

TOWN OF BERLIN, MARYLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

TOWN OF BERLIN, MARYLAND

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
Town of Berlin, Maryland

Report on the Financial Statements

We have audited the accompanying 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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

Auditors' Responsibility (continued)

preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension plan information on pages 4 through 14 and pages 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2022 on our consideration of the Town of Berlin, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

Other Reporting Required by *Government Auditing Standards* (continued)

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Maryland's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 5, 2022

TOWN OF BERLIN, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. 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, 2021 was \$38,129,500. Of this total, \$31,095,426 was invested in capital assets, net of related debt, and \$1,715,189 was restricted which leaves an unrestricted net position of \$5,318,885. The Town's net position increased \$3,179,834 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,789	6,719	\$ 6,814	\$ 3,566	\$ 13,603	\$ 10,285
Capital assets	11,235	11,200	32,567	34,252	43,802	45,452
Total assets	18,024	17,919	39,381	37,818	57,405	55,737
Deferred outflows of resources	449	349	302	233	751	582
Long-term liabilities	5,553	5,449	12,103	12,637	17,656	18,086
Current and other liabilities	548	635	1,551	2,247	2,099	2,882
Total liabilities	6,101	6,084	13,654	14,884	19,755	20,968
Deferred inflows of resources	162	241	109	160	271	401
Net position						
Net investment in capital assets	7,983	7,766	23,112	24,403	31,095	32,169
Restricted	803	995	912	4	1,715	999
Unrestricted (deficit)	3,424	3,182	1,896	(1,400)	5,320	1,782
Total net position	\$ 12,210	\$ 11,943	\$ 25,920	\$ 23,007	\$ 38,130	\$ 34,950

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	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program services						
Charges for services	\$ 766	\$ 510	\$ 9,444	\$ 8,614	\$ 10,210	\$ 9,124
Operating grants and contributions	291	308			291	308
Capital grants and contributions	188	36	1,638	2,114	1,826	2,150
General revenues						
Property taxes	4,221	4,041			4,221	4,041
Other taxes and fees	828	571			828	571
Unrestricted grants	636	465			636	465
Overhead allocation	796	821	(796)	(821)	-	-
Other	64	46	(158)	18	(94)	64
Total revenues	7,790	6,798	10,128	9,925	17,918	16,723
EXPENSES						
General government	1,451	1,581			1,451	1,581
Public safety	2,601	2,557			2,601	2,557
Public works	1,130	1,161			1,130	1,161
Planning and economic development	428	446			428	446
Recreation and parks	97	88			97	88
Interest on long-term debt	124	131			124	131
Electric			5,240	5,128	5,240	5,128
Water			812	808	812	808
Sewer			2,564	2,428	2,564	2,428
Stormwater			291	260	291	260
Total expenses	5,831	5,964	8,907	8,624	14,738	14,588
Change before transfers	1,959	834	1,221	1,301	3,180	2,135
Transfers	(1,692)		1,692			
Change in net position	\$ 267	\$ 834	\$ 2,913	\$ 1,301	\$ 3,180	\$ 2,135

Governmental activities

Net position for the Town's governmental activities increased by \$267,211 during the fiscal year. The primary reasons for this increase mirror those highlighted in the following analysis of the General Fund.

Business-type activities

During the fiscal year, the Town's net position for business-type activities increased \$2,912,623. 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.

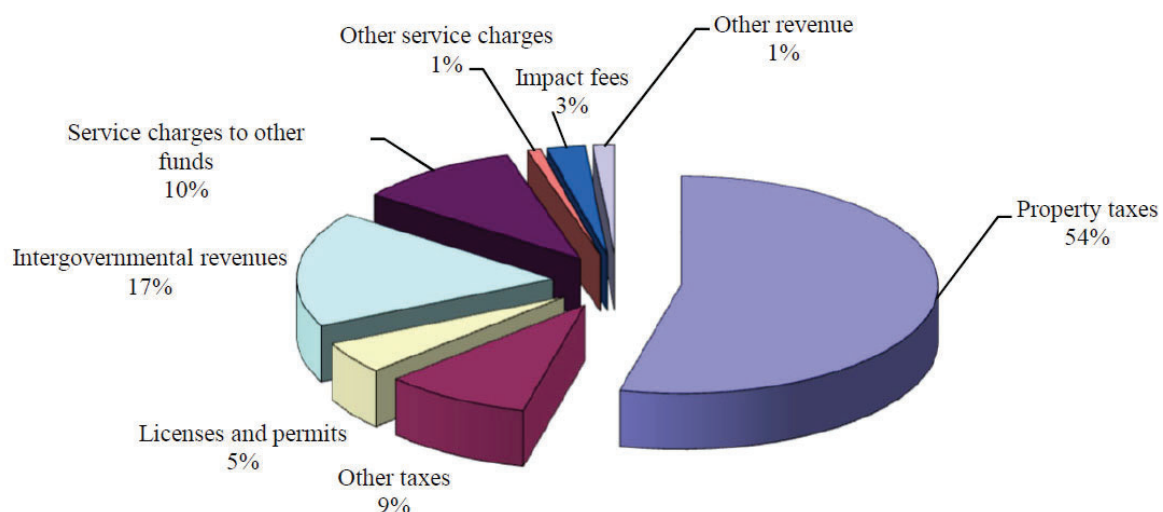
FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund

For the year ended June 30, 2021, the general fund balance increased \$1,815,999 (prior to transfers). During the year, the Mayor and Council approved a transfer of \$1,691,781 to the sewer fund to reduce the amount owed to the general fund by half. After the transfer, the general fund balance had a net increase of \$124,218.

General fund revenues by source were as follows:

