

TOWN OF BERLIN, MARYLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

TOWN OF BERLIN, MARYLAND

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	15
Statement of activities	16
Fund financial statements	
Governmental funds	
Balance sheet	17
Reconciliation of the governmental funds balance sheet to the statement of net position	18
Statement of revenues, expenditures and changes in fund balances	19
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	20
Proprietary funds	
Statement of net position	21
Statement of revenues, expenses and changes in net position	22
Statement of cash flows	23
Notes to financial statements	24 - 47

TOWN OF BERLIN, MARYLAND
TABLE OF CONTENTS (CONTINUED)

	<u>Page(s)</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - general fund	48
Maryland State Retirement and Pension System (MSRPS)	
Schedule of the Town's proportionate share of the net pension liability	49
Schedule of the Town's contributions	50
Notes to required supplementary information - MSRPS	51
SUPPLEMENTARY INFORMATION	
Independent auditors' report on supplementary information	52
Schedules of revenues and expenditures - General Fund	53
Schedules of revenues and expenses - Electric Fund	54
Schedules of revenues and expenses - Water Fund	55
Schedules of revenues and expenses - Sewer Fund	56
Schedules of revenues and expenses - Stormwater Fund	57
GOVERNMENT AUDITING STANDARDS REPORT	
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 <i>Government Auditing Standards</i>	58 – 59
UNIFORM GUIDANCE REPORTS	
Independent auditors' report on schedule of expenditures of federal awards	60
Schedule of expenditures of federal awards	61
Notes to schedule of expenditures of federal awards	62
Independent auditors' report on compliance for each major program and on internal control over compliance in accordance with the Uniform Guidance	63 - 65

TOWN OF BERLIN, MARYLAND
TABLE OF CONTENTS (CONTINUED)

	<u>Page(s)</u>
UNIFORM GUIDANCE REPORTS (Continued)	
Summary schedule of prior audit findings	66
Schedule of findings and questioned costs	67

INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

JAMES D. MAYBURY, CPA

E. LEE McCABE, CPA

JEFFREY A. MICHALIK, CPA

ROBERT L. MOORE, CPA

DANIEL M. O'CONNELL II, CPA

ASHLEY M. STERN, CPA

JOHN M. STERN, JR., CPA

PKScpa.com

Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

SALISBURY, MD 21803

TEL: 410.546.5600

FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD

SUITE 1

P.O. Box 192

LEWES, DE 19958

TEL: 302.645.5757

FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

To the Mayor and Council
Town of Berlin, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Maryland's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Berlin, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Berlin, Maryland's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Berlin, Maryland's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Berlin, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Berlin, Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 14 and pages 48 through 51 are presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
November 30, 2023

TOWN OF BERLIN, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023. 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, 2023 was \$47,370,052. Of this total, \$31,415,486 was invested in capital assets, net of related debt, and \$1,731,091 was restricted which leaves an unrestricted net position of \$14,223,475. The Town's net position increased \$5,919,468 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 10,612	\$ 8,741	\$ 13,037	\$ 10,658	\$ 23,649	\$ 19,399
Noncurrent assets	447		1,974	729	2,421	729
Capital assets	11,147	11,181	31,330	31,176	42,477	42,357
Total assets	22,206	19,922	46,341	42,563	68,547	62,485
Deferred outflows of resources	1,095	632	848	665	1,943	1,297
Current and other liabilities	612	527	1,780	1,567	2,392	2,094
Long-term liabilities	4,885	4,569	10,235	10,752	15,120	15,321
Total liabilities	5,497	5,096	12,015	12,319	17,512	17,415
Deferred inflows of resources	1,456	1,516	4,152	3,400	5,608	4,916
Net position						
Net investment in capital assets	8,253	8,099	23,162	22,358	31,415	30,457
Restricted	447	961	1,284	1,373	1,731	2,334
Unrestricted	7,648	4,882	6,576	3,778	14,224	8,660
Total net position	\$ 16,348	\$ 13,942	\$ 31,022	\$ 27,509	\$ 47,370	\$ 41,451

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	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program services						
Charges for services	\$ 818	\$ 790	\$ 10,765	\$ 9,823	\$ 11,583	\$ 10,613
Operating grants and contributions	601	420	16		617	420
Capital grants and contributions	211	152	2,253	975	2,464	1,127
General revenues						
Property taxes	4,504	4,346			4,504	4,346
Other taxes and fees	960	587			960	587
Unrestricted grants	539	505			539	505
Overhead allocation	907	830	(907)	(830)	-	-
Other	228	60	(8)	9	220	69
Total revenues	8,768	7,690	12,119	9,977	20,887	17,667
EXPENSES						
General government	1,544	1,644			1,544	1,644
Public safety	2,780	2,421			2,780	2,421
Public works	1,343	1,194			1,343	1,194
Planning and economic development	463	464			463	464
Recreation and parks	116	114			116	114
Interest on long-term debt	115	122			115	122
Electric			5,139	5,081	5,139	5,081
Water			821	755	821	755
Sewer			2,369	2,269	2,369	2,269
Stormwater			277	282	277	282
Total expenses	6,361	5,959	8,606	8,387	14,967	14,346
Change in net position	\$ 2,407	\$ 1,731	\$ 3,513	\$ 1,590	\$ 5,920	\$ 3,321

Governmental activities

Net position for the Town's governmental activities increased by \$2,406,619 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 \$3,512,849. 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.

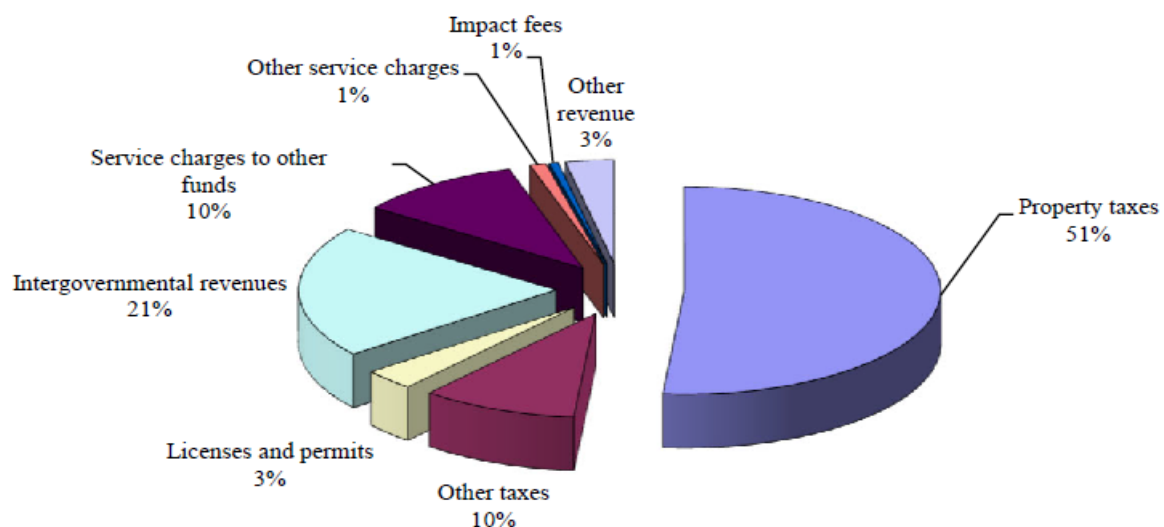
FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund

For the year ended June 30, 2023, the general fund balance increased \$2,132,999.

