

**TOWN OF BERLIN, MARYLAND**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2022**

# **TOWN OF BERLIN, MARYLAND**

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## INDEPENDENT AUDITORS' REPORT

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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, 2022, 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.

#### *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.

#### *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.

### ***Responsibilities of Management for the Financial Statements (continued)***

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 48 through 51 be presented to supplement the basic financial statements.

***Required Supplementary Information (continued)***

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 (continued)***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 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  
November 15, 2022

**TOWN OF BERLIN, MARYLAND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2022**

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, 2022. 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, 2022 was \$41,450,585. Of this total, \$30,457,448 was invested in capital assets, net of related debt, and \$2,334,319 was restricted which leaves an unrestricted net position of \$8,658,818. The Town's net position increased \$3,321,085 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 8,741	\$ 6,789	\$ 10,658	\$ 6,814	\$ 19,399	\$ 13,603
Leases receivable, noncurrent			\$ 729		\$ 729	
Capital assets	11,181	11,235	31,176	32,567	42,357	43,802
Total assets	19,922	18,024	42,563	39,381	62,485	57,405
Deferred outflows of resources	632	449	665	302	1,297	751
Current and other liabilities	527	548	1,567	1,551	2,094	2,099
Long-term liabilities	4,569	5,553	10,752	12,103	15,321	17,656
Total liabilities	5,096	6,101	12,319	13,654	17,415	19,755
Deferred inflows of resources	1,516	162	3,400	109	4,916	271
Net position						
Net investment in capital assets	8,099	7,983	22,358	23,112	30,457	31,095
Restricted	961	803	1,373	912	2,334	1,715
Unrestricted	4,882	3,424	3,778	1,896	8,660	5,320
Total net position	\$ 13,942	\$ 12,210	\$ 27,509	\$ 25,920	\$ 41,451	\$ 38,130

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	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
Program services						
Charges for services	\$ 790	\$ 766	\$ 9,823	\$ 9,444	\$ 10,613	\$ 10,210
Operating grants and contributions	420	291			420	291
Capital grants and contributions	152	188	975	1,638	1,127	1,826
General revenues						
Property taxes	4,346	4,221			4,346	4,221
Other taxes and fees	587	828			587	828
Unrestricted grants	505	636			505	636
Overhead allocation	830	796	(830)	(796)	-	-
Other	60	64	9	(158)	69	(94)
Total revenues	7,690	7,790	9,977	10,128	17,667	17,918
<b>EXPENSES</b>						
General government	1,644	1,451			1,644	1,451
Public safety	2,421	2,601			2,421	2,601
Public works	1,194	1,130			1,194	1,130
Planning and economic development	464	428			464	428
Recreation and parks	114	97			114	97
Interest on long-term debt	122	124			122	124
Electric			5,081	5,240	5,081	5,240
Water			755	812	755	812
Sewer			2,269	2,564	2,269	2,564
Stormwater			282	291	282	291
Total expenses	5,959	5,831	8,387	8,907	14,346	14,738
Change before transfers	1,731	1,959	1,590	1,221	3,321	3,180
Transfers		(1,692)		1,692		
Change in net position	\$ 1,731	\$ 267	\$ 1,590	\$ 2,913	\$ 3,321	\$ 3,180

### Governmental activities

Net position for the Town's governmental activities increased by \$1,731,366 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 \$1,589,718. 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.

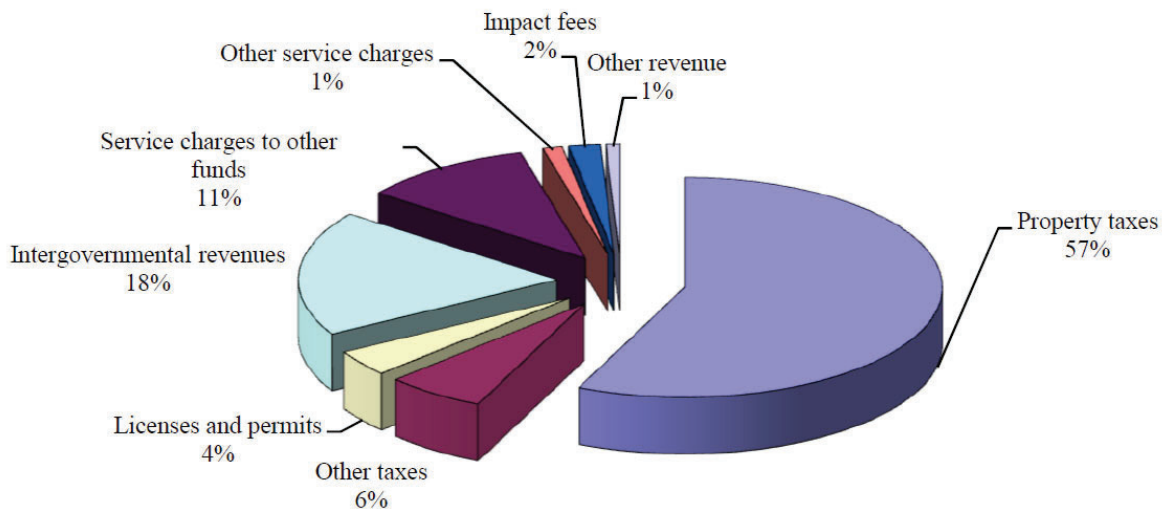
## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

### General Fund

For the year ended June 30, 2022, the general fund balance increased \$1,731,366.

General fund revenues by source were as follows:

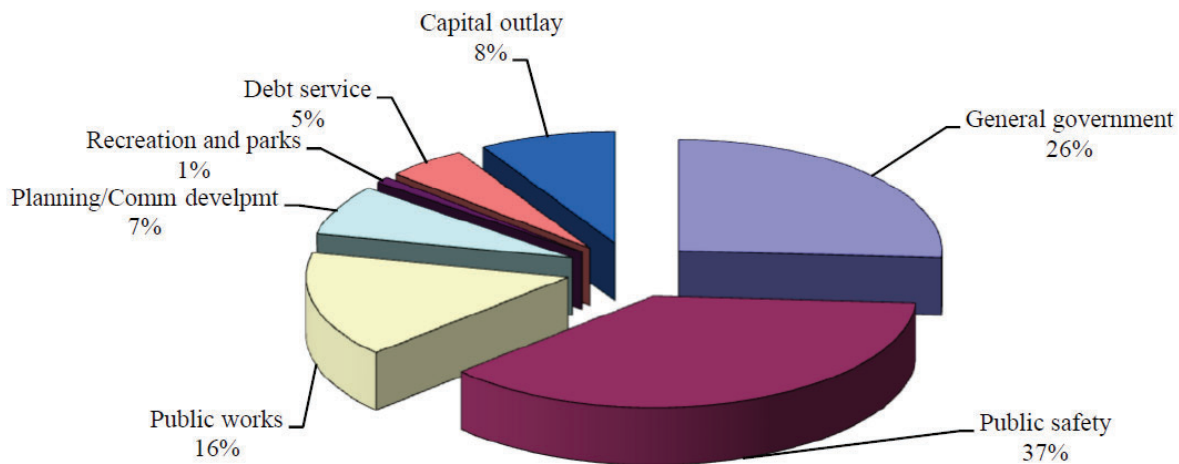
	2022		2021	
	\$	%	\$	%
Property taxes	\$ 4,378,624	56.71%	\$ 4,187,678	54.08%
Other taxes	481,428	6.23%	719,133	9.29%
Licenses and permits	296,214	3.84%	372,993	4.82%
Intergovernmental revenues	1,422,793	18.43%	1,342,650	17.34%
Service charges to other funds	830,323	10.75%	796,519	10.29%
Other service charges	94,150	1.22%	65,116	0.84%
Impact fees	151,492	1.96%	187,704	2.42%
Other revenue	66,390	0.85%	71,405	0.93%
Totals	\$ 7,721,414	100.00%	\$ 7,743,198	100.00%



General fund revenues decreased \$21,784 over the prior year. Significant changes for the year included decreases in State shared income taxes, licenses and permits, County appropriations, and impact fees.