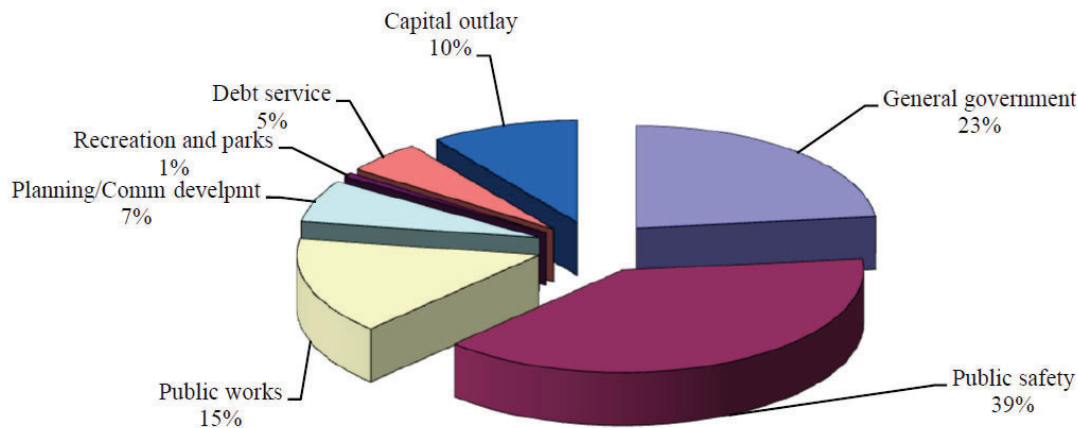
	2021		2020	
	\$	%	\$	%
Property taxes	\$ 4,187,678	54.08%	\$ 4,037,069	59.40%
Other taxes	719,133	9.29%	464,305	6.83%
Licenses and permits	372,993	4.82%	229,377	3.37%
Intergovernmental revenues	1,342,650	17.34%	1,086,004	15.98%
Service charges to other funds	796,519	10.29%	820,688	12.07%
Other service charges	65,116	0.84%	65,252	0.96%
Impact fees	187,704	2.42%	35,890	0.53%
Other revenue	71,405	0.92%	58,149	0.87%
Totals	\$ 7,743,198	100.00%	\$ 6,796,734	100.00%



General fund revenues increased \$980,713 over the prior year. Significant changes for the year included increases in real estate taxes, State shared income taxes, licenses and permits, impact fees, and intergovernmental revenues.

General fund expenditures by program were as follows:

	2021		2020	
	\$	%	\$	%
General government	\$ 1,385,515	23.24%	\$ 1,530,824	26.43%
Public safety	2,323,786	38.98%	2,254,313	38.93%
Public works	915,024	15.35%	928,387	16.03%
Planning/Comm developmt	397,048	6.66%	417,103	7.20%
Recreation and parks	40,466	0.68%	61,266	1.06%
Debt service	307,614	5.16%	314,217	5.43%
Capital outlay	591,995	9.93%	284,556	4.91%
Totals	\$ 5,961,448	100.00%	\$ 5,790,666	100.00%



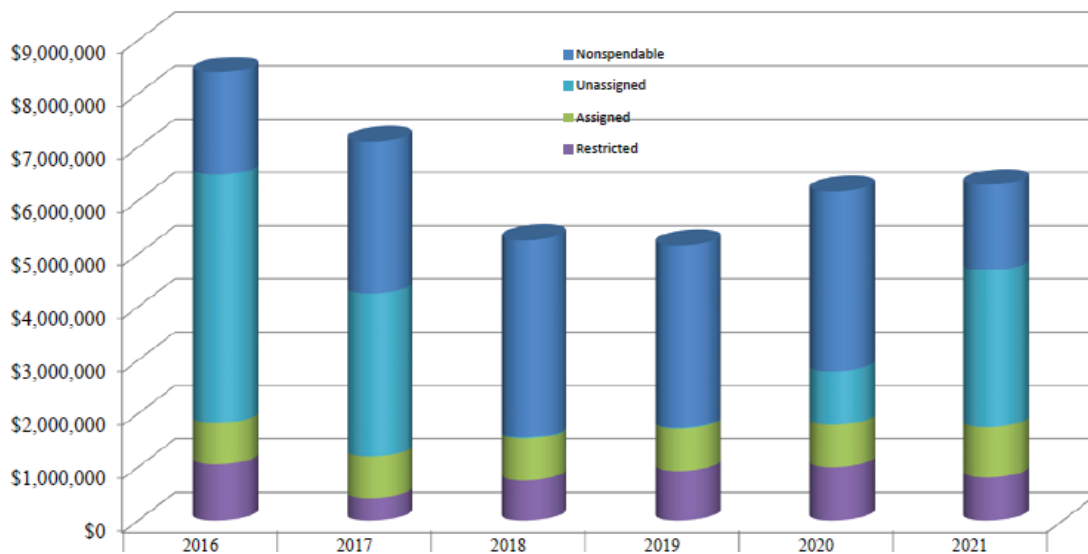
General fund expenditures increased from the prior year by \$170,782. The increase is a combination of the increase in capital outlay expenditures and a decrease in general government expenditures.

At the end of the year, the General fund had a fund balance of \$6,293,200 broken down as follows:

	<u>2021</u>	<u>2020</u>
Fund balances, end of year		
Nonspendable (due to/due from other funds)	\$ 1,609,137	\$ 3,375,304
Restricted (slots, impact fees)	803,492	994,629
Assigned (insurance, community center, police forfeitures)	938,602	791,005
Unassigned	2,941,969	1,008,044
Total fund balances	<u>\$ 6,293,200</u>	<u>\$ 6,168,982</u>

The unassigned fund balance of \$2,941,969 is the amount set aside for future purposes and is available for emergencies. The unassigned fund balance represents 5.5 months of operating expenses. Total unrestricted fund balances (assigned and unassigned) were \$3,880,571 and represents 8 months of operating expenses.

The following graph shows the general fund balance for the six years from 2016 through 2021.



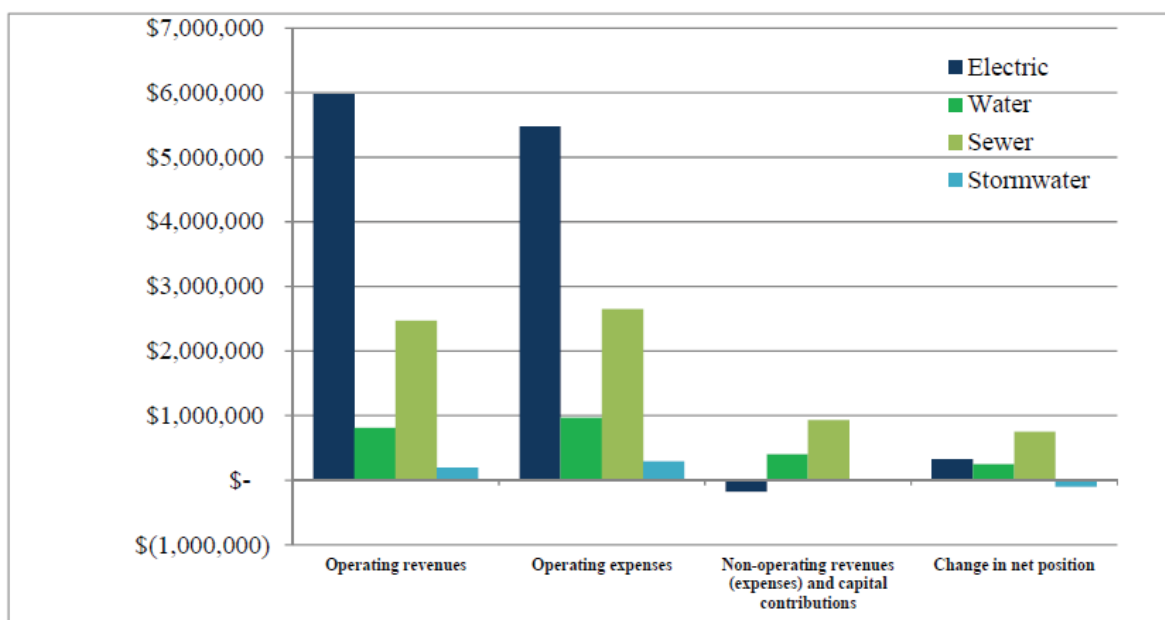
A comparison of revenues and expenditures for the general fund for a three-year period is shown on page 54 of the financial statements.

