T Wireless and T-Mobile for the use of the Town's water tower for wireless antennas and transmission lines. The lease receivables and deferred inflows of resources are recorded at the present value of the lease payments. The deferred inflow of resources is being amortized over the life of the lease. Amortization is included in antenna rental income in the water fund. As of June 30, 2025, the balance of antenna leases receivable were \$649,528.

A maturity analysis of all future lease payments for the term of the leases is as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2026	\$ 30,692	\$ 23,199
2027	16,969	24,445
2028	18,082	23,746
2029	19,245	23,001
2030	20,459	22,209
All subsequent years	<u>544,081</u>	<u>201,652</u>
Total minimum lease payments to be received	<u>\$ 649,528</u>	<u>\$ 318,252</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

RETIREMENT AND PENSION PLANS

General information about the pension plan

Plan description. Employees of the Town are covered by the Pension System for Employees of the State of Maryland or the Employees' Retirement System of the State of Maryland. Effective July 1, 2025 police officers will be enrolled in the Law Enforcement Officer's Pension System (LEOPS). The initial payment was made in December 2024. These systems are part of the Maryland State Retirement and Pension System (MSRPS), and are cost-sharing multiple-employer public employee retirement systems. The plan is administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the MSRPS is vested in a 15-member Board of Trustees. The MSRPS was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issued a publicly available financial report that includes basic financial statements and required supplementary information for the MSRPS. This report can be found at <https://sra.maryland.gov/annual-financial-reports>.

Basis of accounting. The MSRPS financial statements are prepared on the accrual basis of accounting. For purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources, related to pensions and pension expense, information about the fiduciary net position of the MSRPS and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. Benefit payments and refunds of employee contributions are recognized when due and payable in accordance with statutes governing MSRPS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value.

Covered members. On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

General information about the pension plan (continued)

Benefits provided. All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The MSRPS provides retirement, disability and death benefits.

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of credible service of age. The annual retirement allowance equals $1/55$ (1.81%) of member's AFC multiplied by the number of years accumulated creditable service. A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%.

A member of the LEOPS is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equal $1/50$ (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus $1/100$ (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provision, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

Generally, a member covered under the retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits equal to a member's annual salary as of the date of death plus all member contributions an interest.

Cost-of-Living Adjustments. Benefits attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in valuation.

Contributions. The State Personnel and Pensions Article requires active members to contribute to the MSRPS at the rate of 4%, 5% or 7% of their covered salary depending upon the retirement option selected. For the LEOPS, members are required to contribute 7% of annual earnable compensation during employment. The Town is required to contribute at an actuarially determined rate.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2025, the Town reported a liability of \$4,314,567 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of June 30, 2023 and rolled forward to June 30, 2024, using the entry age normal actuarial valuation method. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2024, the Town's proportion was .0164024% for the Employees' Retirement System.

For the year ended June 30, 2025, the Town recognized pension expense of \$522,621. At June 30, 2025, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Inflows of Resources	Deferred Outflows Resources
Changes of assumptions	\$ 224,861	\$ 161,073
Net difference between projected and actual earnings on pension plan investments	48,054	755,995
Differences between expected and actual experience	548,308	441,658
Changes in proportion		305,791
Contributions subsequent to measurement date		686,483
	<u>\$ 821,223</u>	<u>\$ 2,351,000</u>

The Town's contribution subsequent to the measurement date of \$686,483, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.44 to 5.68 years. The net difference in investment earnings are being amortized over a closed five-year period for each of the years presented. The following table shows the amortization of these balances:

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The following table shows the amortization of these balances:

Year Ending June 30	
2026	\$ 102,931
2027	227,091
2028	332,082
2029	120,587
2030	60,603
Total	<u>\$ 843,294</u>

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2024 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.5% general, 3% wage
Salary increases	3% to 22.5%, including wage inflation
Investment rate of return	6.80%

Mortality rates were based on the public sector 2010 mortality tables calibrated with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The Board adopts these assumptions after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statements No. 25 and 67 of the Governmental Accounting Standards Board (GASB).