General fund expenditures by program were as follows:

	2022		2021	
	\$	%	\$	%
General government	\$ 1,604,196	26.00%	\$ 1,385,513	23.23%
Public safety	2,289,711	37.10%	2,323,786	38.98%
Public works	950,852	15.41%	915,024	15.35%
Planning/Comm developmt	448,655	7.27%	397,048	6.66%
Recreation and parks	56,858	0.92%	40,466	0.68%
Debt service	305,779	4.96%	307,614	5.16%
Capital outlay	514,979	8.35%	591,997	9.93%
Totals	\$ 6,171,030	100.00%	\$ 5,961,448	100.00%



General fund expenditures increased from the prior year by \$209,582. The increase is a combination of increases in general government, public works, and planning and economic expenditures and a decrease in public safety and capital outlay expenditures.

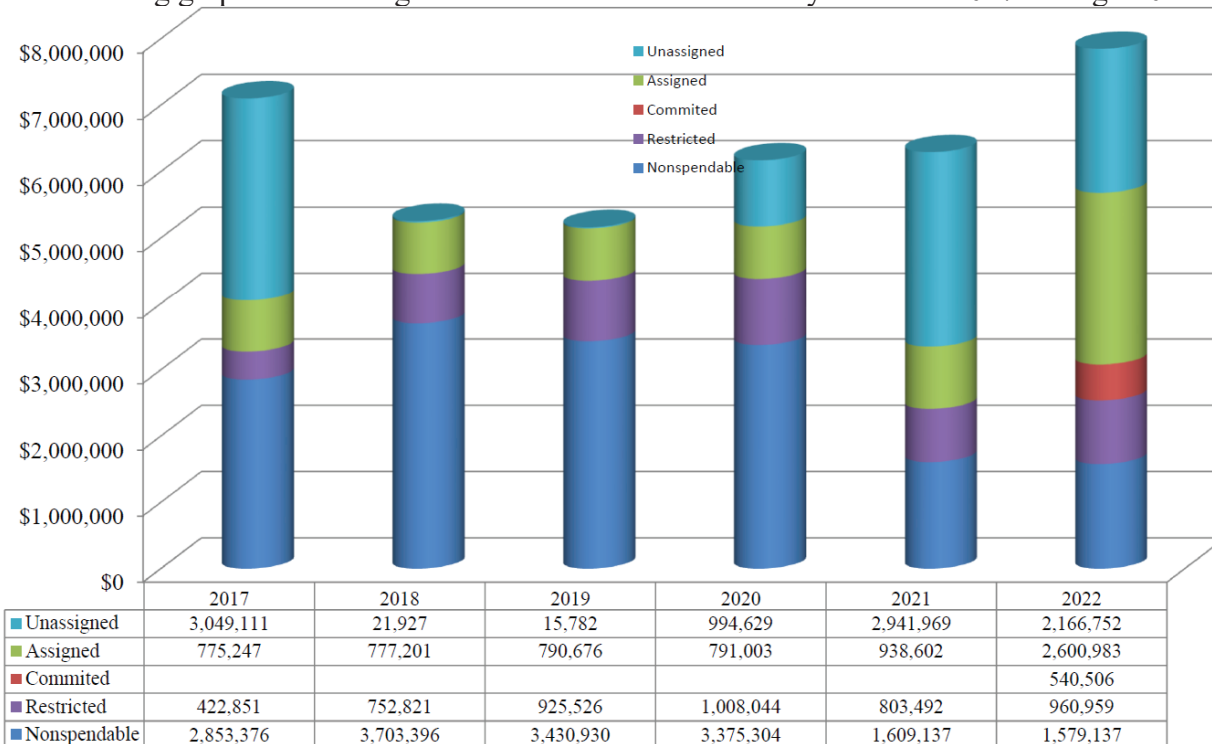
At the end of the year, the General fund had a fund balance of \$7,848,337 broken down as follows:

	<u>2022</u>	<u>2021</u>
Fund balances, end of year		
Nonspendable (due from other funds)	\$ 1,579,137	\$ 1,609,137
Restricted (slots, impact fees)	960,959	803,492
Committed (disaster recovery, debt service)	540,506	
Assigned (insurance, community center, police forfeitures, stabilization, and capital reserves)	2,600,983	938,602
Unassigned	2,166,752	2,941,969
Total fund balances	<u>\$ 7,848,337</u>	<u>\$ 6,293,200</u>

During the year, the Town Council approved a general fund reserve policy to govern the establishment and maintenance of general fund reserves. Committed and assigned reserves were established for disaster recovery, debt service, stabilization, and capital reserves.

The unassigned fund balance of \$2,166,752 is the amount set aside for future purposes and is available for emergencies. The unassigned fund balance represents 4.3 months of operating expenses. Total unrestricted fund balances (assigned, committed, and unassigned) were \$5,308,241 and represents 10.5 months of operating expenses.

The following graph shows the general fund balance for the six years from 2017 through 2022.

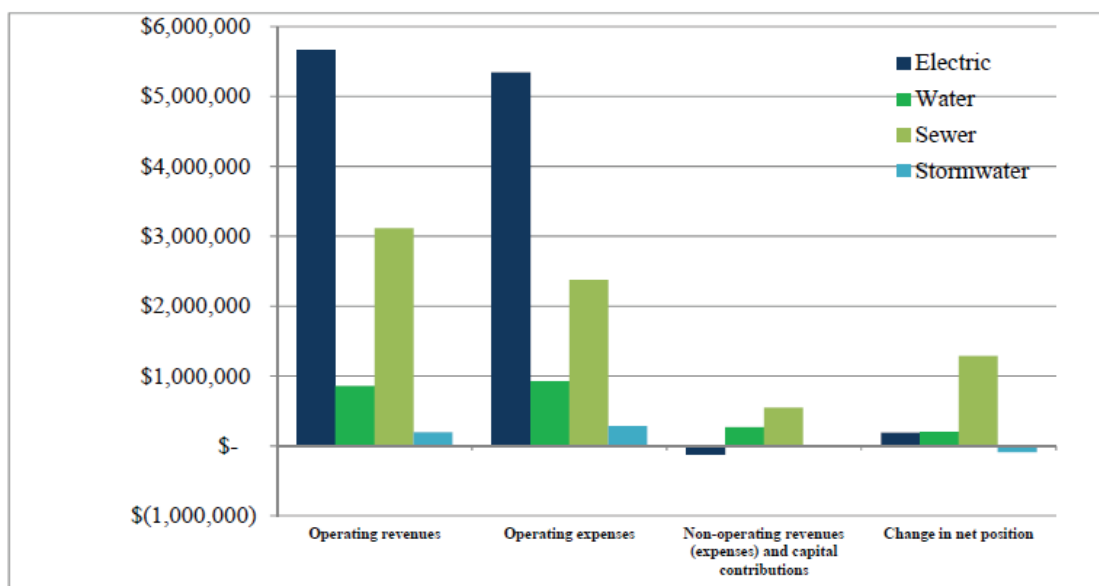


A comparison of revenues and expenditures for the general fund for a three-year period is shown on page 53 of the financial statements.

### 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, 2022, the enterprise funds had an increase in net position of \$614,973 (prior to contributions). Capital contributions from special connection fees were \$974,746 for the year resulting in an increase in net position of \$1,589,719.