General fund revenues by source were as follows:

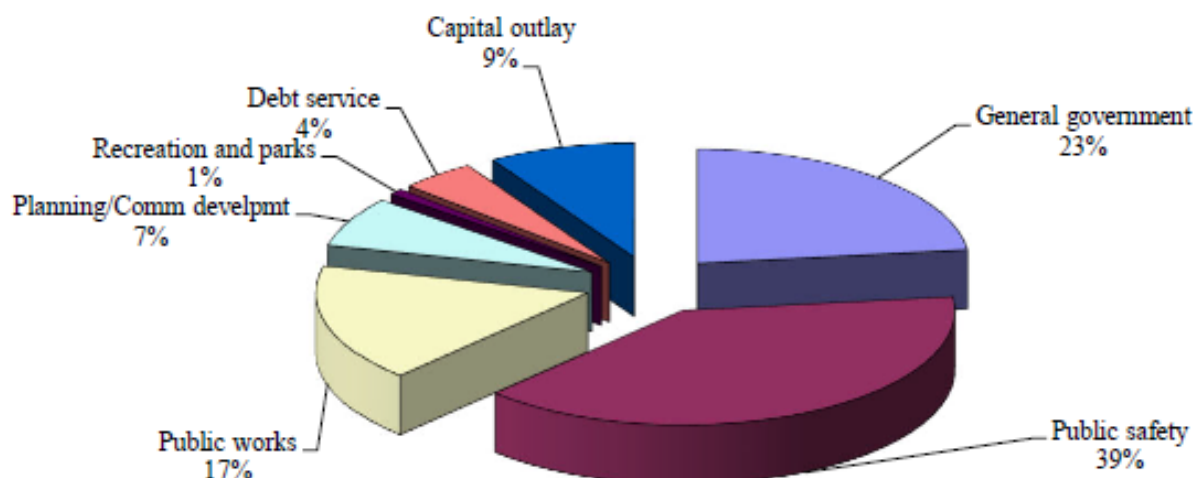
	2023		2022	
	\$	%	\$	%
Property taxes	\$ 4,485,753	51.37%	\$ 4,378,624	56.71%
Other taxes	855,458	9.80%	481,428	6.23%
Licenses and permits	284,609	3.26%	296,214	3.84%
Intergovernmental revenues	1,794,439	20.55%	1,422,793	18.43%
Service charges to other funds	907,079	10.39%	830,323	10.75%
Other service charges	89,024	1.02%	94,150	1.22%
Impact fees	50,000	0.57%	151,492	1.96%
Other revenue	265,839	3.04%	66,390	0.85%
Totals	\$ 8,732,201	100.00%	\$ 7,721,414	100.00%



General fund revenues increased \$1,010,787 over the prior year. Significant changes for the year included increases in State shared income taxes, State intergovernmental revenues, and earnings on investments.

General fund expenditures by program were as follows:

	2023		2022	
	\$	%	\$	%
General government	\$ 1,531,718	23.07%	\$ 1,604,196	26.00%
Public safety	2,593,596	39.07%	\$ 2,289,711	37.10%
Public works	1,104,429	16.64%	\$ 950,852	15.41%
Planning/Comm developmt	469,939	7.08%	\$ 448,655	7.27%
Recreation and parks	58,122	0.88%	\$ 56,858	0.92%
Debt service	299,397	4.51%	\$ 305,779	4.96%
Capital outlay	581,381	8.74%	\$ 514,979	8.35%
Totals	\$ 6,638,582	100.00%	\$ 6,171,030	100.00%



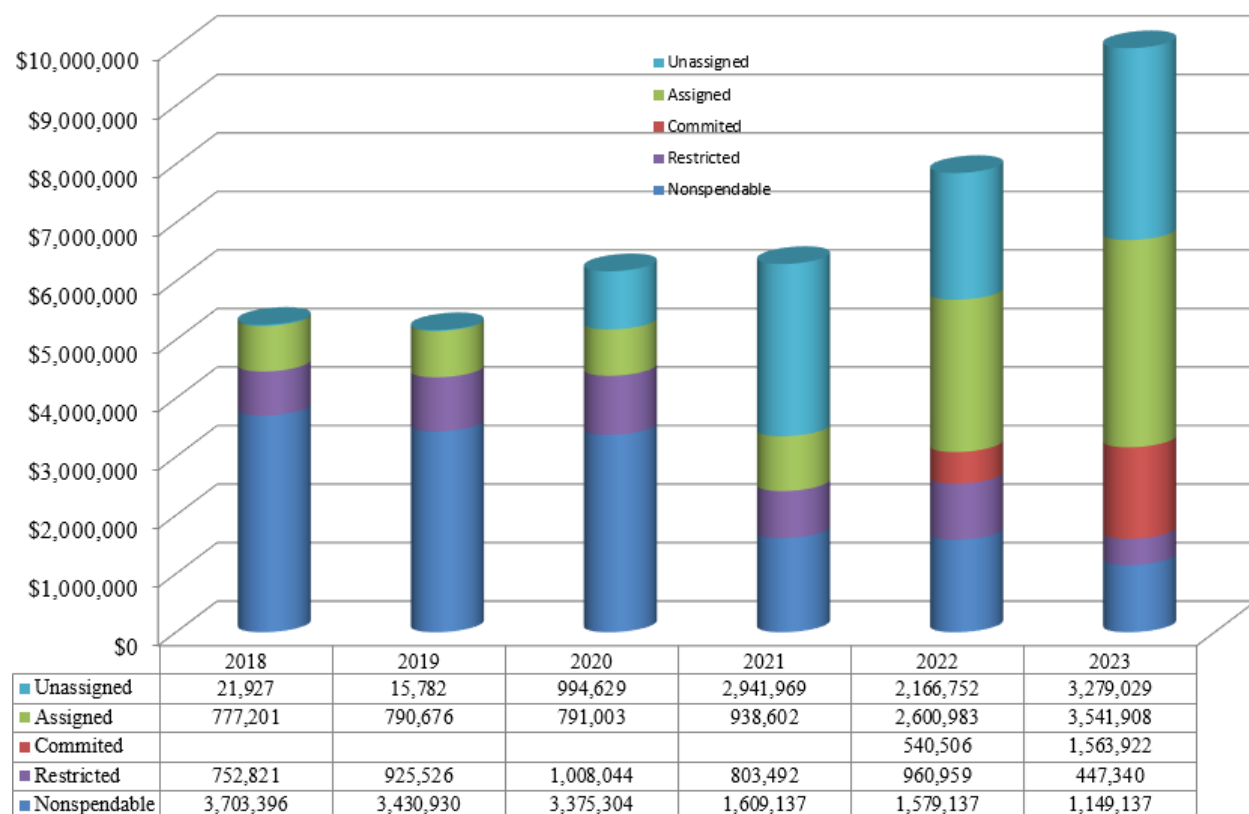
General fund expenditures increased from the prior year by \$467,552. The increase is a combination of increases in public safety, public works, and capital outlay expenditures.

At the end of the year, the General fund had a fund balance of \$9,981,336 broken down as follows:

	<u>2023</u>	<u>2022</u>
Fund balances, end of year		
Nonspendable (due from other funds)	\$ 1,149,137	\$ 1,579,137
Restricted (slots)	447,340	960,959
Committed (disaster recovery, debt service, impact fees)	1,563,922	540,506
Assigned (insurance, community center, police forfeitures, (stabilization, and capital reserves)	3,541,908	2,600,983
Unassigned	3,279,029	2,166,752
Total fund balances	<u>\$ 9,981,336</u>	<u>\$ 7,848,337</u>

The unassigned fund balance of \$3,279,029 is the amount set aside for future purposes and is available for emergencies. The unassigned fund balance represents 6 months of operating expenses. Total unrestricted fund balances (assigned, committed, and unassigned) were \$8,384,859 and represents 15.4 months of operating expenses.

The following graph shows the general fund balance for the six years from 2018 through 2023.