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, 2021, the enterprise funds had a decrease in net position of \$292,912 (prior to transfers and contributions). Capital contributions from special connection fees were \$1,513,754 for the year resulting in an increase before transfers of \$1,220,842.

In addition, the general fund transferred \$1,691,781 to reduce the amount owed to the general fund by the sewer fund by half. In total, the enterprise fund net position increased \$2,912,623.

The following graph shows operating revenues, operating expenses, non-operating revenues (expenses), capital contributions, and change in net position for the utilities. The graph does not include the transfer from the general fund.



	Electric	Water	Sewer	Stormwater	Total
Operating revenues	\$ 5,975,397	\$ 810,312	\$ 2,468,675	\$ 189,260	\$ 9,443,644
Operating expenses	\$ 5,474,087	\$ 967,165	\$ 2,649,763	\$ 290,772	\$ 9,381,787
Non-operating revenues (expenses) and capital contributions	\$ (177,417)	\$ 402,698	\$ 933,704		\$ 1,158,985
Change in net position	\$ 323,893	\$ 245,845	\$ 752,616	\$ (101,512)	\$ 1,220,842

Net position at the end of the year was \$25,919,158 broken down as follows:

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
Net position					
Invested in capital assets, net of debt	\$ 3,097,477	\$ 1,812,468	\$ 15,655,330	\$ 2,546,857	\$ 23,112,132
Restricted for capital projects		241,077	670,620		911,697
Unrestricted (deficit)	1,653,174	1,373,887	(927,293)	(204,439)	1,895,329
Total net position	\$ 4,750,651	\$ 3,427,432	\$ 15,398,657	\$ 2,342,418	\$ 25,919,158

Electric Fund

The Electric Fund had an operating income of \$501,310 compared to an operating loss of \$144,054 last year. Net position at June 30, 2021 was \$4,750,651, an increase of \$323,893.

Service charges increased 12% 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 2% due to increases in purchased power, and supplies and operating expenses.

A comparison of revenues and expenses for a three-year period is shown on page 55 of the financial statements.

Water Fund

The Water Fund had an operating loss of \$156,853 and a total decrease in net position (before special connection fees) of \$359,309 compared to a net decrease last year of \$125,410.

Service charge revenues increased by 2% due to additional customers. Operating expenses were maintained at \$967,165 with various small fluctuations between expense categories, most notably an increase in personnel expenses and decreases in contracted services.

Special connection fees of \$401,829 were received. These fees are restricted for capital projects and the repayment of debt.

A comparison of revenues and expenses for a three year period is shown on page 56 of the financial statements.

Sewer Fund

The Sewer Fund had an operating loss of \$181,088 and a total decrease in net position (before special connection fees) of \$359,309 compared to a decrease in net position last year of \$325,358. Special connection fees of \$1,111,925 and a transfer from the general fund of \$1,691,781 increased the overall net position to \$2,444,397.

Operating revenues increased 2% due to additional users increasing service charges, and operating expenses increased \$96,340 due to increases in personnel, supplies, and contracted services expenses.

Special connection fees of \$1,111,925 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 57 of the financial statements.

At June 30, 2021, the Sewer Fund owes the General Fund \$1,416,287.

Stormwater Fund

The Stormwater Fund had an operating loss of \$101,512 compared to a loss in the prior year of \$74,430.

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

At June 30, 2021, the Stormwater Fund owes the General Fund \$192,850.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Actual revenues exceeded the amount budgeted by \$1,578,472 due to favorable variances in taxes, licenses and permits, intergovernmental revenues, service charges, impact fees, and earnings on investments. Actual expenditures were less than the amount budgeted by \$453,277.

A budget amendment was approved to use \$350,000 of impact fees for street projects.

A budgetary comparison schedule is included in the financial statements on page 49.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital assets

At the end of the fiscal year, the Town had \$43,801,256, 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,143	\$ 4,143	\$ 6,907	\$ 6,900	\$ 11,050	\$ 11,043
Infrastructure	6,391	5,736	58,224	58,647	64,615	64,383
Buildings and improvements	4,390	4,390	780	780	5,170	5,170
Equipment	913	901	4,874	5,207	5,787	6,108
Vehicles	1,797	1,819	1,688	1,688	3,485	3,507
Construction in progress	45	183	28	19	73	202
Less: accumulated depreciation	(6,444)	(5,971)	(39,935)	(38,989)	(46,379)	(44,960)
Total	<u>\$ 11,235</u>	<u>\$ 11,201</u>	<u>\$ 32,566</u>	<u>\$ 34,252</u>	<u>\$ 43,801</u>	<u>\$ 45,453</u>

This year's major capital asset additions included:

Governmental activities

- Completion of Berlin roadway resurfacing project
- 2020 Chevy Tahoe and 2021 Chevy Traverse
- Fingerprinter machine

Business-type activities

- Power plant monitoring and control system
- Solar array at Schoolfield Street
- Water tower and valve at Franklin Avenue

Long-term debt

At the end of the fiscal year, the Town had \$14,427,330 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
	2021	2020	2021	2020	2021	2020	
General obligation bonds	\$ 3,251	\$ 3,434	\$ 11,176	\$ 11,971	\$ 14,427	\$ 15,405	-6%
Total	<u>\$ 3,251</u>	<u>\$ 3,434</u>	<u>\$ 11,176</u>	<u>\$ 11,971</u>	<u>\$ 14,427</u>	<u>\$ 15,405</u>	-6%

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

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Town approved a \$6.8 million general fund budget for fiscal year 2022. The tax rate increased from \$.80 per \$100 of assessed value to \$.815 per \$100 of assessed value. The budget represented an increase of 15% over the 2021 budget.

In July 2021, the Town was awarded \$4,794,272 as a result of the American Rescue Plan Act of 2020 (ARPA). Eligible uses for the funds include revenue replacement, COVID-19 expenditures, premium pay for essential workers and investments in water, sewer and broadband infrastructure.