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



	Electric	Water	Sewer	Stormwater	Total
Operating revenues	\$ 5,662,781	\$ 855,483	\$ 3,112,251	\$ 192,894	\$ 9,823,409
Operating expenses	\$ 5,345,352	\$ 921,688	\$ 2,371,150	\$ 281,889	\$ 8,920,079
Non-operating revenues (expenses) and capital contributions	\$ (127,774)	\$ 266,260	\$ 547,903		\$ 686,389
Change in net position	\$ 189,655	\$ 200,055	\$ 1,289,004	\$ (88,995)	\$ 1,589,719

Net position at the end of the year was \$27,508,876 broken down as follows:

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Net position					
Invested in capital assets, net of debt	\$ 2,985,877	\$ 1,801,169	\$ 15,164,877	\$ 2,406,048	\$ 22,357,971
Restricted for capital projects		370,527	1,002,833		1,373,360
Unrestricted (deficit)	1,954,429	1,455,791	519,950	(152,625)	3,777,545
Total net position	<u>\$ 4,940,306</u>	<u>\$ 3,627,487</u>	<u>\$ 16,687,660</u>	<u>\$ 2,253,423</u>	<u>\$ 27,508,876</u>

### Electric Fund

The Electric Fund had an operating income of \$317,429 compared to an operating income of \$501,310 last year. Net position at June 30, 2022 was \$4,940,306, an increase of \$189,655.

Service charges decreased 4% 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 decreased from last year by 2% due to decreases in personnel and contracted services expenses.

A comparison of revenues and expenses for a three-year period is shown on page 54 of the financial statements.

### Water Fund

The Water Fund had an operating loss of \$66,205 and a total decrease in net position (before special connection fees) of \$64,215 compared to a net decrease last year of \$155,984.

Service charge revenues increased by 1% and operating expenses decreased by 5%. Expenses decreased in personnel expenses and supplies and operating expenses.

Special connection fees of \$264,270 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 55 of the financial statements.

### Sewer Fund

The Sewer Fund had an operating income of \$741,101 and a total increase in net position (before special connection fees) of \$578,527 compared to a decrease in net position last year of \$359,309. Special connection fees of \$710,476 increased the overall change in net position to \$1,289,003.

Operating revenues increased 1% and operating expenses decreased \$278,613 due to decreases in personnel, contracted services, and depreciation expenses.

Special connection fees of \$710,476 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 56 of the financial statements.

At June 30, 2022, the Sewer Fund owes the General Fund \$1,406,287.

### Stormwater Fund

The Stormwater Fund had an operating loss of \$88,995 compared to a loss in the prior year of \$101,512.

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

At June 30, 2022, the Stormwater Fund owes the General Fund \$172,850.

## BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenues exceeded the amount budgeted by \$783,818 due to favorable variances in taxes, licenses and permits, intergovernmental revenues, service charges, impact fees, and earnings on investments. Actual expenditures were less than the amount budgeted by \$953,376.

A budgetary comparison schedule is included in the financial statements on page 48.

## CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

### Capital assets

At the end of the fiscal year, the Town had \$42,357,437, 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,185	\$ 4,143	\$ 6,907	\$ 6,907	\$ 11,092	\$ 11,050
Infrastructure	6,391	6,391	58,440	58,224	64,831	64,615
Buildings and improvements	4,459	4,390	780	780	5,239	5,170
Equipment	971	913	4,883	4,874	5,854	5,787
Vehicles	1,984	1,797	1,684	1,688	3,668	3,485
RTU assets	21				21	
Construction in progress	61	45	183	28	244	73
Less: accumulated depreciation	(6,891)	(6,444)	(41,701)	(39,935)	(48,592)	(46,379)
Total	<u>\$ 11,181</u>	<u>\$ 11,235</u>	<u>\$ 31,176</u>	<u>\$ 32,566</u>	<u>\$ 42,357</u>	<u>\$ 43,801</u>

This year's major capital asset additions included:

#### Governmental activities

- Town hall windows and blinds
- Police software and computer equipment
- Land on the east side of Flower Street
- Elgin Street sweeper
- Two 2021 Chevy Tahoe vehicles

#### Business-type activities

- Power plant building roof and relay replacement
- Franklin Avenue well #2
- Kubota RTV utility vehicle



## Long-term debt

At the end of the fiscal year, the Town had \$13,500,381 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
	2022	2021	2022	2021	2022	2021	
General obligation bonds	\$ 3,068	\$ 3,251	\$ 10,432	\$ 11,176	\$ 13,500	\$ 14,427	-6%
Operating leases	14	18			14	18	
Total	<u>\$ 3,082</u>	<u>\$ 3,269</u>	<u>\$ 10,432</u>	<u>\$ 11,176</u>	<u>\$ 13,514</u>	<u>\$ 14,445</u>	-6%

The Town did not incur any new debt during the year.

## **CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The Town approved a \$8.7 million general fund budget for fiscal year 2023. The tax rate remained at \$.815 per \$100 of assessed value. The budget represented an increase of 28% over the 2022 budget.

In July 2021, the Town was awarded \$4,794,272 as a result of the American Rescue Plan Act of 2020 (ARPA). Eligible uses for the funds include revenue replacement, COVID-19 expenditures, premium pay for essential workers and investments in water, sewer and broadband infrastructure. The Town has designated amounts to be used in subsequent years for various projects including the Broad Street lift station improvements, the wastewater treatment plant upgrade, and the purchase and installation of smart water meters.

## **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, 2022**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,279,522	\$	\$ 5,279,522
Pooled cash and investments	431,999	9,148,698	9,580,697
Taxes receivable	125,045		125,045
Accounts receivable, net	65,721	1,461,396	1,527,117
Leases receivable, current		37,729	37,729
Internal balances	1,579,137	(1,579,137)	
Due from other governments	298,087		298,087
Inventories		216,064	216,064
Total current assets	<u>7,779,511</u>	<u>9,284,750</u>	<u>17,064,261</u>
Noncurrent assets			
Restricted cash	960,959	1,373,360	2,334,319
Leases receivable, noncurrent		729,922	729,922
Capital assets, net of accumulated depreciation	11,181,355	31,176,082	42,357,437
Total noncurrent assets	<u>12,142,314</u>	<u>33,279,364</u>	<u>45,421,678</u>
Total assets	<u>19,921,825</u>	<u>42,564,114</u>	<u>62,485,939</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement	631,858	664,555	1,296,413
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	194,921	567,604	762,525
Current portion of accrued compensated absences	132,967	76,009	208,976
Accrued interest payable	11,305	56,836	68,141
Customer deposits		105,091	105,091
Current portion of bonds and leases payable	188,079	761,268	949,347
Total current liabilities	<u>527,272</u>	<u>1,566,808</u>	<u>2,094,080</u>
Noncurrent liabilities			
Bonds and leases payable, less current portion	2,893,799	9,670,843	12,564,642
Net pension liability	1,629,581	1,054,628	2,684,209
Accrued compensated absences, less current portion	44,982	27,031	72,013
Total noncurrent liabilities	<u>4,568,362</u>	<u>10,752,502</u>	<u>15,320,864</u>
Total liabilities	<u>5,095,634</u>	<u>12,319,310</u>	<u>17,414,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred financing inflows - retirement	1,062,660	687,729	1,750,389
Deferred grant revenue	453,681	1,960,116	2,413,797
Deferred lease revenue		752,638	752,638
	<u>1,516,341</u>	<u>3,400,483</u>	<u>4,916,824</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,099,477	22,357,971	30,457,448
Restricted	960,959	1,373,360	2,334,319
Unrestricted	4,881,272	3,777,545	8,658,817
Total net position	<u>\$ 13,941,708</u>	<u>\$ 27,508,876</u>	<u>\$ 41,450,584</u>