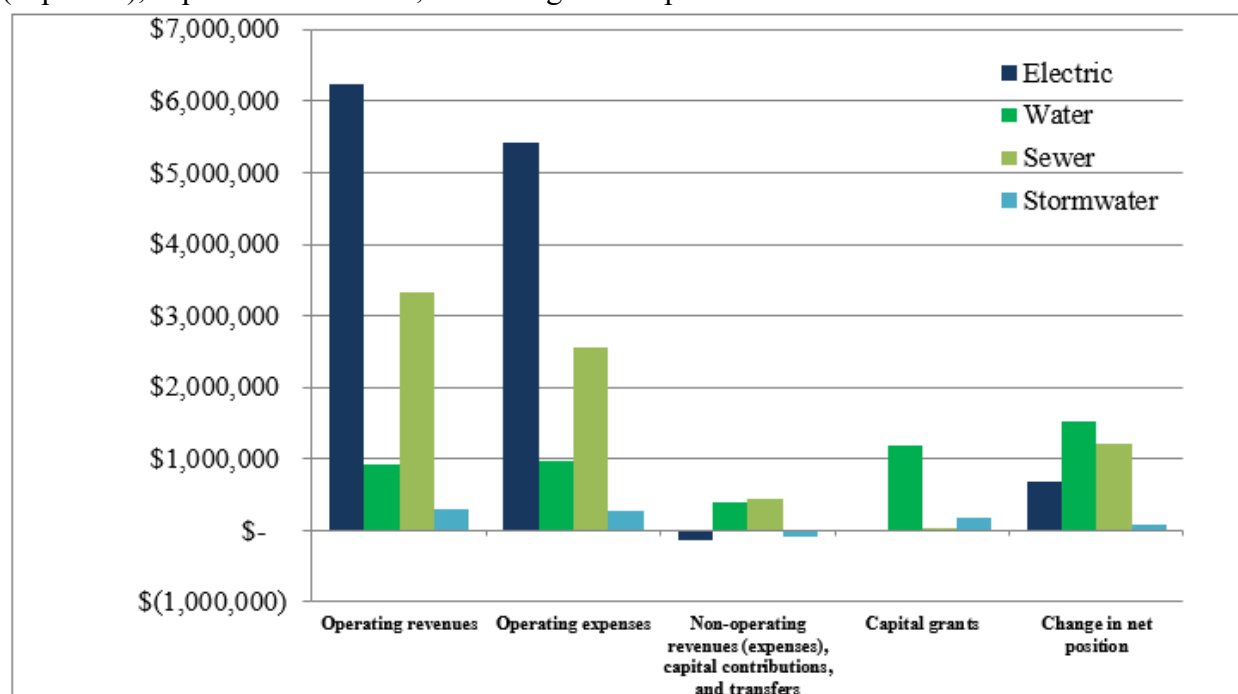


A comparison of revenues and expenditures for the general fund for a three-year period is shown on page 53 of the financial statements.

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, 2023, the enterprise funds had an increase in net position of \$3,081,957 (prior to contributions). Capital contributions from special connection fees were \$430,892 for the year resulting in an increase in net position of \$3,512,849.

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	\$ 6,229,017	927,739	\$ 3,316,872	\$ 291,977	\$ 10,765,605
Operating expenses	\$ 5,417,319	\$ 976,664	\$ 2,569,032	\$ 281,529	\$ 9,244,544
Non-operating revenues (expenses), capital contributions, and transfers	\$ (129,178)	\$ 389,289	\$ 437,876	\$ (97,887)	\$ 600,100
Capital grants		\$ 1,185,121	\$ 30,244	\$ 176,323	\$ 1,391,688
Change in net position	\$ 682,520	\$ 1,525,485	\$ 1,215,960	\$ 88,884	\$ 3,512,849

Net position at the end of the year was \$31,021,725 broken down as follows:

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Net position					
Invested in capital assets, net of debt	\$ 3,005,448	\$ 2,900,885	\$ 14,932,344	\$ 2,323,491	\$ 23,162,168
Restricted for capital projects		387,949	895,802		1,283,751
Unrestricted	2,617,378	1,864,138	2,075,474	18,816	6,575,806
Total net position	\$ 5,622,826	\$ 5,152,972	\$ 17,903,620	\$ 2,342,307	\$ 31,021,725

Electric Fund

The Electric Fund had an operating income of \$811,698 compared to an operating income of \$317,429 last year. Net position at June 30, 2023 was \$5,622,826, an increase of \$682,520.

Service charges increased 9% from last year. It should be noted that revenues in a given fiscal year are not a true representation of kilowatts sold in that same fiscal year because you are always recovering power costs from prior years. Operating expenses increased from last year by 1% primarily due to increases in personnel 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 \$48,925 and a total increase in net position (before special connection fees) of \$1,255,596 compared to a net decrease last year of \$64,215. Federal ARPA grant funding of \$1,185,121 was received during the year by the Water Fund.

Service charge revenues increased by 5% and operating expenses increased by 6%. Expenses increased primarily due to changes in supplies and operating expenses.

Special connection fees of \$172,002 were received. These fees are restricted for capital projects and the repayment of debt.

A transfer in of \$97,877 was recorded during the year related to the transfer of an asset from the Sewer Fund.

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 \$747,840 and a total increase in net position (before special connection fees) of \$957,070 compared to an increase in net position last year of \$578,527. Special connection fees of \$258,890 increased the overall change in net position to \$1,215,960.

Operating revenues increased 19% and operating expenses increased \$197,882 due to increases in personnel, supplies and operating, repairs and maintenance, and general overhead expenses.

Special connection fees of \$258,890 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, 2023, the Sewer Fund owes the General Fund \$986,287.

Stormwater Fund

The Stormwater Fund had an operating income of \$10,448 compared to a loss in the prior year of \$88,995.

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

At June 30, 2023, the Stormwater Fund owes the General Fund \$162,850.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenues exceeded the amount budgeted by \$366,242 due to favorable variances in taxes, licenses and permits, service charges, and earnings on investments. Actual expenditures were less than the amount budgeted by \$1,980,327.

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 \$42,476,627, 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	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,185	\$ 4,185	\$ 6,944	\$ 6,907	\$ 11,129	\$ 11,092
Infrastructure	6,391	6,391	59,221	58,440	65,612	64,831
Buildings and improvements	4,715	4,459	780	780	5,495	5,239
Equipment	1,100	971	4,723	4,883	5,823	5,854
Vehicles	1,877	1,984	1,716	1,684	3,593	3,668
RTU assets	21	21			21	
Construction in progress	111	61	1,062	183	1,173	244
Less: accumulated depreciation	(7,253)	(6,891)	(43,117)	(41,701)	(50,370)	(48,592)
Total	<u>\$ 11,147</u>	<u>\$ 11,181</u>	<u>\$ 31,329</u>	<u>\$ 31,176</u>	<u>\$ 42,476</u>	<u>\$ 42,336</u>

This year's major capital asset additions included:

Governmental activities

- Henry park basketball court lighting
- Graham Avenue, Stevenson Lane, Decatur Street, and Stephen Decatur Park pathway
- Road barriers
- Police security cameras
- Town surveillance security cameras
- Two 2022 Ford F-250 trucks
- 2023 Chevy Tahoe

Business-type activities

- Refurbishment of transformers
- 2022 Ford F-250 truck
- 50 KVA & 75KVA pad mount transformers

Capital assets (continued)

Business-type activities (continued)

- Water valves Harrison and North Main Street
- Branch Street well #3
- Washington Street stormwater culvert

Long-term debt

At the end of the fiscal year, the Town had \$12,555,174 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
	2023	2022	2023	2022	2023	2022	
General obligation bonds	\$ 2,884	\$ 3,068	\$ 9,671	\$ 10,432	\$ 12,555	\$ 13,500	-7%
Leases payable	9	14			9	14	
Total	<u>\$ 2,893</u>	<u>\$ 3,082</u>	<u>\$ 9,671</u>	<u>\$ 10,432</u>	<u>\$ 12,564</u>	<u>\$ 13,514</u>	-7%

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

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Town approved a \$11.5 million general fund budget for fiscal year 2024. The tax rate increased to \$.8275 per \$100 of assessed value. The budget represented an increase of 33% over the 2023 budget.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,623,472	\$ 387,167	\$ 9,010,639
Pooled cash and investments	125,156	11,845,568	11,970,724
Taxes receivable	138,639		138,639
Accounts receivable, net	126,581	1,722,991	1,849,572
Leases receivable, current		40,773	40,773
Internal balances	1,149,137	(1,149,137)	
Due from other governments	448,584		448,584
Inventories		189,615	189,615
Total current assets	<u>10,611,569</u>	<u>13,036,977</u>	<u>23,648,546</u>
Noncurrent assets			
Restricted cash	447,340	1,283,751	1,731,091
Leases receivable, noncurrent		690,251	690,251
Capital assets, net of accumulated depreciation	11,147,119	31,329,508	42,476,627
Total noncurrent assets	<u>11,594,459</u>	<u>33,303,510</u>	<u>44,897,969</u>
Total assets	<u>22,206,028</u>	<u>46,340,487</u>	<u>68,546,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>1,095,426</u>	<u>848,200</u>	<u>1,943,626</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	259,504	803,735	1,063,239
Current portion of accrued compensated absences	152,786	86,413	239,199
Accrued interest payable	10,495	38,025	48,520
Customer deposits		91,857	91,857
Current portion of bonds and leases payable	188,922	760,371	949,293
Total current liabilities	<u>611,707</u>	<u>1,780,401</u>	<u>2,392,108</u>
Noncurrent liabilities			
Bonds and leases payable, less current portion	2,704,879	8,910,469	11,615,348
Net pension liability	2,133,615	1,294,227	3,427,842
Accrued compensated absences, less current portion	47,173	30,078	77,251
Total noncurrent liabilities	<u>4,885,667</u>	<u>10,234,774</u>	<u>15,120,441</u>
Total liabilities	<u>5,497,374</u>	<u>12,015,175</u>	<u>17,512,549</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	927,304	581,223	1,508,527
Deferred grant revenue	528,449	2,871,102	3,399,551
Deferred lease revenue		699,462	699,462
Total deferred inflows of resources	<u>1,455,753</u>	<u>4,151,787</u>	<u>5,607,540</u>
NET POSITION			
Net investment in capital assets	8,253,318	23,162,168	31,415,486
Restricted	447,340	1,283,751	1,731,091
Unrestricted	7,647,669	6,575,806	14,223,475
Total net position	<u>\$ 16,348,327</u>	<u>\$ 31,021,725</u>	<u>\$ 47,370,052</u>