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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 953,315	\$	\$ 953,315
Pooled cash and investments	2,931,689	5,621,114	8,552,803
Taxes receivable	162,243		162,243
Accounts receivable, net	63,255	1,654,986	1,718,241
Internal balances	1,609,137	(1,609,137)	
Due from other governments	266,172		266,172
Inventories		234,828	234,828
Total current assets	<u>5,985,811</u>	<u>5,901,791</u>	<u>11,887,602</u>
Noncurrent assets			
Restricted cash	803,492	911,697	1,715,189
Capital assets, net of accumulated depreciation	11,234,857	32,566,399	43,801,256
Total noncurrent assets	<u>12,038,349</u>	<u>33,478,096</u>	<u>45,516,445</u>
Total assets	<u>18,024,160</u>	<u>39,379,887</u>	<u>57,404,047</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>449,497</u>	<u>301,560</u>	<u>751,057</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	208,609	542,981	751,590
Current portion of accrued compensated absences	143,813	99,225	243,038
Accrued interest payable	12,115	61,292	73,407
Customer deposits		103,699	103,699
Current portion of bonds payable	183,294	743,648	926,942
Total current liabilities	<u>547,831</u>	<u>1,550,845</u>	<u>2,098,676</u>
Noncurrent liabilities			
Bonds payable, less current portion	3,068,269	10,432,119	13,500,388
Net pension liability	2,329,126	1,562,573	3,891,699
Accrued compensated absences, less current portion	156,219	108,156	264,375
Total noncurrent liabilities	<u>5,553,614</u>	<u>12,102,848</u>	<u>17,656,462</u>
Total liabilities	<u>6,101,445</u>	<u>13,653,693</u>	<u>19,755,138</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred financing inflows - retirement	<u>161,870</u>	<u>108,596</u>	<u>270,466</u>
NET POSITION			
Net investment in capital assets	7,983,294	23,112,132	31,095,426
Restricted	803,492	911,697	1,715,189
Unrestricted	3,423,556	1,895,329	5,318,885
Total net position	<u>\$ 12,210,342</u>	<u>\$ 25,919,158</u>	<u>\$ 38,129,500</u>

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

TOWN OF BERLIN, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,450,443	\$ 566,938	\$	\$ 187,704	\$ (695,801)	\$	\$ (695,801)
Public safety	2,600,812	10,884	58,579		(2,531,349)		(2,531,349)
Public works	1,129,816	21,486	225,344		(882,986)		(882,986)
Planning and economic developm	428,123	166,848	7,400		(253,875)		(253,875)
Recreation and parks	97,267				(97,267)		(97,267)
Interest on long-term debt	124,125				(124,125)		(124,125)
Total governmental activities	<u>5,830,586</u>	<u>766,156</u>	<u>291,323</u>	<u>187,704</u>	<u>(4,585,403)</u>		<u>(4,585,403)</u>
BUSINESS-TYPE ACTIVITIES							
Electric	5,240,278	5,975,397		124,306		859,425	859,425
Water	811,195	810,312		401,829		400,946	400,946
Sewer	2,563,881	2,468,675		1,111,925		1,016,719	1,016,719
Stormwater	290,772	189,260				(101,512)	(101,512)
Total business-type activities	<u>8,906,126</u>	<u>9,443,644</u>		<u>1,638,060</u>		<u>2,175,578</u>	<u>2,175,578</u>
Total	<u>\$ 14,736,712</u>	<u>\$ 10,209,800</u>	<u>\$ 291,323</u>	<u>\$ 1,825,764</u>	<u>(4,585,403)</u>	<u>2,175,578</u>	<u>(2,409,825)</u>
GENERAL REVENUES							
Taxes							
Property taxes					4,220,401		4,220,401
Public service taxes					46,871		46,871
State income taxes					672,262		672,262
Franchise fees					109,469		109,469
Grants and contributions not restricted to specific programs					636,033		636,033
Unrestricted investment earnings					48,773	2,278	51,051
Overhead allocation					796,519	(796,519)	
Gain (loss) on disposal of assets					14,067	(160,495)	(146,428)
Transfers					(1,691,781)	1,691,781	
Total general revenues and transfers					<u>4,852,614</u>	<u>737,045</u>	<u>5,589,659</u>
Change in net position					<u>267,211</u>	<u>2,912,623</u>	<u>3,179,834</u>
NET POSITION, BEGINNING OF YEAR							
					11,943,131	23,006,535	34,949,666
NET POSITION, END OF YEAR							
					<u>\$ 12,210,342</u>	<u>\$ 25,919,158</u>	<u>\$ 38,129,500</u>

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

TOWN OF BERLIN, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2021

ASSETS

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 953,314	\$	\$ 953,314
Pooled cash and investments	2,914,120	17,569	2,931,689
Taxes receivable	162,243		162,243
Accounts and notes receivable, net	63,255		63,255
Due from other governments	264,237	1,936	266,173
Due from other funds	1,609,137		1,609,137
Restricted cash	803,492		803,492
Total assets	<u>\$ 6,769,798</u>	<u>\$ 19,505</u>	<u>\$ 6,789,303</u>

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

LIABILITIES

Accounts payable and accrued expenses	\$ 190,258	\$ 18,351	\$ 208,609
Accrued compensated absences	143,813		143,813
Total liabilities	<u>334,071</u>	<u>18,351</u>	<u>352,422</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	<u>142,527</u>		<u>142,527</u>
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FUND BALANCES

Nonspendable	1,609,137		1,609,137
Restricted	803,492	1,154	804,646
Assigned	938,602		938,602
Unassigned	2,941,969		2,941,969
Total fund balance	<u>6,293,200</u>	<u>1,154</u>	<u>6,294,354</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,769,798</u>	<u>\$ 19,505</u>	<u>\$ 6,789,303</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, 2021

Total fund balances, governmental funds	\$ 6,294,354
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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.	11,234,857
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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.	449,497
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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 property taxes.	142,527
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Some liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the fund financial statements, but are included in the governmental activities in the Statement of Net Position.