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

**TOWN OF BERLIN, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	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
<b>FUNCTIONS/PROGRAMS</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,643,990	\$ 611,726	\$ 130,789	\$ 151,492	\$ (880,772)	\$	\$ (880,772)
Public safety	2,420,946	33,335	241,418		(2,256,822)		(2,256,822)
Public works	1,193,892	23,608	48,326		(928,866)		(928,866)
Planning and economic development	464,250	121,157			(294,767)		(294,767)
Recreation and parks	113,846				(113,846)		(113,846)
Interest on long-term debt	121,674				(121,674)		(121,674)
Total governmental activities	5,958,598	789,826	420,533	151,492	(4,596,747)		(4,596,747)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Electric	5,081,569	5,662,781				581,212	581,212
Water	754,601	855,483		264,270		365,152	365,152
Sewer	2,269,338	3,112,250		710,476		1,553,388	1,553,388
Stormwater	281,889	192,894				(88,995)	(88,995)
Total business-type activities	8,387,397	9,823,408		974,746		2,410,757	2,410,757
Total	\$ 14,345,995	\$ 10,613,234	\$ 420,533	\$ 1,126,238	(4,596,747)	2,410,757	(2,185,990)
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes					4,345,744		4,345,744
Public service taxes					69,583		69,583
State income taxes					411,845		411,845
Franchise fees					105,498		105,498
Grants and contributions not restricted to specific programs					504,875		504,875
Unrestricted investment earnings					55,492	3,980	59,472
Overhead allocation					830,323	(830,323)	
Gain on disposal of assets					4,753	5,304	10,057
Total general revenues and transfers					6,328,113	(821,039)	5,507,074
Change in net position					1,731,366	1,589,718	3,321,084
<b>NET POSITION, BEGINNING OF YEAR</b>							
<b>NET POSITION, END OF YEAR</b>							
					12,210,342	25,919,158	38,129,500
					\$ 13,941,708	\$ 27,508,876	\$ 41,450,584

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

**TOWN OF BERLIN, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2022**

**ASSETS**

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 5,279,521	\$	\$ 5,279,521
Pooled cash and investments	415,338	16,661	431,999
Taxes receivable	125,045		125,045
Accounts and notes receivable, net	65,721		65,721
Due from other governments	295,493	2,595	298,088
Due from other funds	1,579,137		1,579,137
Restricted cash	960,959		960,959
Total assets	<u>\$ 8,721,214</u>	<u>\$ 19,256</u>	<u>\$ 8,740,470</u>

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

**LIABILITIES**

Accounts payable and accrued expenses	\$ 193,243	\$ 18,339	\$ 211,582
Accrued compensated absences	132,967		132,967
Total liabilities	<u>326,210</u>	<u>18,339</u>	<u>344,549</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property taxes	109,647		109,647
Deferred grant revenue	437,020		437,020
	<u>546,667</u>		<u>546,667</u>

**FUND BALANCES**

Nonspendable	1,579,137		1,579,137
Restricted	960,959	917	961,876
Committed	540,506		540,506
Assigned	2,600,983		2,600,983
Unassigned	2,166,752		2,166,752
Total fund balance	<u>7,848,337</u>	<u>917</u>	<u>7,849,254</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,721,214</u>	<u>\$ 19,256</u>	<u>\$ 8,740,470</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, 2022**

Total fund balances, governmental funds	\$ 7,849,254
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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.	11,181,355
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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	631,858
Deferred property taxes	109,647

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 and accrued interest	(3,093,183)
Compensated absences	(44,982)
Deferred financing inflows - retirement	(1,062,660)
Net pension liability	<u>(1,629,581)</u>

Net position, governmental activities	<u><u>\$ 13,941,708</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, 2022**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 4,860,052	\$	\$ 4,860,052
Licenses and permits	296,214		296,214
Intergovernmental revenues	1,422,793	6,109	1,428,902
Service charges	924,473		924,473
Impact fees	151,492		151,492
Earnings on investments	55,492		55,492
Miscellaneous	10,898		10,898
Total revenues	<u>7,721,414</u>	<u>6,109</u>	<u>7,727,523</u>
<b>EXPENDITURES</b>			
Current			
General government	1,604,196		1,604,196
Public safety	2,289,711	6,346	2,296,057
Public works	950,852		950,852
Planning and economic development	448,655		448,655
Recreation and parks	56,858		56,858
Debt service	305,779		305,779
Capital outlay	514,979		514,979
Total expenditures	<u>6,171,030</u>	<u>6,346</u>	<u>6,177,376</u>
Excess of revenues over (under) expenditures	1,550,384	(237)	1,550,147
<b>OTHER FINANCING SOURCES</b>			
Proceeds from disposal of capital assets	4,753		4,753
Net other financing sources	<u>4,753</u>		<u>4,753</u>
Net change in fund balance	1,555,137	(237)	1,554,900
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,293,200</u>	<u>1,154</u>	<u>6,294,354</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 7,848,337</u></u>	<u><u>\$ 917</u></u>	<u><u>\$ 7,849,254</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, 2022**

Net change in fund balances, governmental funds \$ 1,554,900

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 (\$514,979) exceeded depreciation (\$586,069) in the  
current period. (71,090)

Changes in deferred outflows of resources presented in the governmental activities  
of the Statement of Activities. 182,361

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	810
Change in long-term compensated absences	111,237
Change in net pension liability	699,545
Change in deferred financing inflows	(900,790)

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	(32,880)
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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.

187,273

Change in net position, governmental activities \$ 1,731,366

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

**TOWN OF BERLIN, MARYLAND**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**JUNE 30, 2022**

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>ASSETS</b>					
Current assets					
Pooled cash and investments	\$ 3,728,598	\$ 3,151,987	\$ 1,926,240	\$ 341,873	\$ 9,148,698
Accounts receivable, net of allowance	784,739	127,222	517,351	32,084	1,461,396
Leases receivable, current		37,729			37,729
Inventory	150,656	53,243	12,165		216,064
Total current assets	<u>4,663,993</u>	<u>3,370,181</u>	<u>2,455,756</u>	<u>373,957</u>	<u>10,863,887</u>
Noncurrent assets					
Restricted cash		370,527	1,002,833		1,373,360
Leases receivable, noncurrent		729,922			729,922
Capital assets, net of accumulated depreciation	4,565,977	1,801,169	22,402,888	2,406,048	31,176,082
Total noncurrent assets	<u>4,565,977</u>	<u>2,901,618</u>	<u>23,405,721</u>	<u>2,406,048</u>	<u>33,279,364</u>
Total assets	<u>9,229,970</u>	<u>6,271,799</u>	<u>25,861,477</u>	<u>2,780,005</u>	<u>44,143,251</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred financing outflows - retirement	<u>313,572</u>	<u>105,947</u>	<u>217,275</u>	<u>27,761</u>	<u>664,555</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued expenses	409,350	23,254	114,290	20,710	567,604
Accrued compensated absences	41,242	17,112	17,655		76,009
Accrued interest payable	15,937		40,899		56,836
Customer deposits	105,091				105,091
Current portion of bonds payable	358,000		403,268		761,268
Total current liabilities	<u>929,620</u>	<u>40,366</u>	<u>576,112</u>	<u>20,710</u>	<u>1,566,808</u>
Noncurrent liabilities					
Bonds payable	2,836,100		6,834,743		9,670,843
Due to other funds			1,406,287	172,850	1,579,137
Net pension liability	497,634	168,132	344,808	44,054	1,054,628
Accrued compensated absences	15,376	7,365	4,290		27,031
Total noncurrent liabilities	<u>3,349,110</u>	<u>175,497</u>	<u>8,590,128</u>	<u>216,904</u>	<u>12,331,639</u>
Total liabilities	<u>4,278,730</u>	<u>215,863</u>	<u>9,166,240</u>	<u>237,614</u>	<u>13,898,447</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred financing inflows - retirement	324,506	109,642	224,852	28,729	687,729
Deferred grant revenue		1,672,116		288,000	1,960,116
Deferred lease revenue		752,638			752,638
	<u>324,506</u>	<u>2,534,396</u>	<u>224,852</u>	<u>316,729</u>	<u>3,400,483</u>
<b>NET POSITION</b>					
Net investment in capital assets	2,985,877	1,801,169	15,164,877	2,406,048	22,357,971
Restricted for capital projects		370,527	1,002,833		1,373,360
Unrestricted (deficit)	<u>1,954,429</u>	<u>1,455,791</u>	<u>519,950</u>	<u>(152,625)</u>	<u>3,777,545</u>
Total net position	<u>\$ 4,940,306</u>	<u>\$ 3,627,487</u>	<u>\$ 16,687,660</u>	<u>\$ 2,253,423</u>	<u>\$ 27,508,876</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, 2022**