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

TOWN OF BERLIN, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital Grants	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	and Contributions	Activities	Activities	
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,544,189	\$ 669,322	\$	\$ 108,043	\$ (766,824)	\$	\$ (766,824)
Public safety	2,780,442	47,796	203,863		(2,528,783)		(2,528,783)
Public works	1,343,221	24,012	245,610		(1,073,599)		(1,073,599)
Planning and economic development	462,712	77,404	151,215		(234,093)		(234,093)
Recreation and parks	115,878			102,722	(13,156)		(13,156)
Interest on long-term debt	114,662				(114,662)		(114,662)
Total governmental activities	<u>6,361,104</u>	<u>818,534</u>	<u>600,688</u>	<u>210,765</u>	<u>(4,731,117)</u>		<u>(4,731,117)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	5,139,044	6,229,017	15,634			1,105,607	1,105,607
Water	820,570	927,739		1,469,843		1,577,012	1,577,012
Sewer	2,369,069	3,316,872		606,538		1,554,341	1,554,341
Stormwater	277,044	291,977		176,323		191,256	191,256
Total business-type activities	<u>8,605,727</u>	<u>10,765,605</u>	<u>15,634</u>	<u>2,252,704</u>		<u>4,428,216</u>	<u>4,428,216</u>
Total	<u>\$ 14,966,831</u>	<u>\$ 11,584,139</u>	<u>\$ 616,322</u>	<u>\$ 2,463,469</u>	<u>(4,731,117)</u>	<u>4,428,216</u>	<u>(302,901)</u>
GENERAL REVENUES							
Taxes							
Property taxes					4,503,959		4,503,959
Public service taxes					131,740		131,740
State income taxes					723,718		723,718
Franchise fees					104,295		104,295
Grants and contributions not restricted to specific programs					538,796		538,796
Unrestricted investment earnings					215,523	15,338	230,861
Overhead allocation					907,079	(907,079)	
Gain (loss) on disposal of assets					12,626	(23,626)	(11,000)
Total general revenues and transfers					<u>7,137,736</u>	<u>(915,367)</u>	<u>6,222,369</u>
Change in net position					<u>2,406,619</u>	<u>3,512,849</u>	<u>5,919,468</u>
NET POSITION, BEGINNING OF YEAR					<u>13,941,708</u>	<u>27,508,876</u>	<u>41,450,584</u>
NET POSITION, END OF YEAR					<u>\$ 16,348,327</u>	<u>\$ 31,021,725</u>	<u>\$ 47,370,052</u>

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

TOWN OF BERLIN, MARYLAND**BALANCE SHEET
GOVERNMENTAL FUNDS****JUNE 30, 2023****ASSETS**

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 8,623,470	\$	\$ 8,623,470
Pooled cash and investments	110,219	14,937	125,156
Taxes receivable	138,639		138,639
Accounts and notes receivable, net	126,581		126,581
Due from other governments	438,852	9,733	448,585
Due from other funds	1,149,137		1,149,137
Restricted cash	447,340		447,340
Total assets	<u>\$ 11,034,238</u>	<u>\$ 24,670</u>	<u>\$ 11,058,908</u>

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

Accounts payable and accrued expenses	\$ 258,750	\$ 15,691	\$ 274,441
Accrued compensated absences	152,786		152,786
Total liabilities	<u>411,536</u>	<u>15,691</u>	<u>427,227</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	127,854		127,854
Deferred grant revenue	513,512		513,512
Total deferred inflows of resources	<u>641,366</u>		<u>641,366</u>

FUND BALANCES

Nonspendable	1,149,137		1,149,137
Restricted	447,340	8,979	456,319
Committed	1,563,922		1,563,922
Assigned	3,541,908		3,541,908
Unassigned	3,279,029		3,279,029
Total fund balance	<u>9,981,336</u>	<u>8,979</u>	<u>9,990,315</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,034,238</u>	<u>\$ 24,670</u>	<u>\$ 11,058,908</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, 2023

Total fund balances, governmental funds	\$ 9,990,315
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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.	11,147,119
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Certain expenditures that reduce current financial resources are reported as expenditures in the fund financial statements, but are reported as deferred outflows of resources in the governmental activities of the Statement of Net Position:

Deferred financing outflows - retirement	1,095,426
Deferred property taxes	127,854

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

Bonds payable, leases payable, and accrued interest	(2,904,295)
Compensated absences	(47,173)
Deferred financing inflows - retirement	(927,304)
Net pension liability	<u>(2,133,615)</u>

Net position, governmental activities	<u><u>\$ 16,348,327</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, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 5,341,211	\$	\$ 5,341,211
Licenses and permits	284,609		284,609
Intergovernmental revenues	1,794,439	14,361	1,808,800
Service charges	996,103		996,103
Impact fees	50,000		50,000
Earnings on investments	215,523		215,523
Miscellaneous	50,316		50,316
Total revenues	<u>8,732,201</u>	<u>14,361</u>	<u>8,746,562</u>
EXPENDITURES			
Current			
General government	1,531,718		1,531,718
Public safety	2,593,596	6,299	2,599,895
Public works	1,104,429		1,104,429
Planning and economic development	469,939		469,939
Recreation and parks	58,122		58,122
Debt service	299,397		299,397
Capital outlay	581,381		581,381
Total expenditures	<u>6,638,582</u>	<u>6,299</u>	<u>6,644,881</u>
Excess of revenues over expenditures	2,093,619	8,062	2,101,681
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets	<u>39,380</u>		<u>39,380</u>
Net change in fund balance	2,132,999	8,062	2,141,061
FUND BALANCE, BEGINNING OF YEAR	<u>7,848,337</u>	<u>917</u>	<u>7,849,254</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 9,981,336</u></u>	<u><u>\$ 8,979</u></u>	<u><u>\$ 9,990,315</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, 2023

Net change in fund balances, governmental funds \$ 2,141,061

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 (\$581,381) exceeded depreciation (\$588,863) in the
current period. (7,482)

Changes in deferred outflows of resources presented in the governmental activities
of the Statement of Activities. 463,568

In the Statement of Activities, the gain or loss on the disposal of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net assets differs from the change in fund
balances by the book value of the assets sold. (26,754)

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	(2,191)
Change in net pension liability	(504,034)
Change in deferred financing inflows	135,356

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	18,206
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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.

188,079

Change in net position, governmental activities \$ 2,406,619

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

TOWN OF BERLIN, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
ASSETS					
Current assets					
Cash	\$	\$ 101,505	\$ 285,662	\$	\$ 387,167
Pooled cash and investments	4,313,659	2,295,725	4,652,552	583,632	11,845,568
Accounts receivable, net of allowance	889,657	176,472	616,058	40,804	1,722,991
Leases receivable, current		40,773			40,773
Inventory	147,855	30,189	11,571		189,615
Total current assets	5,351,171	2,644,664	5,565,843	624,436	14,186,114
Noncurrent assets					
Restricted cash		387,949	895,802		1,283,751
Leases receivable, noncurrent		690,251			690,251
Capital assets, net of accumulated depreciation	4,338,048	2,900,885	21,767,084	2,323,491	31,329,508
Total noncurrent assets	4,338,048	3,979,085	22,662,886	2,323,491	33,303,510
Total assets	9,689,219	6,623,749	28,228,729	2,947,927	47,489,624
DEFERRED OUTFLOWS OF RESOURCES					
Deferred financing outflows - retirement	399,965	142,304	266,824	39,107	848,200
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	583,605	61,706	149,796	8,628	803,735
Accrued compensated absences	40,972	12,778	29,076	3,587	86,413
Accrued interest payable	15,826		22,199		38,025
Customer deposits	91,857				91,857
Current portion of bonds payable	371,800		388,571		760,371
Total current liabilities	1,104,060	74,484	589,642	12,215	1,780,401
Noncurrent liabilities					
Bonds payable	2,464,300		6,446,169		8,910,469
Due to other funds			986,287	162,850	1,149,137
Net pension liability	610,292	217,134	407,132	59,669	1,294,227
Accrued compensated absences	13,633	4,619	10,108	1,718	30,078
Total noncurrent liabilities	3,088,225	221,753	7,849,696	224,237	11,383,911
Total liabilities	4,192,285	296,237	8,439,338	236,452	13,164,312
DEFERRED INFLOWS OF RESOURCES					
Deferred financing inflows - retirement	274,073	97,513	182,839	26,798	581,223
Deferred grant revenue		519,869	1,969,756	381,477	2,871,102
Deferred lease revenue		699,462			699,462
Total deferred inflows of resources	274,073	1,316,844	2,152,595	408,275	4,151,787
NET POSITION					
Net investment in capital assets	3,005,448	2,900,885	14,932,344	2,323,491	23,162,168
Restricted for capital projects		387,949	895,802		1,283,751
Unrestricted	2,617,378	1,864,138	2,075,474	18,816	6,575,806
Total net position	\$ 5,622,826	\$ 5,152,972	\$ 17,903,620	\$ 2,342,307	\$ 31,021,725