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from MSRPS's investment consultants and actuaries.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For each major class that is included in the MSRPS's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Credit Opportunity	9%	5.4%
Rate Sensitive	20%	2.4%
Absolute Return	6%	3.9%
Private Equity	16%	8.5%
Real Assets	15%	5.5%
Total	<u>100%</u>	

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.89% and 3.11%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total pension liability was 6.80%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the municipalities will be made at contractually required rates, actuarially determined.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage point higher (7.80%) than the current rate:

1% Decrease (5.80%)	\$ 6,270,540
Current discount rate (6.80%)	\$ 4,314,567
1% Increase (7.80%)	\$ 2,684,108

Pension plan fiduciary net position. Detailed information about the plan's fiduciary net position is available in the System's separately issued financial report.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

DEFERRED COMPENSATION PLAN

The Town offers certain employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred amounts are invested in various annuity contracts. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the deferred compensation plan participants. The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, the plan's assets are not reported on the statement of net assets of the Town.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2025, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the Town beginning with the year ending June 30, 2026. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential in decision making and assessing a governments accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town beginning with the year ending June 30, 2026. This statement requires certain information regarding capital assets to be presented by major class.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

PRIOR PERIOD ADJUSTMENTS

The net position in the government activities, business-type activities, and enterprise funds and the fund balance in the general fund have been restated to reflect the following:

- Implementation of GASB Statement No. 101, *Compensated Absences*, and
- Correct an understatement of due from other governments and Intergovernmental revenue.

Net position in the government activities and business-type activities as of June 30, 2024 were restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position, as originally reported	\$ 18,745,992	\$ 35,309,314	\$ 54,055,306
Implementation of GASB 101	(190,948)	(117,182)	(308,130)
Adjustment for increase in due from other governments	25,200	500,001	525,201
Net position, as restated	<u>\$ 18,580,244</u>	<u>\$ 35,692,133</u>	<u>\$ 54,272,377</u>

The fund balance in the general fund as of June 30, 2024 was restated as follows:

Fund balance, as originally reported	\$ 12,010,628
Implementation of GASB 101	(69,268)
Adjustment for increases in due from other governments	25,200
Fund balance, as restated	<u>\$ 11,966,560</u>

Net position in the enterprise funds as of June 30, 2024 was restated as follows:

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Net position, as originally reported	\$ 6,580,919	\$ 5,966,691	\$ 19,403,259	\$ 3,358,445	\$ 35,309,314
Implementation of GASB 101	(63,488)	(6,762)	(39,072)	(7,859)	(117,181)
Adjustment for increase in due from other governments				500,000	500,000
Net position, as restated	<u>\$ 6,517,431</u>	<u>\$ 5,959,929</u>	<u>\$ 19,364,187</u>	<u>\$ 3,850,586</u>	<u>\$ 35,692,133</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BERLIN, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 5,603,392	\$ 5,603,392	\$ 6,087,024	\$ 483,632
Licenses and permits	270,000	270,000	373,339	103,339
Intergovernmental revenues	1,842,784	1,842,784	2,213,124	370,340
Service charges	1,047,431	1,047,431	1,350,363	302,932
Impact fees	126,000	126,000	12,919	(113,081)
Earnings on investments	215,000	215,000	717,849	502,849
Miscellaneous	46,200	46,200	44,649	(1,551)
Total revenues	<u>9,150,807</u>	<u>9,150,807</u>	<u>10,799,267</u>	<u>1,648,460</u>
EXPENDITURES				
Current				
General government	2,175,864	2,175,864	1,863,763	312,101
Public safety	3,299,599	3,299,599	3,177,386	122,213
Public works	1,609,915	1,609,915	1,197,382	412,533
Planning and economic development	732,210	732,210	533,201	199,009
Recreation and parks	77,535	77,535	63,062	14,473
Debt service	462,550	462,550	562,167	(99,617)
Capital outlay	5,705,509	5,705,509	2,377,284	3,328,225
Total expenditures	<u>14,063,182</u>	<u>14,063,182</u>	<u>9,774,245</u>	<u>4,288,937</u>
Excess of revenues over (under) expenditures	<u>(4,912,375)</u>	<u>(4,912,375)</u>	<u>1,025,022</u>	<u>5,937,397</u>
OTHER FINANCING SOURCES (USES)				
Prior year surplus	1,762,375	1,762,375		(1,762,375)
Contribution from sewer fund	300,000	300,000		(300,000)
Contribution from stormwater fund	50,000	50,000		(50,000)
Proceeds from disposal of capital assets			10,666	10,666
Proceeds from issuance of long-term debt	<u>2,800,000</u>	<u>2,800,000</u>	<u>449,786</u>	<u>(2,350,214)</u>
Net other financing sources	<u>4,912,375</u>	<u>4,912,375</u>	<u>460,452</u>	<u>(4,451,923)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>\$ 1,485,474</u>	<u>\$ 1,485,474</u>