Bonds payable and accrued interest	(3,263,678)
Compensated absences	(156,219)
Deferred financing inflows - retirement	(161,870)
Net pension liability	<u>(2,329,126)</u>

Net position, governmental activities	<u><u>\$ 12,210,342</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, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 4,906,811	\$	\$ 4,906,811
Licenses and permits	372,993		372,993
Intergovernmental revenues	1,342,650	7,161	1,349,811
Service charges	861,635		861,635
Impact fees	187,704		187,704
Earnings on investments	48,773		48,773
Miscellaneous	22,632		22,632
Total revenues	<u>7,743,198</u>	<u>7,161</u>	<u>7,750,359</u>
EXPENDITURES			
Current			
General government	1,385,515		1,385,515
Public safety	2,323,786	6,171	2,329,957
Public works	915,024		915,024
Planning and economic development	397,048		397,048
Recreation and parks	40,466		40,466
Debt service	307,614		307,614
Capital outlay	591,995		591,995
Total expenditures	<u>5,961,448</u>	<u>6,171</u>	<u>5,967,619</u>
Excess of revenues over expenditures	1,781,750	990	1,782,740
OTHER FINANCING SOURCES (USES)			
Proceeds from disposal of capital assets	34,249		34,249
Transfers out	(1,691,781)		(1,691,781)
Net other financing uses	<u>(1,657,532)</u>		<u>(1,657,532)</u>
Net change in fund balance	124,218	990	125,208
FUND BALANCE, BEGINNING OF YEAR	<u>6,168,982</u>	<u>164</u>	<u>6,169,146</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 6,293,200</u></u>	<u><u>\$ 1,154</u></u>	<u><u>\$ 6,294,354</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, 2021

Net change in fund balances, governmental funds	\$ 125,208
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expense (\$591,995) exceeded depreciation (\$537,429) in the current period.	54,566
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Changes in deferred outflows of resources presented in the governmental activities of the Statement of Activities.	100,261
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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.	(30,182)
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Gain on acquisition of capital assets for fair value of asset traded in	10,000
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Some expenses reported in the statements of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	809
Change in long-term compensated absences	(2,694)
Change in net pension liability	(285,398)
Change in deferred financing inflows	79,237

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

Change in deferred property taxes	32,724
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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.	182,680
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Change in net position, governmental activities	<u>\$ 267,211</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF BERLIN, MARYLAND

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2021

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
ASSETS					
Current assets					
Pooled cash and investments	\$ 3,446,658	\$ 1,469,516	\$ 671,607	\$ 33,333	\$ 5,621,114
Accounts receivable, net of allowance	1,035,054	141,206	457,577	21,149	1,654,986
Inventory	173,832	48,757	12,239		234,828
Total current assets	4,655,544	1,659,479	1,141,423	54,482	7,510,928
Noncurrent assets					
Restricted cash		241,077	670,620		911,697
Capital assets, net of accumulated depreciation	4,918,277	1,812,468	23,288,797	2,546,857	32,566,399
Total noncurrent assets	4,918,277	2,053,545	23,959,417	2,546,857	33,478,096
Total assets	9,573,821	3,713,024	25,100,840	2,601,339	40,989,024
DEFERRED OUTFLOWS OF RESOURCES					
Deferred financing outflows - retirement	143,324	47,023	98,025	13,188	301,560
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	400,696	32,290	107,985	2,010	542,981
Accrued compensated absences	46,272	17,753	32,507	2,693	99,225
Accrued interest payable	17,657		43,635		61,292
Customer deposits	103,699				103,699
Current portion of bonds payable	348,200		395,448		743,648
Total current liabilities	916,524	50,043	579,575	4,703	1,550,845
Noncurrent liabilities					
Bonds payable	3,194,100		7,238,019		10,432,119
Due to other funds			1,416,287	192,850	1,609,137
Net pension liability	742,654	243,656	507,929	68,334	1,562,573
Accrued compensated absences	61,603	21,982	23,098	1,473	108,156
Total noncurrent liabilities	3,998,357	265,638	9,185,333	262,657	13,711,985
Total liabilities	4,914,881	315,681	9,764,908	267,360	15,262,830
DEFERRED INFLOWS OF RESOURCES					
Deferred financing inflows - retirement	51,613	16,934	35,300	4,749	108,596
NET POSITION					
Net investment in capital assets	3,097,477	1,812,468	15,655,330	2,546,857	23,112,132
Restricted for capital projects		241,077	670,620		911,697
Unrestricted (deficit)	1,653,174	1,373,887	(927,293)	(204,439)	1,895,329
Total net position	\$ 4,750,651	\$ 3,427,432	\$ 15,398,657	\$ 2,342,418	\$ 25,919,158

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, 2021

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
REVENUES					
Service charges	\$ 5,647,113	\$ 739,604	\$ 2,307,598	\$ 189,232	\$ 8,883,547
Sales and services	171,536	10,786	5,155		187,477
Hauler fees			135,290		135,290
Interest on delinquent accounts	33,283	4,157	13,550		50,990
Miscellaneous	123,465	55,765	7,082	28	186,340
Total revenues	<u>5,975,397</u>	<u>810,312</u>	<u>2,468,675</u>	<u>189,260</u>	<u>9,443,644</u>
EXPENSES					
Purchased power	2,733,532				2,733,532
Personnel expenses	1,048,132	366,888	762,665	96,057	2,273,742
Supplies and operating	388,399	159,510	400,216	17,967	966,092
Professional services	97,383			12,919	110,302
Contracted services	269,466	12,730	71,502	6,190	359,888
Insurance	22,643	10,082	20,046	1,219	53,990
Repairs and maintenance	35,032	71,481	69,877		176,390
Depreciation	504,463	190,504	1,059,945	156,420	1,911,332
General overhead	375,037	155,970	265,512		796,519
Total expenses	<u>5,474,087</u>	<u>967,165</u>	<u>2,649,763</u>	<u>290,772</u>	<u>9,381,787</u>
Operating income (loss)	<u>501,310</u>	<u>(156,853)</u>	<u>(181,088)</u>	<u>(101,512)</u>	<u>61,857</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income		869	1,409		2,278
Interest expense	(141,228)		(179,630)		(320,858)
Insurance proceeds	124,306				124,306
Loss on disposal of assets	(160,495)				(160,495)
Net nonoperating revenues (expenses)	<u>(177,417)</u>	<u>869</u>	<u>(178,221)</u>		<u>(354,769)</u>
Income (loss) before contributions and transfers	323,893	(155,984)	(359,309)	(101,512)	(292,912)
Transfers in			1,691,781		1,691,781
Capital contributions - special connection fees		401,829	1,111,925		1,513,754
Change in net position	<u>323,893</u>	<u>245,845</u>	<u>2,444,397</u>	<u>(101,512)</u>	<u>2,912,623</u>
NET POSITION, BEGINNING OF YEAR	<u>4,426,758</u>	<u>3,181,587</u>	<u>12,954,260</u>	<u>2,443,930</u>	<u>23,006,535</u>
NET POSITION, END OF YEAR	<u>\$ 4,750,651</u>	<u>\$ 3,427,432</u>	<u>\$ 15,398,657</u>	<u>\$ 2,342,418</u>	<u>\$ 25,919,158</u>