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, 2023

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
REVENUES					
Service charges	\$ 5,894,244	\$ 781,785	\$ 2,448,997	\$ 289,754	\$ 9,414,780
Sales and services	294,229	58,041			352,270
Hauler fees			836,424		836,424
Interest on delinquent accounts	24,992	7,912	26,659	2,195	61,758
Miscellaneous	15,552	80,001	4,792	28	100,373
Total revenues	<u>6,229,017</u>	<u>927,739</u>	<u>3,316,872</u>	<u>291,977</u>	<u>10,765,605</u>
EXPENSES					
Purchased power	2,999,642				2,999,642
Personnel expenses	1,039,767	258,392	735,658	89,364	2,123,181
Supplies and operating	263,470	257,186	478,307	13,782	1,012,745
Professional services	124,639			23,537	148,176
Contracted services	59,547	15,389	40,492	915	116,343
Insurance	25,348	11,012	23,152	1,584	61,096
Repairs and maintenance	21,540	95,510	159,757		276,807
Depreciation	482,916	183,081	785,616	147,862	1,599,475
General overhead	400,450	156,094	346,050	4,485	907,079
Total expenses	<u>5,417,319</u>	<u>976,664</u>	<u>2,569,032</u>	<u>281,529</u>	<u>9,244,544</u>
Operating income (loss)	<u>811,698</u>	<u>(48,925)</u>	<u>747,840</u>	<u>10,448</u>	<u>1,521,061</u>
NONOPERATING REVENUES (EXPENSES)					
Capital grants		1,185,121	30,244	176,323	1,391,688
Capital service fees		112,720	317,404		430,124
Interest income		7,669	7,669		15,338
Interest expense	(122,175)		(146,087)		(268,262)
Insurance proceeds	15,634				15,634
Loss on disposal of assets	(22,637)	(989)			(23,626)
Net nonoperating revenues (expenses)	<u>(129,178)</u>	<u>1,304,521</u>	<u>209,230</u>	<u>176,323</u>	<u>1,560,896</u>
Income before contributions	682,520	1,255,596	957,070	186,771	3,081,957
Transfers in (out)		97,887		(97,887)	
Capital contributions - special connection fees		172,002	258,890		430,892
Change in net position	682,520	1,525,485	1,215,960	88,884	3,512,849
NET POSITION, BEGINNING OF YEAR	<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>
NET POSITION, END OF YEAR	<u>\$ 5,622,826</u>	<u>\$ 5,152,972</u>	<u>\$ 17,903,620</u>	<u>\$ 2,342,307</u>	<u>\$ 31,021,725</u>

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

TOWN OF BERLIN, MARYLAND

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2023

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 6,095,313	\$ 798,488	\$ 3,213,373	\$ 283,229	\$ 10,390,403
Other receipts	15,552	63,452	4,792	28	83,824
Payments to suppliers	(3,317,130)	(317,591)	(665,608)	(51,900)	(4,352,229)
Payments to employees	(1,065,948)	(264,956)	(747,657)	(81,721)	(2,160,282)
Payments for interfund services	(400,450)	(156,094)	(346,050)	(4,485)	(907,079)
Net cash provided (used) by operating activities	1,327,337	123,299	1,458,850	145,151	3,054,637
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund borrowings			(420,000)	(10,000)	(430,000)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income		7,669	7,669		15,338
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(280,224)	(1,185,899)	(149,812)	(163,192)	(1,779,127)
Proceeds from the sale of capital assets	2,600				2,600
Proceeds from capital service fees		112,720	317,404		430,124
Proceeds from capital grants		32,874	2,000,000	269,800	2,302,674
Insurance proceeds	15,634				15,634
Principal paid on long-term debt	(358,000)		(403,271)		(761,271)
Interest paid on long-term debt	(122,286)		(164,787)		(287,073)
Capital contributions - special connection fees		172,002	258,890		430,892
Net cash provided (used) by capital and related financing activities	(742,276)	(868,303)	1,858,424	106,608	(75,671)
Net increase (decrease) in cash	585,061	(737,335)	2,904,943	241,759	2,564,304
CASH, BEGINNING OF YEAR	3,728,598	3,522,514	2,929,073	341,873	10,522,058
CASH, END OF YEAR	<u>\$ 4,313,659</u>	<u>\$ 2,785,179</u>	<u>\$ 5,834,016</u>	<u>\$ 583,632</u>	<u>\$ 13,086,362</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 811,698	\$ (48,925)	\$ 747,840	\$ 10,448	\$ 1,521,061
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	482,916	183,081	785,616	147,862	1,599,475
Deferred financing outflows - retirement	(86,393)	(36,357)	(49,549)	(11,346)	(183,645)
Deferred financing inflows - retirement	(50,433)	(12,129)	(42,013)	(1,931)	(106,506)
Deferred lease revenue		(53,176)			(53,176)
(Increase) decrease in assets					
Accounts receivable	(104,918)	(49,250)	(98,707)	(8,720)	(261,595)
Leases receivable		36,627			36,627
Inventory	2,801	23,054	594		26,449
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	284,900	80,374	115,069	8,838	489,181
Customer deposits	(13,234)				(13,234)
Net cash provided by operating activities	<u>\$ 1,327,337</u>	<u>\$ 123,299</u>	<u>\$ 1,458,850</u>	<u>\$ 145,151</u>	<u>\$ 3,054,637</u>

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

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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, 2023

**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, 2023

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

Measurement Focus, Basis of Accounting (continued)

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

Budgetary Data

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

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

Cash Equivalents

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

Restricted Cash

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

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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, 2023, the allowance in the General Fund was \$42,463 and the Enterprise Fund was \$103,199.

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, 2023

**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, 2023

**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, 2023

**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. 96, Subscription-Based Information Technology Arrangements

The Town adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. There was no material impact on the Town's results of operations or financial condition upon adoption of the new standard.

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, 2023, \$3,076,783 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, 2023

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 4,184,691	\$	\$	\$ 4,184,691
Construction in progress	61,044	49,667		110,711
Total capital assets not being depreciated	<u>4,245,735</u>	<u>49,667</u>		<u>4,295,402</u>
<i>Capital assets being depreciated</i>				
Infrastructure	6,391,391			6,391,391
Buildings and improvements	4,458,783	256,687		4,715,470
Equipment	971,442	137,420	8,229	1,100,633
Vehicles	1,984,294	137,607	245,059	1,876,842
Leased equipment	20,864			20,864
Total capital assets being depreciated	<u>13,826,774</u>	<u>531,714</u>	<u>253,288</u>	<u>14,105,200</u>
Less accumulated depreciation for:				
Infrastructure	3,324,584	214,772		3,539,356
Buildings and improvements	1,550,088	189,353		1,739,441
Equipment	741,279	51,343	5,540	787,082
Vehicles	1,267,753	129,223	220,994	1,175,982
Leased equipment	7,450	4,172		11,622
Total accumulated depreciation	<u>6,891,154</u>	<u>588,863</u>	<u>226,534</u>	<u>7,253,483</u>
Total capital assets being depreciated, net	<u>6,935,620</u>	<u>(57,149)</u>	<u>26,754</u>	<u>6,851,717</u>
Governmental activities capital assets, net	<u>\$ 11,181,355</u>	<u>\$ (7,482)</u>	<u>\$ 26,754</u>	<u>\$ 11,147,119</u>