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>REVENUES</b>					
Service charges	\$ 5,425,559	\$ 743,264	\$ 2,326,746	\$ 192,047	\$ 8,687,616
Sales and services	200,660	17,691			218,351
Hauler fees			751,356		751,356
Interest on delinquent accounts	26,163	7,057	23,756	798	57,774
Miscellaneous	10,399	87,471	10,392	49	108,311
Total revenues	<u>5,662,781</u>	<u>855,483</u>	<u>3,112,250</u>	<u>192,894</u>	<u>9,823,408</u>
<b>EXPENSES</b>					
Purchased power	2,992,341				2,992,341
Personnel expenses	859,223	307,758	597,063	82,994	1,847,038
Supplies and operating	388,242	149,351	413,535	10,106	961,234
Professional services	118,523			18,842	137,365
Contracted services	45,095	23,735	44,547	15,288	128,665
Insurance	23,200	9,640	20,213	1,200	54,253
Repairs and maintenance	27,972	77,053	75,309		180,334
Depreciation	499,199	187,064	948,804	153,459	1,788,526
General overhead	391,557	167,087	271,679		830,323
Total expenses	<u>5,345,352</u>	<u>921,688</u>	<u>2,371,150</u>	<u>281,889</u>	<u>8,920,079</u>
Operating income (loss)	<u>317,429</u>	<u>(66,205)</u>	<u>741,100</u>	<u>(88,995)</u>	<u>903,329</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income		1,990	1,990		3,980
Interest expense	(127,774)		(169,867)		(297,641)
Gain on disposal of assets			5,304		5,304
Net nonoperating revenues (expenses)	<u>(127,774)</u>	<u>1,990</u>	<u>(162,573)</u>		<u>(288,357)</u>
Income (loss) before contributions	189,655	(64,215)	578,527	(88,995)	614,972
Capital contributions - special connection fees		264,270	710,476		974,746
Change in net position	189,655	200,055	1,289,003	(88,995)	1,589,718
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,750,651</u>	<u>3,427,432</u>	<u>15,398,657</u>	<u>2,342,418</u>	<u>25,919,158</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,940,306</u>	<u>\$ 3,627,487</u>	<u>\$ 16,687,660</u>	<u>\$ 2,253,423</u>	<u>\$ 27,508,876</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, 2022**

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 5,904,089	\$ 781,996	\$ 3,042,084	\$ 181,910	\$ 9,910,079
Other receipts	10,399	1,744,574	10,393	288,049	2,053,415
Payments to suppliers	(3,563,543)	(273,301)	(547,226)	(26,736)	(4,410,806)
Payments to employees	(1,052,855)	(364,756)	(723,542)	(102,033)	(2,243,186)
Payments for interfund services	(391,557)	(167,087)	(271,679)		(830,323)
Net cash provided by operating activities	906,533	1,721,426	1,510,030	341,190	4,479,179
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Interfund borrowings			(10,000)	(20,000)	(30,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income		1,990	1,990		3,980
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(146,899)	(175,765)	(62,895)	(12,650)	(398,209)
Proceeds from the sale of capital assets			5,304		5,304
Principal paid on long-term debt	(348,200)		(395,456)		(743,656)
Interest paid on long-term debt	(129,494)		(172,603)		(302,097)
Capital contributions - special connection fees		264,270	710,476		974,746
Net cash provided (used) by capital and related financing activities	(624,593)	88,505	84,826	(12,650)	(463,912)
Net increase in cash	281,940	1,811,921	1,586,846	308,540	3,989,247
<b>CASH, BEGINNING OF YEAR</b>	3,446,658	1,710,593	1,342,227	33,333	6,532,811
<b>CASH, END OF YEAR</b>	<u>\$ 3,728,598</u>	<u>\$ 3,522,514</u>	<u>\$ 2,929,073</u>	<u>\$ 341,873</u>	<u>\$ 10,522,058</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 317,429	\$ (66,205)	\$ 741,101	\$ (88,995)	\$ 903,330
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	499,199	187,064	948,804	153,459	1,788,526
Leases receivable		(767,651)			(767,651)
Deferred financing outflows - retirement	(170,248)	(58,924)	(119,250)	(14,573)	(362,995)
Deferred financing inflows - retirement	272,893	92,708	189,552	23,980	579,133
Deferred lease revenue		752,638			752,638
Deferred grant revenue		1,672,116		288,000	1,960,116
(Increase) decrease in assets					
Accounts receivable	250,315	13,984	(59,774)	(10,935)	193,590
Inventory	23,176	(4,486)	74		18,764
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	(287,623)	(99,818)	(190,477)	(9,746)	(587,664)
Customer deposits	1,392				1,392
Net cash provided by operating activities	<u>\$ 906,533</u>	<u>\$ 1,721,426</u>	<u>\$ 1,510,030</u>	<u>\$ 341,190</u>	<u>\$ 4,479,179</u>

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

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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, 2022**

**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, 2022**

**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 impact fees set aside for future capital projects and 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, 2022**

**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, 2022, the allowance in the General Fund was \$27,355 and the Enterprise Fund was \$112,519.

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, 2022**

**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 and compensatory time) that have been earned but not yet paid. Sick pay, which is earned but not payable at separation, is not included.

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, 2022**

**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, 2022**

**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. 87, *Leases*

Effective July 1, 2021, the Town adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. As a result of the adoption of the new guidance, the Town recognized as of July 1, 2021 the following:

- a. Leases receivable of \$805,814 which represents the present value of the remaining lease payments discounted using the Town's incremental borrowing rate,
- b. Deferred inflows of resources of \$805,814 which represents the original leases receivable,
- c. Operating leases payable of \$17,588 which represents the present value of the remaining lease payments discounted using the Town's incremental borrowing rate, and
- d. Leased equipment of \$20,864 which represents the original lease payable net of accumulated amortization of \$3,276.

**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, 2022, \$7,831,645 of the Town's deposits were exposed to custodial credit risk. These amounts were not covered by the Federal Deposit Insurance Corporation (FDIC) but were collateralized with securities held by the pledging financial institution's trust department, but not in the Town's name.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 4,142,914	\$ 41,777	\$	\$ 4,184,691
Construction in progress	44,864	16,180		61,044
Total capital assets not being depreciated	<u>4,187,778</u>	<u>57,957</u>		<u>4,245,735</u>
<i>Capital assets being depreciated</i>				
Infrastructure	6,391,391			6,391,391
Buildings and improvements	4,389,795	68,988		4,458,783
Equipment	913,262	58,180		971,442
Vehicles	1,796,783	329,854	142,343	1,984,294
Leased equipment	20,864			20,864
Total capital assets being depreciated	<u>13,512,095</u>	<u>457,022</u>	<u>142,343</u>	<u>13,826,774</u>
Less accumulated depreciation for:				
Infrastructure	3,109,814	214,770		3,324,584
Buildings and improvements	1,358,450	191,638		1,550,088
Equipment	698,804	42,475		741,279
Vehicles	1,277,084	133,012	142,343	1,267,753
Leased equipment	3,276	4,174		7,450
Total accumulated depreciation	<u>6,447,428</u>	<u>586,069</u>	<u>142,343</u>	<u>6,891,154</u>
Total capital assets being depreciated, net	<u>7,064,667</u>	<u>(129,047)</u>		<u>6,935,620</u>
Governmental activities capital assets, net	<u><u>\$ 11,252,445</u></u>	<u><u>\$ (71,090)</u></u>	<u><u>\$</u></u>	<u><u>\$ 11,181,355</u></u>