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, 2021

	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 6,324,993	\$ 759,299	\$ 2,478,087	\$ 192,351	\$ 9,754,730
Other receipts	123,465	55,765	7,082	28	186,340
Payments to suppliers	(4,214,406)	(278,570)	(552,383)	(42,217)	(5,087,576)
Payments to employees	(1,002,370)	(345,103)	(734,342)	(92,521)	(2,174,336)
Payments for interfund services	(375,037)	(155,970)	(265,512)		(796,519)
Net cash provided by operating activities	856,645	35,421	932,932	57,641	1,882,639
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Interfund borrowings			(49,386)	(25,000)	(74,386)
Net cash provided (used) by noncapital financing activities			(49,386)	(25,000)	(74,386)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income		869	1,409		2,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(247,757)	(98,764)	(32,758)	(6,808)	(386,087)
Proceeds from capital grants				7,500	7,500
Insurance proceeds	124,306				124,306
Principal paid on long-term debt	(335,800)		(458,882)		(794,682)
Interest paid on long-term debt	(142,886)		(182,523)		(325,409)
Capital contributions - special connection fees		401,829	1,111,925		1,513,754
Net cash provided (used) by capital and related financing activities	(602,137)	303,065	437,762	692	139,382
Net increase in cash	254,508	339,355	1,322,717	33,333	1,949,913
CASH, BEGINNING OF YEAR	3,192,150	1,371,238	19,510		4,582,898
CASH, END OF YEAR	<u>\$ 3,446,658</u>	<u>\$ 1,710,593</u>	<u>\$ 1,342,227</u>	<u>\$ 33,333</u>	<u>\$ 6,532,811</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 501,310	\$ (156,853)	\$ (181,088)	\$ (101,512)	\$ 61,857
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	504,463	190,504	1,059,945	156,420	1,911,332
Deferred financing outflows - retirement	(33,041)	(10,982)	(21,875)	(2,952)	(68,850)
Deferred financing inflows - retirement	(24,525)	(7,948)	(17,273)	(2,317)	(52,063)
(Increase) decrease in assets					
Accounts receivable	485,259	4,752	16,494	3,119	509,624
Inventory	(22,126)	(21,038)	(5,048)		(48,212)
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	(542,497)	36,986	81,777	4,883	(418,851)
Customer deposits	(12,198)				(12,198)
Net cash provided by operating activities	<u>\$ 856,645</u>	<u>\$ 35,421</u>	<u>\$ 932,932</u>	<u>\$ 57,641</u>	<u>\$ 1,882,639</u>
NON-CASH FINANCING ACTIVITY					
Interfund equity transfer	<u>\$</u>	<u>\$</u>	<u>\$ 1,691,781</u>	<u>\$</u>	<u>\$ 1,691,781</u>

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

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

**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, 2021

**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, 2021

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

Measurement Focus, Basis of Accounting (continued)

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

Budgetary Data

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

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

Cash Equivalents

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

Restricted Cash

Restricted cash in the general fund consists of impact fees set aside for future capital projects and slots revenue restricted by the State of Maryland. Restricted cash in the enterprise funds consists of EDU escrow deposits.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

**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, 2021, the allowance in the General Fund was \$25,480 and the Enterprise Fund was \$111,164.

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 two 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), and (b) deferred financing inflows related to the retirement plan.

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, 2021

**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:

<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

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, 2021

**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, 2021

**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.

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, 2021, \$3,088,299 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, 2021

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 4,142,914	\$	\$	\$ 4,142,914
Construction in progress	183,045	516,615	654,796	44,864
Total capital assets not being depreciated	<u>4,325,959</u>	<u>516,615</u>	<u>654,796</u>	<u>4,187,778</u>
<i>Capital assets being depreciated</i>				
Infrastructure	5,736,595	654,796		6,391,391
Buildings and improvements	4,389,795			4,389,795
Equipment	900,280	17,982	5,000	913,262
Vehicles	1,818,871	67,399	89,487	1,796,783
Total capital assets being depreciated	<u>12,845,541</u>	<u>740,177</u>	<u>94,487</u>	<u>13,491,231</u>
Less accumulated depreciation for:				
Infrastructure	2,920,747	189,067		3,109,814
Buildings and improvements	1,157,182	201,268		1,358,450
Equipment	667,852	35,452	4,500	698,804
Vehicles	1,225,247	111,642	59,805	1,277,084
Total accumulated depreciation	<u>5,971,028</u>	<u>537,429</u>	<u>64,305</u>	<u>6,444,152</u>
Total capital assets being depreciated, net	<u>6,874,513</u>	<u>202,748</u>	<u>30,182</u>	<u>7,047,079</u>
Governmental activities capital assets, net	<u>\$ 11,200,472</u>	<u>\$ 719,363</u>	<u>\$ 684,978</u>	<u>\$ 11,234,857</u>

Construction in progress in the governmental activities includes the Decatur Street realignment.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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	15,086,383	160,356	680,294	14,566,445
Buildings and improvements	766,456			766,456
Equipment	3,820,292	87,401	431,009	3,476,684
Vehicles	776,783			776,783
Total capital assets being depreciated	20,449,914	247,757	1,111,303	19,586,368
Less accumulated depreciation for:				
Infrastructure	12,636,879	285,967	542,076	12,380,770
Buildings and improvements	546,784	23,450		570,234
Equipment	1,778,226	138,745	408,732	1,508,239
Vehicles	457,057	56,301		513,358
Total accumulated depreciation	15,418,946	504,463	950,808	14,972,601
Total capital assets being depreciated, net	5,030,968	(256,706)	160,495	4,613,767
Electric activities, capital assets, net	5,335,478	(256,706)	160,495	4,918,277

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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	3,379	5,180		8,559
Total capital assets not being depreciated	3,498,612	5,180		3,503,792
<i>Capital assets being depreciated</i>				
Infrastructure	38,268,501	16,630		38,285,131
Buildings and improvements	1,510			1,510
Equipment	1,049,319	10,948	1,514	1,058,753
Vehicles	693,734			693,734
Total capital assets being depreciated	40,013,064	27,578	1,514	40,039,128
Less accumulated depreciation for:				
Infrastructure	17,761,904	995,006		18,756,910
Buildings and improvements	1,510			1,510
Equipment	805,042	40,152	1,514	843,680
Vehicles	627,236	24,787		652,023
Total accumulated depreciation	19,195,692	1,059,945	1,514	20,254,123
Total capital assets being depreciated, net	20,817,372	(1,032,367)		19,785,005
Sewer, capital assets, net	24,315,984	(1,027,187)		23,288,797