Construction in progress in the governmental activities includes the Decatur Street realignment, Stephen Decatur park comfort station, Esham Avenue roadway evaluations, Heron Park property demolition, Berlin bike path, Public Works department building, and Main Street paving project.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
<u>Electric:</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 304,510	\$	\$	\$ 304,510
Total capital assets not being being depreciated	304,510			304,510
<i>Capital assets being depreciated</i>				
Infrastructure	14,713,344	225,124	7,076	14,931,392
Buildings and improvements	766,456			766,456
Equipment	3,476,684	55,101	165,566	3,366,219
Vehicles	776,783		22,705	754,078
Total capital assets being depreciated	19,733,267	280,225	195,347	19,818,145
Less accumulated depreciation for:				
Infrastructure	12,669,231	275,359	5,802	12,938,788
Buildings and improvements	593,684	23,450		617,134
Equipment	1,650,049	136,754	141,602	1,645,201
Vehicles	558,836	47,353	22,705	583,484
Total accumulated depreciation	15,471,800	482,916	170,109	15,784,607
Total capital assets being depreciated, net	4,261,467	(202,691)	25,238	4,033,538
Electric activities, capital assets, net	4,565,977	(202,691)	25,238	4,338,048

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewer:</u>				
<i>Capital assets not being depreciated</i>				
Land	3,495,233			3,495,233
Construction in progress	30,034	128,425		158,459
Total capital assets not being depreciated	3,525,267	128,425		3,653,692
<i>Capital assets being depreciated</i>				
Infrastructure	38,307,772	12,387		38,320,159
Buildings and improvements	1,510			1,510
Equipment	1,058,753	9,000		1,067,753
Vehicles	690,453			690,453
Total capital assets being depreciated	40,058,488	21,387		40,079,875
Less accumulated depreciation for:				43,575,108
Infrastructure	19,642,850	744,062		20,386,912
Buildings and improvements	1,510			1,510
Equipment	881,750	34,820		916,570
Vehicles	654,757	6,734		661,491
Total accumulated depreciation	21,180,867	785,616		21,966,483
Total capital assets being depreciated, net	18,877,621	(764,229)		18,113,392
Sewer, capital assets, net	22,402,888	(635,804)		21,767,084

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, 2023

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water:</u>				
<i>Capital assets not being depreciated</i>				
Land	82,039			82,039
Construction in progress	139,805	856,862	110,260	886,407
Total capital assets not being depreciated	221,844	856,862	110,260	968,446
<i>Capital assets being depreciated</i>				
Infrastructure	5,428,362	553,015	2,268	5,979,109
Buildings and improvements	11,781			11,781
Equipment	338,380	6,759	10,353	334,786
Vehicles	190,672			190,672
Total capital assets being depreciated	5,969,195	559,774	12,621	6,516,348
Less accumulated depreciation for:				
Infrastructure	3,967,745	184,339	1,279	4,150,805
Buildings and improvements	10,540	275		10,815
Equipment	224,622	17,572	10,353	231,841
Vehicles	186,963	3,485		190,448
Total accumulated depreciation	4,389,870	205,671	11,632	4,583,909
Total capital assets being depreciated, net	1,579,325	354,103	989	1,932,439
Water, capital assets, net	1,801,169	1,210,965	111,249	2,900,885

Construction in progress in the Water Fund includes the Powellton Avenue well building addition, the Broad Street lift station pump, smart water meter upgrades, and William Street water service replacement.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Stormwater:</u>				
<i>Capital assets not being depreciated</i>				
Construction in progress	12,649	18,442	12,649	18,442
Total capital assets not being depreciated	12,649	18,442	12,649	18,442
<i>Capital assets being depreciated</i>				
Land improvements	3,025,249	157,400	120,476	3,062,173
Vehicles	26,352			26,352
Total capital assets being depreciated	3,051,601	157,400	120,476	3,088,525
Less accumulated depreciation for:				
Land improvements	631,850	147,862	22,588	757,124
Vehicles	26,352			26,352
Total accumulated depreciation	658,202	147,862	22,588	783,476
Total capital assets being depreciated, net	2,393,399	9,538	97,888	2,305,049
Stormwater, capital assets, net	2,406,048	27,980	110,537	2,323,491
 Business-type activities				
Capital assets, net	\$ 31,176,082	\$ 400,450	\$ 247,024	\$ 31,329,508

Construction in progress in the Stormwater Fund includes the Pine Street, Franklin Avenue, and Nelson Street storm drain replacement, and the Westminster Drive, Abbey Lane, and Upshur Lane submerged gravel wetlands project.

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

General government	\$ 37,115
Public safety	224,279
Public works	265,447
Planning and community development	4,266
Recreation and parks	57,756
	<u>\$ 588,863</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

FUND BALANCES

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

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

Committed fund balances consist of \$253,015 set aside for disaster recovery, \$293,497 for debt service, and \$1,017,410 from impact fees.

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

Health insurance	\$ 366,050
Drug use prevention (police forfeitures)	29,923
Community Center	381,574
Stabilization	1,655,583
Capital reserve	<u>1,108,778</u>
	<u><u>\$ 3,541,908</u></u>

INTERNAL BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2023 consist of the following:

	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>	<u>June 30, 2023</u>
Due to the general fund from the sewer fund	<u>\$ 1,406,287</u>	<u>\$ (420,000)</u>	<u>\$ 986,287</u>
Due to the general fund from the stormwater fund	<u>\$ 172,850</u>	<u>\$ (10,000)</u>	<u>\$ 162,850</u>

During fiscal year 2023 repayments to the sewer fund of \$10,000 and to the Stormwater fund of \$420,000 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, 2023

LONG-TERM DEBT

Changes in long-term obligations for the year June 30, 2023 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General obligation bonds	\$ 3,068,270	\$	\$ 183,936	\$ 2,884,334
Leases	13,608		4,141	9,467
	<u>\$ 3,081,878</u>	<u>\$</u>	<u>\$ 188,077</u>	<u>\$ 2,893,801</u>
Business-type Activities:				
Electric				
General obligation bonds	\$ 3,194,100	\$	\$ 358,000	\$ 2,836,100
Sewer				
General obligation bonds	7,238,011		403,271	6,834,740
	<u>\$ 10,432,111</u>	<u>\$</u>	<u>\$ 761,271</u>	<u>\$ 9,670,840</u>

Governmental Activities

Bonds payable consists of the following:

	Principal Balance Outstanding at June 30, 2023
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.	\$ 444,364
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.	139,970
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>2,300,000</u>
Total Governmental Activities	<u>\$ 2,884,334</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM DEBT (continued)

Business-type Activities – Electric Fund

	Principal Balance Outstanding at June 30, 2023
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.	\$ 1,503,500
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.	90,000
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.	584,600
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.	658,000
Total Electric Fund	2,836,100

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM DEBT (continued)

Business-type Activities – Sewer Fund

	Principal Balance Outstanding at June 30, 2023
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.	358,374
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.	4,651,627
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.	76,977
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.	1,747,762
Total Sewer Fund	6,834,740
Total long-term debt - Business-type Activities	\$ 9,670,840

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM DEBT (continued)

Leases payable

The City is leasing various copiers and printers under leases with a balance of \$9,467 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, 2023 are as follows:

Governmental Activities				
<u>Year Ending</u>	<u>General Obligation Bonds</u>		<u>Operating Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 184,611	\$ 104,088	\$ 4,311	\$ 300
2025	185,287	96,822	4,486	125
2026	116,058	91,157	670	11
2027	116,834	86,880		
2028	117,648	82,739		
2029-2033	601,898	346,811		
2034-2038	629,033	232,137		
2039-2043	632,965	110,676		
2044-2046	300,000	15,884		
	<u>\$ 2,884,334</u>	<u>\$ 1,167,194</u>	<u>\$ 9,467</u>	<u>\$ 436</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

LONG-TERM DEBT (continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of June 30, 2023 are as follows:

Business-Type Activities		
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 760,371	\$ 262,875
2025	698,900	243,597
2026	671,461	223,519
2027	692,040	204,359
2028	711,270	184,185
2029 - 2033	2,624,795	667,603
2034 - 2038	1,044,748	340,835
2039 - 2043	906,920	232,600
2044 - 2048	1,014,271	125,249
2049 - 2051	546,064	18,472
	<u>\$ 9,670,840</u>	<u>\$ 2,503,294</u>

INTEREST COST - ENTERPRISE FUND

During the year ended June 30, 2023, total interest incurred and paid in the Enterprise Fund was \$268,262 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, 2023

INTERNAL CHARGES AND SERVICES

The Town provides administrative services to the proprietary funds for certain services paid in the general fund. A payment in lieu of taxes is no longer charged to the Electric Fund. The total services billed for the year ended June 30, 2023 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>\$ 400,450</u>	<u>\$ 156,094</u>	<u>\$ 346,050</u>	<u>\$ 4,485</u>	<u>\$ 907,079</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, 2023, the balance of antenna leases receivable were \$731,024.