Construction in progress in the governmental activities includes the Decatur Street realignment, Stephen Decatur park comfort station, and Esham Avenue roadway evaluations.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
<b><u>Electric:</u></b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 304,510	\$	\$	\$ 304,510
Total capital assets not being being depreciated	304,510			304,510
<i>Capital assets being depreciated</i>				
Infrastructure	14,566,445	146,899		14,713,344
Buildings and improvements	766,456			766,456
Equipment	3,476,684			3,476,684
Vehicles	776,783			776,783
Total capital assets being depreciated	19,586,368	146,899		19,733,267
Less accumulated depreciation for:				
Infrastructure	12,380,770	288,461		12,669,231
Buildings and improvements	570,234	23,450		593,684
Equipment	1,508,239	141,810		1,650,049
Vehicles	513,358	45,478		558,836
Total accumulated depreciation	14,972,601	499,199		15,471,800
Total capital assets being depreciated, net	4,613,767	(352,300)		4,261,467
Electric activities, capital assets, net	4,918,277	(352,300)		4,565,977

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Sewer:</u></b>				
<i>Capital assets not being depreciated</i>				
Land	3,495,233			3,495,233
Construction in progress	8,559	21,475		30,034
Total capital assets not being depreciated	3,503,792	21,475		3,525,267
<i>Capital assets being depreciated</i>				
Infrastructure	38,285,131	22,641		38,307,772
Buildings and improvements	1,510			1,510
Equipment	1,058,753			1,058,753
Vehicles	693,734	18,779	22,060	690,453
Total capital assets being depreciated	40,039,128	41,420	22,060	40,058,488
Less accumulated depreciation for:				
Infrastructure	18,756,910	885,940		19,642,850
Buildings and improvements	1,510			1,510
Equipment	843,680	38,070		881,750
Vehicles	652,023	24,794	22,060	654,757
Total accumulated depreciation	20,254,123	948,804	22,060	21,180,867
Total capital assets being depreciated, net	19,785,005	(907,384)		18,877,621
Sewer, capital assets, net	23,288,797	(885,909)		22,402,888

Construction in progress in the Sewer Fund includes the William Street pump station project and the Broad Street lift station.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Water:</u></b>				
<i>Capital assets not being depreciated</i>				
Land	82,039			82,039
Construction in progress	19,281	120,524		139,805
Total capital assets not being depreciated	101,320	120,524		221,844
<i>Capital assets being depreciated</i>				
Infrastructure	5,373,121	55,241		5,428,362
Buildings and improvements	11,781			11,781
Equipment	338,380			338,380
Vehicles	190,672			190,672
Total capital assets being depreciated	5,913,954	55,241		5,969,195
Less accumulated depreciation for:				
Infrastructure	3,811,086	156,659		3,967,745
Buildings and improvements	10,265	275		10,540
Equipment	207,142	17,480		224,622
Vehicles	174,313	12,650		186,963
Total accumulated depreciation	4,202,806	187,064		4,389,870
Total capital assets being depreciated, net	1,711,148	(131,823)		1,579,325
Water, capital assets, net	1,812,468	(11,299)		1,801,169

Construction in progress in the Water Fund includes the Powellton Avenue well building addition, the Broad Street lift station pump, water valves at Harrison and North Main Street, Branch Street well number three, and smart water meter upgrades.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**CAPITAL ASSETS (continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Stormwater:</u></b>				
<i>Capital assets not being depreciated</i>				
Construction in progress		12,649		12,649
Total capital assets not being depreciated		12,649		12,649
<i>Capital assets being depreciated</i>				
Land improvements	3,025,249			3,025,249
Vehicles	26,352			26,352
Total capital assets being depreciated	3,051,601			3,051,601
Less accumulated depreciation for:				
Land improvements	480,588	151,262		631,850
Vehicles	24,156	2,196		26,352
Total accumulated depreciation	504,744	153,458		658,202
Total capital assets being depreciated, net	2,546,857	(153,458)		2,393,399
Water, capital assets, net	2,546,857	(140,809)		2,406,048
 Business-type activities				
Capital assets, net	32,566,399	(1,390,317)		31,176,082

Construction in progress in the Stormwater Fund includes the Washington Street storm drain replacement.

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

General government	\$ 36,330
Public safety	225,089
Public works	262,815
Planning and community development	4,847
Recreation and parks	56,988
	<u>\$ 586,069</u>

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**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 state slots revenue that is restricted by the State of Maryland and impact fees that are restricted for use on capital projects and debt service by Town ordinance.

Committed fund balances consist of \$250,234 set aside for disaster recovery and \$290,272 for debt service.

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

Health insurance	\$ 365,788
Drug use prevention (police forfeitures)	29,898
Community Center	377,380
Stabilization	1,472,934
Capital reserve	102,033
Surplus funds used in FY23 budget	<u>252,950</u>
	<u><u>\$ 2,600,983</u></u>

**INTERNAL BALANCES AND ACTIVITY**

Balances due to/from other funds at June 30, 2022 consist of the following:

	June 30, 2021	Increase (Decrease)	June 30, 2022
Due to the general fund from the sewer fund	<u>\$ 1,416,287</u>	<u>\$ (10,000)</u>	<u>\$ 1,406,287</u>
Due to the general fund from the stormwater fund	<u>\$ 192,850</u>	<u>\$ (20,000)</u>	<u>\$ 172,850</u>

During fiscal year 2022 repayments to the sewer fund of \$10,000 and to the Stormwater fund of \$20,000 were made. The remaining balances due to the general fund are not expected to be repaid within one year.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT**

Changes in long-term obligations for the year June 30, 2022 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
General obligation bonds	\$ 3,251,563	\$	\$ 183,293	\$ 3,068,270
Operating leases	17,588		3,980	13,608
	<u>\$ 3,269,151</u>	<u>\$</u>	<u>\$ 187,273</u>	<u>\$ 3,081,878</u>
<b>Business-type Activities:</b>				
<b>Electric</b>				
General obligation bonds	\$ 3,542,300	\$	\$ 348,200	\$ 3,194,100
<b>Sewer</b>				
General obligation bonds	7,633,467		395,456	7,238,011
	<u>\$ 11,175,767</u>	<u>\$</u>	<u>\$ 743,656</u>	<u>\$ 10,432,111</u>

**Governmental Activities**

Bonds payable consists of the following:

	Principal Balance Outstanding at June 30, 2022
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.	\$ 458,300
Bond anticipation note payable to the bank for the street improvement project, not to exceed \$1,700,000. The original obligation is dated November 1, 2009. Interest at 4.07% is due quarterly. The maturity date is November 1, 2024.	209,970
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.	<u>2,400,000</u>
Total Governmental Activities	<u>\$ 3,068,270</u>



**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT (continued)**

**Business-type Activities – Electric Fund**

	Principal Balance Outstanding at June 30, 2022
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.	\$ 1,614,000
Infrastructure financing bonds of 2007 payable to the Maryland Department of Community Development. This obligation was used to refinance general obligation bonds for 1995. The original obligation is dated November 14, 2007 in the amount of \$944,200. Debt is amortized from 8 to 20 years at an interest rate of 4.125%. Interest and principal is due semi-annually with total annual payments ranging from \$90,970 to \$97,980. Payment is shared by the electric, water, and sewer funds. The maturity dates range from May 1, 2015 to May 1, 2027.	132,000
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.	671,100
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.	777,000
Total Electric Fund	3,194,100

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT (continued)**

**Business-type Activities – Sewer Fund**

	Principal Balance Outstanding at June 30, 2022
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.	375,921
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.	4,772,822
Loan payable to the U.S. Department of Agriculture to fund construction of Phase I of the spray irrigation project. The original obligation is dated August 24, 2011 in the amount of \$2,462,000. Debt is amortized over 40 years at an interest rate of 2.5%. Interest payments are due semi-annually with principal payments being due semi-annually beginning February 2013. Payments range from \$30,775 to \$50,373, maturing August 2050.	174,268
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.	1,915,000
Total Sewer Fund	7,238,011
Total long-term debt - Business-type Activities	\$ 10,432,111

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT (continued)**

Operating leases

The City is leasing various copiers and printers under operating leases with a balance of \$13,608 expiring in 2026. The asset and liability are recorded at the present value of the future lease payments of \$20,864. 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, 2022 are as follows:

<b>Governmental Activities</b>				
<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>
2023	\$ 183,937	\$ 110,900	\$ 4,142	\$ 469
2024	184,611	104,088	4,311	300
2025	185,287	96,822	4,486	125
2026	116,058	91,157	669	11
2027	116,834	86,880		
2028-2032	597,198	369,183		
2033-2037	623,082	255,588		
2038-2042	655,859	135,273		
2043-2046	405,404	28,203		
	<u>\$ 3,068,270</u>	<u>\$ 1,278,094</u>	<u>\$ 13,608</u>	<u>\$ 905</u>

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**LONG-TERM DEBT (continued)**

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of June 30, 2022 are as follows:

<b>Business-Type Activities</b>			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 761,268	\$ 283,021	\$ 1,044,289
2024	760,400	262,875	1,023,275
2025	698,918	243,597	942,515
2026	671,461	223,519	894,980
2027	692,040	204,359	896,399
2027 - 2032	2,806,759	745,059	3,551,818
2033 - 2037	1,404,530	389,184	1,793,714
2038 - 2042	886,854	252,666	1,139,520
2043 - 2047	991,829	147,691	1,139,520
2048 - 2051	758,052	34,345	792,397
	<u>\$ 10,432,111</u>	<u>\$ 2,786,316</u>	<u>\$ 13,218,427</u>

**INTEREST COST - ENTERPRISE FUND**

Where applicable, the Town follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. During the year ended June 30, 2022, total interest incurred and paid in the Enterprise Fund was \$297,641 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, 2022**

**INTERNAL CHARGES AND SERVICES**

The Town provides administrative services to the proprietary funds for certain services paid in the general fund. Also, a payment in lieu of taxes of \$92,249 is charged to the Electric Fund. The total services billed for the year ended June 30, 2022 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>\$ 391,557</u>	<u>\$ 167,087</u>	<u>\$ 271,679</u>	<u>\$</u>	<u>\$ 830,323</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, 2022, the balance of antenna leases receivable were \$767,651.

The Town has entered into a lease agreement expiring in 2023 with Bryan Brushmiller for use of a room and parking lot at the Town's old Tyson building. Total lease payments billed for the year ended June 30, 2022 were \$90,155. The lease was terminated by the Town effective September 13, 2022.

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:		
2023	\$ 37,729	\$ 30,019
2024	39,672	28,475
2025	41,698	26,851
2026	29,717	25,262
2027	16,969	24,445
All subsequent years	<u>601,866</u>	<u>270,608</u>
Total minimum lease payments to be received	<u>\$ 767,651</u>	<u>\$ 405,660</u>

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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. 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>.

*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.

*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.

The MSRPS provides retirement, disability and death benefits. Retirement allowances for members of the Town are based on the highest five consecutive years average Annual Compensation (AFC) and the actual years of accumulated credited services. Employees of the Town may retire with reduced benefits after attaining age 60 with at least 15 years of eligible service. Permanent disability benefits are available after five years of service and approximate 25% of AFC. Death benefits are equal to employee salary at the time of death plus all member contributions and 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. The Town is required to contribute at an actuarially determined rate.

**TOWN OF BERLIN, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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, 2022, the Town reported a liability of \$2,684,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, the Town's proportion was .01789%.

For the year ended June 30, 2022, the Town recognized pension expense of \$99,395. At June 30, 2022, 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	\$ 57,532	\$ 519,552
Net difference between projected and actual earnings on pension plan investments	205,730	261,300
Differences between expected and actual experience	1,487,127	
Changes in proportion		124,558
Contributions subsequent to measurement date		391,003
	<u>\$ 1,750,389</u>	<u>\$ 1,296,413</u>

The Town's contribution subsequent to the measurement date of \$391,003, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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 5.50 to 5.86 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, 2022**

**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	
2023	\$ (244,776)
2024	(203,409)
2025	(201,367)
2026	(255,072)
2027	59,645
Total	<u><u>\$ (844,979)</u></u>

*Actuarial assumptions.* The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2021 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.60% general; 3.10% wage
Salary increases	3.10% to 11.6%, including wage inflation
Investment rate of return	7.40%

Mortality rates were based on the public sector 2010 mortality tables calibrated to MSRPS experience with generational projections using MP-2018 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, 2022**

**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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	<u>100%</u>	

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 26.69% and 3.50%, 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%)	\$ 4,571,584
Current discount rate (6.80%)	\$ 2,684,209
1% Increase (7.80%)	\$ 1,118,644

*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, 2022**

**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.

**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.

**SUBSEQUENT EVENTS**

In July 2021, the Town was awarded \$4,794,272 from the Coronavirus State and Local Fiscal Recovery program authorized by the American Rescue Plan Act of 2021 (ARPA). The first installment was received in July 2021 and the second and final installment was received in August 2022.

The Town was awarded a \$500,000 grant from the Department of Housing and Development for the demolition of the old Tyson plant.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 4,456,810	\$ 4,456,810	\$ 4,860,052	\$ 403,242
Licenses and permits	198,000	198,000	296,214	98,214
Intergovernmental revenues	1,359,755	1,359,755	1,422,793	63,038
Service charges	873,031	873,031	924,473	51,442
Impact fees	30,000	30,000	151,492	121,492
Earnings on investments	15,000	15,000	55,492	40,492
Miscellaneous	5,000	5,000	10,898	5,898
Total revenues	<u>6,937,596</u>	<u>6,937,596</u>	<u>7,721,414</u>	<u>783,818</u>
<b>EXPENDITURES</b>				
Current				
General government	1,938,245	1,921,459	1,604,196	317,263
Public safety	2,311,812	2,322,099	2,289,711	32,388
Public works	1,106,185	1,110,518	950,852	159,666
Planning and economic development	452,567	454,733	448,655	6,078
Recreation and parks	64,910	64,910	56,858	8,052
Debt service	301,187	301,187	305,779	(4,592)
Capital outlay	904,500	949,500	514,979	434,521
Total expenditures	<u>7,079,406</u>	<u>7,124,406</u>	<u>6,171,030</u>	<u>953,376</u>
Excess of revenues over (under) expenditures	<u>(141,810)</u>	<u>(186,810)</u>	<u>1,550,384</u>	<u>1,737,194</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior year surplus	111,810	156,810		(156,810)
Proceeds from disposal of capital assets			4,753	4,753
Contribution from sewer fund	10,000	10,000		(10,000)
Contribution from stormwater fund	20,000	20,000		(20,000)
Net other financing sources	<u>141,810</u>	<u>186,810</u>	<u>4,753</u>	<u>(182,057)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>\$ 1,555,137</u>	<u>\$ 1,555,137</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)**

Fiscal year/ measurement date	Town's proportion of the net pension liability	Town's		Town's proportionate share as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
		proportionate share of the net pension liability	Town's covered employee payroll		
2016/2015	0.1460%	\$ 3,030,119	\$ 3,212,440	94.32%	68.78%
2017/2016	0.1550%	3,649,291	3,069,300	118.90%	65.79%
2018/2017	0.1470%	3,175,235	3,390,716	93.64%	69.38%
2019/2018	0.1606%	3,370,512	3,416,307	98.66%	71.18%
2020/2019	0.1651%	3,405,541	3,582,239	95.07%	72.34%
2021/2020	0.1722%	3,891,699	3,510,030	110.87%	70.72%
2022/2021	0.1789%	2,684,209	3,699,176	72.56%	71.83%

General Employees' Plan

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

**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>
<b>General Employees' Plan</b>					
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%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information is available to present a ten-year trend.

**TOWN OF BERLIN, MARYLAND**

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

**JUNE 30, 2021**

**Changes in benefit terms:**

There were no benefit changes during the year.

**Changes in assumptions:**

Discount rates were changed to 6.8%.

**Method and assumptions used in calculations of actuarially determined contributions for the plan years ended  
June 30, 2021 and 2020:**

Actuarial	Entry age normal.	
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 18 years remaining.	
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.	
Inflation	2021	2.60% general; 3.10% wage
	2020	2.60% general; 3.10% wage
Salary increases	2021	3.10% to 11.6%, including inflation
	2020	3.10% to 11.6%, including inflation
Investment rate of return	2021	6.80%
	2020	7.40%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.	
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimentional) mortality improvement scale.	