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

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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	16,491	2,790		19,281
Total capital assets not being depreciated	98,530	2,790		101,320
<i>Capital assets being depreciated</i>				
Infrastructure	5,291,972	101,675	20,526	5,373,121
Buildings and improvements	11,781			11,781
Equipment	338,380			338,380
Vehicles	190,672			190,672
Total capital assets being depreciated	5,832,805	101,675	20,526	5,913,954
Less accumulated depreciation for:				
Infrastructure	3,668,887	157,024	14,825	3,811,086
Buildings and improvements	9,989	276		10,265
Equipment	189,662	17,480		207,142
Vehicles	158,589	15,724		174,313
Total accumulated depreciation	4,027,127	190,504	14,825	4,202,806
Total capital assets being depreciated, net	1,805,678	(88,829)	5,701	1,711,148
Water, capital assets, net	1,904,208	(86,039)	5,701	1,812,468

Construction in progress in the Water Fund includes the Powellton Avenue well building addition, and the Broad Street lift station pump.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Stormwater:</u>				
Land improvements	3,018,442	6,807		3,025,249
Vehicles	26,352			26,352
Total capital assets being depreciated	3,044,794	6,807		3,051,601
Less accumulated depreciation for:				
Land improvements	329,440	151,148		480,588
Vehicles	18,885	5,271		24,156
Total accumulated depreciation	348,325	156,419		504,744
Total capital assets being depreciated, net	2,696,469	(149,612)		2,546,857
Stormwater, capital asset, net	2,696,469	(149,612)		2,546,857
Business-type activities				
Capital assets, net	\$ 34,252,139	\$	\$	\$ 32,566,399

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

General government	\$ 29,014
Public safety	217,761
Public works	226,815
Planning and community development	7,038
Recreation and parks	56,801
	<u>\$ 537,429</u>

Auditors' Responsibility (continued)

preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension plan information on pages 4 through 14 and pages 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2022 on our consideration of the Town of Berlin, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

FUND BALANCES

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

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

Assigned fund balances are monies that the Mayor and Council have designed for the payment of employee insurance premiums and Community Center construction costs. In addition, police forfeiture funds are assigned for drug use prevention. Amounts budgeted in fiscal year 2022 for the use of prior year surplus funds are included in assigned fund balance.

INTERNAL BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2021 consist of the following:

	June 30, 2020	Increase (Decrease)	June 30, 2021
Due to the general fund from the sewer fund	\$ 3,157,454	\$ (1,741,167)	\$ 1,416,287
Due to the general fund from the stormwater fund	\$ 217,850	\$ (25,000)	\$ 192,850

In August, 2020, the Mayor and Council approved an equity transfer of \$1,691,781, 50% of the balance due from the sewer fund, to the general fund in order to reduce the amount owed.

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

LONG-TERM DEBT

Changes in long-term obligations for the year June 30, 2021 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General obligation bonds	\$ 3,434,243	\$	\$ 182,680	\$ 3,251,563

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM DEBT (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Electric				
General obligation bonds	\$ 3,878,100	\$	\$ 335,800	\$ 3,542,300
Sewer				
General obligation bonds	8,092,349		458,882	7,633,467
	<u>\$ 11,970,449</u>	<u>\$</u>	<u>\$ 794,682</u>	<u>\$ 11,175,767</u>

Governmental Activities

Bonds payable consists of the following:

	Principal Balance Outstanding at June 30, 2021
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.	\$ 471,593
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.	279,970
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>2,500,000</u>
Total Governmental Activities	<u>\$ 3,251,563</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM DEBT (continued)

Business-type Activities – Electric Fund

	Principal Balance Outstanding at June 30, 2021
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.	\$ 1,721,500
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.	172,400
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.	755,400
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.	893,000
Total Electric Fund	3,542,300

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM DEBT (continued)

Business-type Activities – Sewer Fund

Principal Balance
Outstanding at
June 30, 2021

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.

392,056

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.

4,891,334

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.

269,174

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.

2,080,913

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM DEBT (continued)

Business-type Activities – Sewer Fund (continued)

	Principal Balance Outstanding at June 30, 2021
Total Sewer Fund	7,633,467
Total long-term debt - Business-type Activities	<u>\$ 11,175,767</u>

Debt Service Requirements

Principal and interest requirements to amortize bond obligations as of June 30, 2021 are as follows:

Governmental Activities			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 183,294	\$ 117,892	\$ 301,186
2023	183,937	110,900	294,837
2024	184,611	104,088	288,699
2025	185,287	96,822	282,109
2026	116,058	91,157	207,215
2027 - 2031	592,715	391,032	983,747
2032 - 2036	617,405	278,899	896,304
2037 - 2041	648,670	159,961	808,631
2042 - 2046	539,586	45,235	584,821
	<u>\$ 3,251,563</u>	<u>\$ 1,395,986</u>	<u>\$ 4,647,549</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

LONG-TERM DEBT (continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of June 30, 2021 are as follows:

Business-Type Activities			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 743,648	\$ 300,731	\$ 1,044,379
2023	761,268	283,021	1,044,289
2024	760,400	262,875	1,023,275
2025	698,918	243,597	942,515
2026	671,461	223,519	894,980
2027 - 2031	2,983,019	829,195	3,812,214
2032 - 2036	1,754,501	447,275	2,201,776
2037 - 2041	867,232	272,288	1,139,520
2042 - 2046	969,884	169,636	1,139,520
2047 - 2051	965,436	54,908	1,020,344
	<u>\$ 11,175,767</u>	<u>\$ 3,087,045</u>	<u>\$ 14,262,812</u>

INTEREST COST - ENTERPRISE FUND

Where applicable, the Town follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. During the year ended June 30, 2021, total interest incurred and paid in the Enterprise Fund was \$320,858 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, 2021

INTERNAL CHARGES AND SERVICES

The Town provides administrative services to the proprietary funds for certain services paid in the general fund. Also, a payment in lieu of taxes of \$182,076 is charged to the Electric Fund. The total services billed for the year ended June 30, 2021 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>\$ 375,037</u>	<u>\$ 155,970</u>	<u>\$ 265,512</u>	<u>\$</u>	<u>\$ 796,519</u>

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 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, 2021 were \$81,772.

Future lease payment terms to be received are:

<u>Year Ending June 30,</u>	<u>Total Payment</u>
2022	\$ 90,155
2023	88,649
2024	68,147
2025	68,548
2026	54,979
All subsequent years	<u>1,222,764</u>
Total minimum lease payments to be received	<u>\$ 1,593,242</u>

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021, the Town reported a liability of \$3,891,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was .01722%.