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, 2023 were \$5,700. 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:		
2024	\$ 40,773	\$ 30,690
2025	41,698	26,851
2026	29,717	25,262
2027	16,969	24,445
2028	18,082	23,746
All subsequent years	<u>583,785</u>	<u>246,862</u>
Total minimum lease payments to be received	<u>\$ 731,024</u>	<u>\$ 377,856</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023, the Town reported a liability of \$3,427,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Town's proportion was .01713%.

For the year ended June 30, 2023, the Town recognized pension expense of \$488,562. At June 30, 2023, 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	\$ 37,736	\$ 399,870
Net difference between projected and actual earnings on pension plan investments	124,141	1,062,186
Differences between expected and actual experience	1,253,384	
Changes in proportion	93,266	96,991
Contributions subsequent to measurement date	<u> </u>	<u>384,579</u>
	<u>\$ 1,508,527</u>	<u>\$ 1,943,626</u>

The Town's contribution subsequent to the measurement date of \$384,579, 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 5.52 to 5.87 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, 2023

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	
2024	\$ (21,431)
2025	(24,302)
2026	(77,844)
2027	46,318
2028	127,779
Total	<u>\$ 50,520</u>

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2022 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

Inflation	2.25% general; 2.75% wage
Salary increases	2.75% to 11.25%, including wage inflation
Investment rate of return	6.80%

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, 2023

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, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	15%	5.2%
Absolute Return	6%	3.5%
Total	<u>100%</u>	

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)% and 26.69%, 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%)	\$ 5,259,410
Current discount rate (6.80%)	\$ 3,427,842
1% Increase (7.80%)	\$ 1,908,076

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, 2023

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.

NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2023, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Town beginning with the year ending June 30, 2025. This statement updates the recognition and measurement guidance for compensated absences

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 4,691,509	\$ 4,691,509	\$ 5,341,211	\$ 649,702
Licenses and permits	208,000	208,000	284,609	76,609
Intergovernmental revenues	2,323,875	2,323,875	1,794,439	(529,436)
Service charges	968,075	968,075	996,103	28,028
Impact fees	135,000	135,000	50,000	(85,000)
Earnings on investments	35,000	35,000	215,523	180,523
Miscellaneous	4,500	4,500	50,316	45,816
Total revenues	<u>8,365,959</u>	<u>8,365,959</u>	<u>8,732,201</u>	<u>366,242</u>
EXPENDITURES				
Current				
General government	2,003,735	2,003,735	1,531,718	472,017
Public safety	2,851,412	2,851,412	2,593,596	257,816
Public works	1,360,308	1,360,308	1,104,429	255,879
Planning and economic development	486,304	486,304	469,939	16,365
Recreation and parks	70,210	70,210	58,122	12,088
Debt service	294,845	294,845	299,397	(4,552)
Capital outlay	1,552,095	1,552,095	581,381	970,714
Total expenditures	<u>8,618,909</u>	<u>8,618,909</u>	<u>6,638,582</u>	<u>1,980,327</u>
Excess of revenues over (under) expenditures	<u>(252,950)</u>	<u>(252,950)</u>	<u>2,093,619</u>	<u>2,346,569</u>
OTHER FINANCING SOURCES (USES)				
Prior year surplus	(157,050)	(157,050)		157,050
Proceeds from disposal of capital assets			39,380	39,380
Contribution from sewer fund	400,000	400,000		(400,000)
Contribution from stormwater fund	10,000	10,000		(10,000)
Net other financing sources	<u>252,950</u>	<u>252,950</u>	<u>39,380</u>	<u>(213,570)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	<u>\$ 2,132,999</u>	<u>\$ 2,132,999</u>

TOWN OF BERLIN, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

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

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

<u>Fiscal year/ measurement date</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's proportionate share of the net pension liability</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate share as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
General Employees' Plan					
2016/2015	0.1460%	\$ 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%
2023/2022	0.1713%	3,427,842	3,518,568	97.42%	71.83%

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>
General Employees' Plan					
2016	\$ 307,322	\$ 307,322		\$ 3,212,440	9.57%
2017	301,310	301,310		3,069,300	9.82%
2018	298,871	298,871		3,390,716	8.81%
2019	320,331	320,331		3,416,307	9.38%
2020	339,058	339,058		3,582,239	9.46%
2021	369,184	369,184		3,510,030	10.52%
2022	394,255	394,255		3,699,176	10.66%
2023	391,003	391,003		3,518,568	11.11%

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, 2022

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

Inflation changed to 2.25% general; 2.75% wage

Salary increases changed to 2.75% to 11.25%

**Method and assumptions used in calculations of actuarially determined contributions for the plan years ended
June 30, 2022 and 2021:**

Actuarial	Entry age normal.	
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 17 years remaining.	
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.	
Inflation	2022	2.25% general; 2.75% wage
	2021	2.60% general; 3.10% wage
Salary increases	2022	2.75% to 11.25%, including inflation
	2021	3.10% to 11.6%, including inflation
Investment rate of return	2022	6.80%
	2021	6.80%
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

ANDREW M. HAYNIE, CPA
SUSAN P. KEEN, CPA
MICHAEL C. KLEGER, CPA
JAMES D. MAYBURY, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
ASHLEY M. STERN, CPA
JOHN M. STERN, JR., CPA

PKSca.com

Salisbury

1801 SWEETBAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
SUITE 1
P.O. Box 192
LEWES, DE 19958
TEL: 302.645.5757
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF
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ALLINIAL GLOBAL

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, 2023, 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 2022 and 2021 financial statements and, in our reports dated November 15, 2022 and January 5, 2022, 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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
November 30, 2023

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENDITURES
GENERAL FUND**

**YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Taxes			
Berlin property	\$ 4,464,625	\$ 4,354,275	\$ 4,163,339
County shared	131,740	69,583	46,871
State shared	723,718	411,845	672,262
Penalties and interest	21,128	24,349	24,339
Licenses and permits	284,609	296,214	372,993
Intergovernmental			
Federal	69,105	75,527	
State	1,186,538	842,391	706,617
County	538,796	504,875	636,033
Service charges to other funds	907,079	830,323	796,519
Service charges, other	89,024	94,150	65,116
Impact fees	50,000	151,492	187,704
Earnings on investments	215,523	55,492	48,773
Miscellaneous	50,316	10,898	22,632
Total revenues	<u>8,732,201</u>	<u>7,721,414</u>	<u>7,743,198</u>
EXPENDITURES			
Current			
General government	1,531,718	1,604,196	1,385,513
Public safety	2,593,596	2,289,711	2,323,786
Public works	1,104,429	950,852	915,024
Planning and economic development	469,939	448,655	397,048
Recreation and parks	58,122	56,858	40,466
Debt service	299,397	305,779	307,614
Capital outlay	581,381	514,979	591,997
Total expenditures	<u>6,638,582</u>	<u>6,171,030</u>	<u>5,961,448</u>
Revenues over expenditures	<u>2,093,619</u>	<u>1,550,384</u>	<u>1,781,750</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from disposal of capital assets	39,380	4,753	34,249
Transfers out			(1,691,781)
Net other financing sources (uses)	<u>39,380</u>	<u>4,753</u>	<u>(1,657,532)</u>
Net change in fund balance	<u>\$ 2,132,999</u>	<u>\$ 1,555,137</u>	<u>\$ 124,218</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
ELECTRIC FUND**

**YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)**

	2023	2022	2021
REVENUES			
Service charges	\$ 5,894,244	\$ 5,425,559	\$ 5,647,113
Sales and services	294,229	200,660	171,536
Interest on delinquent accounts	24,992	26,163	33,283
Miscellaneous	15,552	10,399	123,465
Total revenues	<u>6,229,017</u>	<u>5,662,781</u>	<u>5,975,397</u>
EXPENSES			
Purchased power	2,999,642	2,992,341	2,733,532
Personnel expenses	1,039,767	859,223	1,048,132
Supplies and operating	263,470	388,242	388,399
Professional services	124,639	118,523	97,383
Contracted services	59,547	45,095	269,466
Insurance	25,348	23,200	22,643
Repairs and maintenance	21,540	27,972	35,032
Depreciation	482,916	499,199	504,463
General overhead	400,450	391,557	375,037
Total expenses	<u>5,417,319</u>	<u>5,345,352</u>	<u>5,474,087</u>
Operating income	<u>811,698</u>	<u>317,429</u>	<u>501,310</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(122,175)	(127,774)	(141,228)
Insurance proceeds	15,634		124,306
Loss on disposal of assets	(22,637)		(160,495)
Net nonoperating expenses	<u>(129,178)</u>	<u>(127,774)</u>	<u>(177,417)</u>
Change in net position	<u>\$ 682,520</u>	<u>\$ 189,655</u>	<u>\$ 323,893</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
WATER FUND**

**YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)**

	2023	2022	2021
REVENUES			
Service charges	\$ 781,785	\$ 743,264	\$ 739,604
Sales and services	58,041	17,691	10,786
Interest on delinquent accounts	7,912	7,057	4,157
Miscellaneous	80,001	87,471	55,765
Total revenues	<u>927,739</u>	<u>855,483</u>	<u>810,312</u>
EXPENSES			
Personnel expenses	258,392	307,758	366,888
Supplies and operating	257,186	149,351	159,510
Contracted services	15,389	23,735	12,730
Insurance	11,012	9,640	10,082
Repairs and maintenance	95,510	77,053	71,481
Depreciation	183,081	187,064	190,504
General overhead	156,094	167,087	155,970
Total expenses	<u>976,664</u>	<u>921,688</u>	<u>967,165</u>
Operating loss	<u>(48,925)</u>	<u>(66,205)</u>	<u>(156,853)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants	1,185,121		
Capital service fees	112,720		
Interest income	7,669	1,990	869
Loss on disposal of assets	(989)		
Net nonoperating revenues	<u>1,304,521</u>	<u>1,990</u>	<u>869</u>
Income (loss) before contributions	1,255,596	(64,215)	(155,984)
Capital contribution - special connection fees	172,002	264,270	401,829
Transfers in	97,887		
Change in net position	<u>\$ 1,525,485</u>	<u>\$ 200,055</u>	<u>\$ 245,845</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
SEWER FUND**

**YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)**

	2023	2022	2021
REVENUES			
Service charges	\$ 2,448,997	\$ 2,326,746	\$ 2,307,598
Hauler fees	836,424	751,356	135,290
Interest on delinquent accounts	26,659	23,756	13,550
Miscellaneous	4,792	10,393	12,237
Total revenues	<u>3,316,872</u>	<u>3,112,251</u>	<u>2,468,675</u>
EXPENSES			
Personnel expenses	735,658	597,063	762,665
Supplies and operating	478,307	413,535	400,216
Contracted services	40,492	44,547	71,502
Insurance	23,152	20,213	20,046
Repairs and maintenance	159,757	75,309	69,877
Depreciation	785,616	948,804	1,059,945
General overhead	346,050	271,679	265,512
Total expenses	<u>2,569,032</u>	<u>2,371,150</u>	<u>2,649,763</u>
Operating income (loss)	<u>747,840</u>	<u>741,101</u>	<u>(181,088)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants	30,244		
Capital service fees	317,404		
Interest income	7,669	1,990	1,409
Interest expense	(146,087)	(169,867)	(179,630)
Gain on disposal of assets		5,304	
Net nonoperating revenues (expenses)	<u>209,230</u>	<u>(162,573)</u>	<u>(178,221)</u>
Income (loss) before contributions and transfers	957,070	578,528	(359,309)
Capital contributions - special connection fees	258,890	710,476	1,111,925
Transfers in			1,691,781
Change in net position	<u>\$ 1,215,960</u>	<u>\$ 1,289,004</u>	<u>\$ 2,444,397</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
STORMWATER FUND**

**YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)**

	2023	2022	2021
REVENUES			
Service charges	\$ 289,754	\$ 192,047	\$ 189,232
Interest on delinquent accounts	2,195	798	
Miscellaneous	28	49	28
Total revenues	<u>291,977</u>	<u>192,894</u>	<u>189,260</u>
EXPENSES			
Personnel expenses	89,364	82,994	96,057
Supplies and operating	13,782	10,106	17,967
Professional services	23,537	18,842	12,919
Contracted services	915	15,288	6,190
Insurance	1,584	1,200	1,219
Depreciation	147,862	153,459	156,420
General overhead	4,485		
Total expenses	<u>281,529</u>	<u>281,889</u>	<u>290,772</u>
Operating income (loss)	<u>10,448</u>	<u>(88,995)</u>	<u>(101,512)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital grants	<u>176,323</u>		
Income (loss) before transfers	186,771	(88,995)	(101,512)
Transfers out	<u>(97,887)</u>		
Change in net position	<u>\$ 88,884</u>	<u>\$ (88,995)</u>	<u>\$ (101,512)</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**

ANDREW M. HAYNIE, CPA
 SUSAN P. KEEN, CPA
 MICHAEL C. KLEGER, CPA
 JAMES D. MAYBURY, CPA
 E. LEE McCABE, CPA
 JEFFREY A. MICHALIK, CPA
 ROBERT L. MOORE, CPA
 DANIEL M. O'CONNELL II, CPA
 ASHLEY M. STERN, CPA
 JOHN M. STERN, JR., CPA

PKSca.com

Salisbury

1801 SWEETBAY DRIVE
 P.O. Box 72
 SALISBURY, MD 21803
 TEL: 410.546.5600
 FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY
 SUITE 800
 OCEAN CITY, MD 21842
 TEL: 410.213.7185
 FAX: 410.213.7638

Lewes

1143 SAVANNAH ROAD
 SUITE 1
 P.O. Box 192
 LEWES, DE 19958
 TEL: 302.645.5757
 FAX: 302.645.1757

MEMBERS OF:

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 CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF
 CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023, 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 30, 2023.

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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
November 30, 2023

UNIFORM GUIDANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ANDREW M. HAYNIE, CPA
 SUSAN P. KEEN, CPA
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PKScpa.com

Salisbury
 1801 SWEETBAY DRIVE
 P.O. Box 72
 SALISBURY, MD 21803
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 FAX: 410.548.9576

Ocean City
 12216 OCEAN GATEWAY
 SUITE 800
 OCEAN CITY, MD 21842
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Lewes
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 SUITE 1
 P.O. Box 192
 LEWES, DE 19958
 TEL: 302.645.5757
 FAX: 302.645.1757

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Berlin, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements that collectively comprise the Town of Berlin, Maryland's basic financial statements. We have issued our report thereon dated November 30, 2023 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 November 30, 2023

TOWN OF BERLIN, MD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures	Awards to Subrecipients
U.S. Department of the Treasury					
Coronavirus State and Local Fiscal Recovery Funds	COVID-19 21.027	direct	<u>\$ 4,796,042</u>	<u>\$ 1,429,932</u>	<u>\$ 47,250</u>
U.S. Department of Justice					
Pass through Governor's Office of Crime and Prevention Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.738	BJAG-2021-0017	<u>11,062</u>	<u>11,062</u>	
Total expenditures of federal awards			<u><u>\$ 4,807,104</u></u>	<u><u>\$ 1,440,994</u></u>	<u><u>\$ 47,250</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF BERLIN, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Town of Berlin, Maryland under programs of the federal government for the year ended June 30, 2023. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Town.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity identifying numbers are presented where available.

INDIRECT COSTS

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

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

ANDREW M. HAYNIE, CPA
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To the Mayor and Council and Town Manager
 Town of Berlin, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited the Town of Berlin, Maryland's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Berlin, Maryland's major federal programs for the year ended June 30, 2023. The Town of Berlin, Maryland's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Berlin, Maryland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Town of Berlin, Maryland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Berlin, Maryland's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
November 30, 2023

TOWN OF BERLIN, MARYLAND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings for the Town of Berlin, Maryland for the year ended June 30, 2022.

FINDINGS AND QUESTIONED COSTS – MAJOR AWARDS PROGRAMS AUDIT

An audit in accordance with Uniform Guidance was not required for the year ended June 30, 2022. Therefore, there are no prior year findings to report.

TOWN OF BERLIN, MARYLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None reported

Noncompliance material to the financial statements noted? Yes x No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes x No

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Cornoavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B Programs \$750,000

Auditee qualified as a low-risk auditee? Yes x No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS AUDIT

None