## **SUPPLEMENTARY INFORMATION**



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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, 2022, 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 53 through 57 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 2021 and 2020 financial statements and, in our reports dated January 5, 2022 and November 20, 2020, 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  
November 15, 2022

**TOWN OF BERLIN, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENDITURES  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>			
Taxes			
Berlin property	\$ 4,354,275	\$ 4,163,339	\$ 4,005,039
County shared	69,583	46,871	35,110
State shared	411,845	672,262	429,195
Penalties and interest	24,349	24,339	32,030
Licenses and permits	296,214	372,993	229,377
Intergovernmental			
Federal	75,527		
State	842,391	706,617	621,004
County	504,875	636,033	465,000
Service charges to other funds	830,323	796,519	820,688
Service charges, other	94,150	65,116	65,252
Impact fees	151,492	187,704	35,890
Earnings on investments	55,492	48,773	38,780
Miscellaneous	10,898	22,632	19,369
Total revenues	<u>7,721,414</u>	<u>7,743,198</u>	<u>6,796,734</u>
<b>EXPENDITURES</b>			
Current			
General government	1,604,196	1,385,513	1,530,824
Public safety	2,289,711	2,323,786	2,254,313
Public works	950,852	915,024	928,387
Planning and economic development	448,655	397,048	417,103
Recreation and parks	56,858	40,466	61,266
Debt service	305,779	307,614	314,217
Capital outlay	514,979	591,997	284,556
Total expenditures	<u>6,171,030</u>	<u>5,961,448</u>	<u>5,790,666</u>
Revenues over expenditures	<u>1,550,384</u>	<u>1,781,750</u>	<u>1,006,068</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from disposal of capital assets	4,753	34,249	
Transfers out		(1,691,781)	
Net other financing sources (uses)	<u>4,753</u>	<u>(1,657,532)</u>	
Net change in fund balance	<u>\$ 1,555,137</u>	<u>\$ 124,218</u>	<u>\$ 1,006,068</u>

**TOWN OF BERLIN, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENSES  
ELECTRIC FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	2022	2021	2020
<b>REVENUES</b>			
Service charges	\$ 5,425,559	\$ 5,647,113	\$ 5,038,792
Sales and services	200,660	171,536	150,500
Interest on delinquent accounts	26,163	33,283	19,783
Miscellaneous	10,399	123,465	855
Total revenues	<u>5,662,781</u>	<u>5,975,397</u>	<u>5,209,930</u>
<b>EXPENSES</b>			
Purchased power	2,992,341	2,733,532	2,392,457
Personnel expenses	859,223	1,048,132	1,088,987
Supplies and operating	388,242	388,399	334,265
Professional services	118,523	97,383	113,184
Contracted services	45,095	269,466	453,264
Insurance	23,200	22,643	24,570
Repairs and maintenance	27,972	35,032	62,503
Depreciation	499,199	504,463	503,894
General overhead	391,557	375,037	380,860
Total expenses	<u>5,345,352</u>	<u>5,474,087</u>	<u>5,353,984</u>
Operating income (loss)	<u>317,429</u>	<u>501,310</u>	<u>(144,054)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest expense	(127,774)	(141,228)	(155,061)
Insurance proceeds		124,306	1,798,992
Gain (loss) on disposal of assets		(160,495)	10,937
Net nonoperating revenues (expenses)	<u>(127,774)</u>	<u>(177,417)</u>	<u>1,654,868</u>
Change in net position	<u>\$ 189,655</u>	<u>\$ 323,893</u>	<u>\$ 1,510,814</u>

**TOWN OF BERLIN, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENSES  
WATER FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	2022	2021	2020
<b>REVENUES</b>			
Service charges	\$ 743,264	\$ 739,604	\$ 728,576
Sales and services	17,691	10,786	38,536
Interest on delinquent accounts	7,057	4,157	5,792
Miscellaneous	87,471	55,765	67,182
Total revenues	<u>855,483</u>	<u>810,312</u>	<u>840,086</u>
<b>EXPENSES</b>			
Personnel expenses	307,758	366,888	339,254
Supplies and operating	149,351	159,510	141,470
Contracted services	23,735	12,730	58,590
Insurance	9,640	10,082	9,193
Repairs and maintenance	77,053	71,481	62,716
Depreciation	187,064	190,504	196,303
General overhead	167,087	155,970	160,054
Total expenses	<u>921,688</u>	<u>967,165</u>	<u>967,580</u>
Operating loss	<u>(66,205)</u>	<u>(156,853)</u>	<u>(127,494)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	<u>1,990</u>	<u>869</u>	<u>2,084</u>
Net nonoperating revenues	<u>1,990</u>	<u>869</u>	<u>2,084</u>
Loss before contributions	(64,215)	(155,984)	(125,410)
Capital contribution - special connection fees	<u>264,270</u>	<u>401,829</u>	<u>65,325</u>
Change in net position	<u><u>\$ 200,055</u></u>	<u><u>\$ 245,845</u></u>	<u><u>\$ (60,085)</u></u>

**TOWN OF BERLIN, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENSES  
SEWER FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	2022	2021	2020
<b>REVENUES</b>			
Service charges	\$ 2,326,746	\$ 2,307,598	\$ 2,291,510
Hauler fees	751,356	135,290	101,583
Interest on delinquent accounts	23,756	13,550	17,306
Miscellaneous	10,392	12,237	2,100
Total revenues	<u>3,112,250</u>	<u>2,468,675</u>	<u>2,412,499</u>
<b>EXPENSES</b>			
Personnel expenses	597,063	762,665	714,359
Supplies and operating	413,535	400,216	369,448
Contracted services	44,547	71,502	35,429
Insurance	20,213	20,046	20,514
Repairs and maintenance	75,309	69,877	59,308
Depreciation	948,804	1,059,945	1,074,591
General overhead	271,679	265,512	279,774
Total expenses	<u>2,371,150</u>	<u>2,649,763</u>	<u>2,553,423</u>
Operating income (loss)	<u>741,100</u>	<u>(181,088)</u>	<u>(140,924)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	1,990	1,409	4,782
Interest expense	(169,867)	(179,630)	(189,216)
Gain on disposal of assets	5,304		
Net nonoperating expenses	<u>(162,573)</u>	<u>(178,221)</u>	<u>(184,434)</u>
Income (loss) before contributions and transfers	578,527	(359,309)	(325,358)
Capital contributions - special connection fees	710,476	1,111,925	178,693
Transfers in	<u>                    </u>	<u>1,691,781</u>	<u>                    </u>
Change in net position	<u><u>\$ 1,289,003</u></u>	<u><u>\$ 2,444,397</u></u>	<u><u>\$ (146,665)</u></u>

**TOWN OF BERLIN, MARYLAND**

**SCHEDULES OF REVENUES AND EXPENSES  
STORMWATER FUND**

**YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>			
Service charges	\$ 192,047	\$ 189,232	\$ 184,746
Interest on delinquent accounts	798		738
Miscellaneous	49	28	84
Total revenues	<u>192,894</u>	<u>189,260</u>	<u>185,568</u>
<b>EXPENSES</b>			
Personnel expenses	82,994	96,057	78,690
Supplies and operating	10,106	17,967	11,428
Professional services	18,842	12,919	22,749
Contracted services	15,288	6,190	3,662
Insurance	1,200	1,219	1,365
Depreciation	153,459	156,420	142,104
Total expenses	<u>281,889</u>	<u>290,772</u>	<u>259,998</u>
Operating loss	<u>(88,995)</u>	<u>(101,512)</u>	<u>(74,430)</u>
<b>NONOPERATING REVENUES</b>			
Capital grants			71,000
Net nonoperating revenues			<u>71,000</u>
Change in net position	<u>\$ (88,995)</u>	<u>\$ (101,512)</u>	<u>\$ (3,430)</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, 2022, 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 November 15, 2022.

### 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 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  
November 15, 2022