TOWN OF BERLIN, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)**

<u>Fiscal year/ measurement date</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's proportionate share of the net pension liability</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate share as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
General Employees' Plan					
2016/2015	0.0145807%	\$ 3,030,119	\$ 3,212,440	94.32%	68.78%
2017/2016	0.0154670%	3,649,291	3,069,300	118.90%	65.79%
2018/2017	0.0146841%	3,175,235	3,390,716	93.64%	69.38%
2019/2018	0.0160641%	3,370,512	3,416,307	98.66%	71.18%
2020/2019	0.0165112%	3,405,541	3,582,239	95.07%	72.34%
2021/2020	0.0172189%	3,891,699	3,510,030	110.87%	70.72%
2022/2021	0.0178920%	2,684,209	3,699,176	72.56%	81.84%
2023/2022	0.0171319%	3,427,842	3,518,568	97.42%	76.27%
2024/2023	0.0157685%	3,631,530	3,793,877	95.72%	73.81%
2025/2024	0.0164024%	4,314,567	3,492,476	123.54%	72.08%

TOWN OF BERLIN, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Actual contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Actual contribution as a percentage of covered payroll</u>
General Employees' Plan					
2016	\$ 307,322	\$ 307,322		\$ 3,212,440	9.57%
2017	301,310	301,310		3,069,300	9.82%
2018	298,871	298,871		3,390,716	8.81%
2019	320,331	320,331		3,416,307	9.38%
2020	339,058	339,058		3,582,239	9.46%
2021	369,184	369,184		3,510,030	10.52%
2022	394,255	394,255		3,699,176	10.66%
2023	391,003	391,003		3,518,568	11.11%
2024	384,580	384,580		3,793,877	10.14%
2025	429,467	429,467		3,492,476	12.30%

TOWN OF BERLIN, MARYLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MSRPS
(UNAUDITED)**

JUNE 30, 2025

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

There were no changes in assumptions during the year.

**Method and assumptions used in calculations of actuarially determined contributions for the plan years ended
June 30, 2024 and 2023:**

Actuarial	Entry age normal.	
Remaining amortization period	25 year closed amortization period ending June 30, 2040; 15 years remaining.	
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value).	
Inflation	2024	2.5% general; 3% wage
	2023	2.25% general; 2.75% wage
Salary increases	2024	3.00% to 22.5%, including inflation
	2023	2.75% to 11.25%, including inflation
Investment rate of return	2024	6.80%
	2023	6.80%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2024 valuation pursuant to the 2024 experience study of the period July 1, 2018 to June 30, 2023.	
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale.	

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council
Town of Berlin, Maryland

Report on Supplementary Information

Our report on our audit of the financial statements that collectively comprise the Town of Berlin, Maryland's basic financial statements as of June 30, 2025, appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berlin, Maryland's basic financial statements. The supplementary information presented on pages 57 through 61 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matter

The prior year comparative information has been derived from the Town's 2024 and 2023 financial statements and, in our reports dated January 13, 2025 and November 30, 2023, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 12, 2026

TOWN OF BERLIN, MARYLAND**SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND****YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
REVENUES			
Taxes			
Berlin property	\$ 5,210,924	\$ 4,761,064	\$ 4,464,625
County shared	137,901	136,818	131,740
State shared	711,503	741,315	723,718
Penalties and interest	26,696	22,602	21,128
Licenses and permits	373,339	393,893	284,609
Intergovernmental			
Federal	60,000	283,138	69,105
State	1,653,124	1,138,540	1,186,538
County	500,000	465,000	538,796
Service charges to other funds	1,001,381	972,085	907,079
Service charges, other	348,982	70,690	89,024
Impact fees	12,919	120,096	50,000
Earnings on investments	717,849	554,839	215,523
Miscellaneous	44,649	17,380	50,316
Total revenues	<u>10,799,267</u>	<u>9,677,460</u>	<u>8,732,201</u>
EXPENDITURES			
Current			
General government	1,863,763	1,758,759	1,531,718
Public safety	3,177,386	2,970,804	2,593,596
Public works	1,197,382	1,219,603	1,104,429
Planning and economic development	533,201	591,782	469,939
Recreation and parks	63,062	73,743	58,122
Debt service	562,167	293,385	299,397
Capital outlay	2,377,284	714,892	581,381
Total expenditures	<u>9,774,245</u>	<u>7,622,968</u>	<u>6,638,582</u>
Revenues over expenditures	<u>1,025,022</u>	<u>2,054,492</u>	<u>2,093,619</u>
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets	10,666		39,380
Proceeds from issuance of long term debt	449,786		
Net other financing sources	<u>460,452</u>		<u>39,380</u>
Net change in fund balance	<u>\$ 1,485,474</u>	<u>\$ 2,054,492</u>	<u>\$ 2,132,999</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
ELECTRIC FUND**

**YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
REVENUES			
Service charges	\$ 6,259,323	\$ 6,251,495	\$ 5,894,244
Sales and services	133,040	227,158	294,229
Interest on delinquent accounts	29,551	30,185	24,992
Miscellaneous	244	264	15,692
Total revenues	<u>6,422,158</u>	<u>6,509,102</u>	<u>6,229,157</u>
EXPENSES			
Purchased power	3,250,836	3,280,272	2,999,642
Personnel expenses	1,254,421	1,127,676	1,039,767
Supplies and operating	395,618	221,969	263,610
Professional services	160,366	136,934	124,639
Contracted services	80,202	108,115	59,547
Insurance	28,769	29,559	25,348
Repairs and maintenance	24,415	29,243	21,540
Depreciation	395,502	478,753	482,916
General overhead	471,315	458,435	400,450
Total expenses	<u>6,061,444</u>	<u>5,870,956</u>	<u>5,417,459</u>
Operating income	<u>360,714</u>	<u>638,146</u>	<u>811,698</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants		425,000	
Interest income	34,451		
Interest expense	(163,025)	(105,053)	(122,175)
Insurance proceeds			15,634
Loss on disposal of assets			(22,637)
Net nonoperating revenue (expenses)	<u>(128,574)</u>	<u>319,947</u>	<u>(129,178)</u>
Change in net position	<u>\$ 232,140</u>	<u>\$ 958,093</u>	<u>\$ 682,520</u>

*2025 amounts include implementatin of GASB Statement No. 101, *Compensated Absences* .
The 2024 and 2023 amounts have not been restated for the implementatin of this standard.

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
WATER FUND**

**YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
REVENUES			
Service charges	\$ 820,906	\$ 812,339	\$ 781,785
Sales and services	15,503	13,977	58,041
Interest on delinquent accounts	10,255	9,155	7,877
Miscellaneous	86,379	84,391	80,036
Total revenues	<u>933,043</u>	<u>919,862</u>	<u>927,739</u>
EXPENSES			
Personnel expenses	424,353	301,895	258,392
Supplies and operating	204,563	222,850	257,186
Contracted services	18,498	19,811	15,389
Insurance	14,584	15,957	11,012
Repairs and maintenance	117,465	95,092	95,510
Depreciation	167,484	191,479	183,081
General overhead	64,978	144,204	156,094
Total expenses	<u>1,011,925</u>	<u>991,288</u>	<u>976,664</u>
Operating loss	<u>(78,882)</u>	<u>(71,426)</u>	<u>(48,925)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants	297,456	587,458	1,185,121
Capital service fees	135,045	136,160	112,720
Interest income	27,144	22,746	7,669
Gain (loss) on disposal of assets	14,801	599	(989)
Net nonoperating revenues	<u>474,446</u>	<u>746,963</u>	<u>1,304,521</u>
Income before contributions and transfers	395,564	675,537	1,255,596
Capital contribution - special connection fees	26,574	138,182	172,002
Transfers in	<u> </u>	<u> </u>	<u>97,887</u>
Change in net position	<u>\$ 422,138</u>	<u>\$ 813,719</u>	<u>\$ 1,525,485</u>

*2025 amounts include implementatin of GASB Statement No. 101, *Compensated Absences* .
The 2024 and 2023 amounts have not been restated for the implementatin of this standard.

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
SEWER FUND**

**YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
REVENUES			
Service charges	\$ 2,495,907	\$ 2,465,060	\$ 2,448,997
Hauler fees	716,346	878,475	836,424
Interest on delinquent accounts	35,389	31,577	26,659
Miscellaneous	12,816	2,734	4,792
Total revenues	<u>3,260,458</u>	<u>3,377,846</u>	<u>3,316,872</u>
EXPENSES			
Personnel expenses	1,026,972	920,613	735,658
Supplies and operating	492,004	504,716	478,307
Contracted services	32,134	38,217	40,492
Insurance	27,344	31,175	23,152
Repairs and maintenance	102,668	158,585	159,757
Depreciation	674,221	689,288	785,616
General overhead	425,347	330,826	346,050
Total expenses	<u>2,780,690</u>	<u>2,673,420</u>	<u>2,569,032</u>
Operating income	<u>479,768</u>	<u>704,426</u>	<u>747,840</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants	814,150	155,606	30,244
Capital service fees	381,568	383,898	317,404
Interest income	29,301	22,746	7,669
Interest expense	(149,623)	(155,720)	(146,087)
Gain on disposal of assets	2,826	8,400	
Net nonoperating revenues	<u>1,078,222</u>	<u>414,930</u>	<u>209,230</u>
Income before contributions	1,557,990	1,119,356	957,070
Capital contributions - special connection fees	73,520	380,283	258,890
Change in net position	<u>\$ 1,631,510</u>	<u>\$ 1,499,639</u>	<u>\$ 1,215,960</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
STORMWATER FUND**

**YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)**

	2025	2024	2023
REVENUES			
Service charges	\$ 313,848	\$ 310,596	\$ 289,754
Interest on delinquent accounts	1,662	3,523	2,195
Miscellaneous	50	51	28
Total revenues	<u>315,560</u>	<u>314,170</u>	<u>291,977</u>
EXPENSES			
Personnel expenses	132,885	104,581	89,364
Supplies and operating	12,756	7,325	13,782
Professional services	18,432	15,293	23,537
Contracted services	12,132	707	915
Insurance	1,951	1,993	1,584
Depreciation	168,859	153,109	147,862
General overhead	39,741	38,620	4,485
Total expenses	<u>386,756</u>	<u>321,628</u>	<u>281,529</u>
Operating income (loss)	<u>(71,196)</u>	<u>(7,458)</u>	<u>10,448</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants		<u>1,523,596</u>	<u>176,323</u>
Income (loss) before transfers	(71,196)	1,516,138	186,771
Transfers out			<u>(97,887)</u>
Change in net position	<u>\$ (71,196)</u>	<u>\$ 1,516,138</u>	<u>\$ 88,884</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**

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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*

To the Mayor and Council
 Town of Berlin, 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, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Maryland's basic financial statements and have issued our report thereon dated January 12, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Berlin, Maryland's internal control over financial reporting (internal control) as a basis for designing 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 of Berlin, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Berlin, Maryland'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.

Internal Control over Financial Reporting (Continued)

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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Berlin, Maryland'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 12, 2026

UNIFORM GUIDANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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To the Mayor and Council and Town Manager
 Town of Berlin, Maryland

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Berlin, Maryland as of and for the year ended June 30, 2025, and the related notes to the financial statements that collectively comprise the Town of Berlin, Maryland's basic financial statements. We have issued our report thereon dated January 12, 2026 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 January 12, 2026

TOWN OF BERLIN, MD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures	Awards to Subrecipients
U.S. Department of the Treasury					
Coronavirus State and Local Fiscal Recovery Funds	COVID-19 21.027	direct	<u>\$ 4,796,067</u>	<u>\$ 1,171,605</u>	<u>\$</u>
U.S. Department of Housing and Urban Development					
Pass through Maryland Department of Housing and Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	MD-25-CD-32	<u>100,000</u>	<u>100,000</u>	<u></u>
Total expenditures of federal awards			<u><u>\$ 4,896,067</u></u>	<u><u>\$ 1,271,605</u></u>	<u><u>\$</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF BERLIN, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2025

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Berlin, Maryland under programs of the federal government for the year ended June 30, 2025. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Town.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

INDIRECT COSTS

The Town of Berlin has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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To the Mayor and Council and Town Manager
 Town of Berlin, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited the Town of Berlin, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Berlin, Maryland's major federal programs for the year ended June 30, 2025. The Town of Berlin, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Berlin, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Berlin, Maryland and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Berlin, Maryland's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Berlin, Maryland's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Berlin, Maryland's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Berlin, Maryland's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Berlin, Maryland's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Berlin, Maryland's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Berlin, Maryland's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 12, 2026

TOWN OF BERLIN, MARYLAND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025

FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings for the Town of Berlin, Maryland for the year ended June 30, 2024.

FINDINGS AND QUESTIONED COSTS – MAJOR AWARDS PROGRAMS AUDIT

An audit in accordance with Uniform Guidance was not required for the year ended June 30, 2024. Therefore, there are no prior year findings to report.

TOWN OF BERLIN, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> x </u> None reported |

Noncompliance material to the financial statements noted?

 Yes x No

Federal Awards

Internal control over major federal programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> x </u> None reported |

Type of auditors' reported issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes x No

Identification of major federal programs:

Federal Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B Programs

\$750,000

Auditee qualified as a low-risk auditee?

 Yes x No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS AUDIT

None