For the year ended June 30, 2021, the Town recognized pension expense of \$433,862. At June 30, 2021, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows Resources
Changes of assumptions	\$ 17,675	\$ 72,887
Net difference between projected and actual earnings on pension plan investments	339,127	48,701
Differences between expected and actual experience		148,878
Contributions subsequent to measurement date	394,255	
	<u>\$ 751,057</u>	<u>\$ 270,466</u>

The Town's contribution subsequent to the measurement date of \$394,255, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Deferred financial inflows and outflows are made up of changes in actuarial assumptions, differences in actual and expected experience, and net difference in the projected and actual investment earnings. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 5.50 to 5.87 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, 2021

RETIREMENT AND PENSION PLANS (Continued)

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

Year Ending June 30	Deferred Inflows	Deferred Outflows
2021	\$ 126,887	\$ 96,800
2022	80,986	96,073
2023	42,104	92,276
2024	19,911	71,653
2025	578	
Total	<u>\$ 270,466</u>	<u>\$ 356,802</u>

Actuarial assumptions. The actuarial assumption for the Pension Plan as a whole and based on the June 30, 2020 annual actuarial valuation report for Maryland Municipal Corporation are as follows:

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

Mortality rates were based on the public sector 2010 mortality tables calibrated to MSRPS experience with generational projections using MP-2018 mortality improvement scale.

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

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

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.2%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.3%
Credit Opportunity	9%	2.8%
Real Assets	14%	4.3%
Absolute Return	8%	1.8%
Total	<u>100%</u>	

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.50% and 6.44%, 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 7.40%. 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 7.40%, 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 (6.40%) or 1-percentage point higher (8.40%) than the current rate:

1% Decrease (6.40%)	\$ 5,540,473
Current discount rate (7.40%)	\$ 3,891,699
1% Increase (8.40%)	\$ 2,518,437

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, 2021

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 GASB PRONOUNCEMENTS

GASB issued Statement No. 87, Leases, in June 2017. It is effective for reporting periods beginning after June 15, 2021. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. It also recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

TOWN OF BERLIN, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

COVID-19 IMPACT

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There were mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. Most state and local governments have begun to ease restrictions on closures and movement, however, the COVID-19 pandemic remains a rapidly evolving situation. It is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the financial impact on the Town's financial condition and future results of operations.

SUBSEQUENT EVENT

In July 2021, the Town was awarded \$4,794,272 from the Coronavirus State and Local Fiscal Recovery program authorized by the American Rescue Plan Act of 2021 (ARPA). Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure. The first installment was received in July 2021 in the amount of \$2,397,136.

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,155,183	\$ 4,155,183	\$ 4,906,811	\$ 751,628
Licenses and permits	186,500	186,500	372,993	186,493
Intergovernmental revenues	943,500	943,500	1,342,650	399,150
Service charges	834,543	834,543	861,635	27,092
Impact fees	30,000	30,000	187,704	157,704
Earnings on investments	10,000	10,000	48,773	38,773
Miscellaneous	5,000	5,000	22,632	17,632
Total revenues	6,164,726	6,164,726	7,743,198	1,578,472
EXPENDITURES				
Current				
General government	1,697,483	1,697,483	1,385,515	311,968
Public safety	2,290,380	2,290,380	2,323,786	(33,406)
Public works	1,055,119	1,405,119	915,024	490,095
Planning and economic development	429,923	429,923	397,048	32,875
Recreation and parks	64,775	64,775	40,466	24,309
Debt service	307,546	307,546	307,614	(68)
Capital outlay	219,500	219,500	591,995	(372,495)
Total expenditures	6,064,726	6,414,726	5,961,448	453,278
Excess of revenues over (under) expenditures	100,000	(250,000)	1,781,750	2,031,750
OTHER FINANCING SOURCES (USES)				
Prior year surplus		350,000		(350,000)
Proceeds from disposal of capital assets			34,249	34,249
Contribution from sewer fund	50,000	50,000		(50,000)
Contribution from water fund	25,000	25,000		(25,000)
Transfers out	(175,000)	(175,000)	(1,691,781)	(1,516,781)
Net other financing sources (uses)	(100,000)	250,000	(1,657,532)	(1,907,532)
Net change in fund balance	\$	\$	\$ 124,218	\$ 124,218

TOWN OF BERLIN, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Fiscal year/ measurement date	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered employee payroll	Town's proportionate share as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
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%

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)**

Fiscal Year	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	Town's covered payroll	Actual contribution as a percentage of covered payroll
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%

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

TOWN OF BERLIN, MARYLAND

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

JUNE 30, 2021

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

Discount rates remained at 7.40%.

**Method and assumptions used in calculations of actuarially determined contributions for the plan years ended
June 30, 2020 and 2019:**

Actuarial	Entry age normal.	
Remaining amortization period	25 year closed amortization period ending June 30, 2039; 19 years remaining.	
Asset valuation model	Five year smoothed market (maximum 120% and minimum 80% of market value.	
Inflation	2020	2.60% general; 3.10% wage
	2019	2.65% general; 3.15% wage
Salary increases	2020	3.10% to 11.6%, including inflation
	2019	3.10% to 11.6%, including inflation
Investment rate of return	2020	7.40%
	2019	7.40%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018.	
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimentional) mortality improvement scale.	

SUPPLEMENTARY INFORMATION

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DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2021, 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 54 through 58 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 2020 and 2019 financial statements and, in our reports dated November 20, 2020 and October 30, 2019, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 5, 2022

TOWN OF BERLIN, MARYLAND

SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND

YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Taxes			
Berlin property	\$ 4,163,339	\$ 4,005,039	\$ 3,328,681
County shared	46,871	35,110	37,235
State shared	672,262	429,195	518,973
Penalties and interest	24,339	32,030	32,989
Licenses and permits	372,993	229,377	291,750
Intergovernmental			
State	706,617	621,004	799,455
County	636,033	465,000	465,000
Service charges to other funds	796,519	820,688	826,131
Service charges, other	65,116	65,252	62,508
Impact fees	187,704	35,890	166,987
Earnings on investments	48,773	38,780	29,776
Miscellaneous	22,632	19,369	39,693
Total revenues	<u>7,743,198</u>	<u>6,796,734</u>	<u>6,599,178</u>
EXPENDITURES			
Current			
General government	1,385,515	1,530,824	1,612,324
Public safety	2,323,786	2,254,313	2,461,294
Public works	915,024	928,387	976,773
Planning and economic development	397,048	417,103	471,750
Recreation and parks	40,466	61,266	70,215
Debt service	307,614	314,217	320,221
Capital outlay	591,995	284,556	779,032
Total expenditures	<u>5,961,448</u>	<u>5,790,666</u>	<u>6,691,609</u>
Revenues over (under) expenditures	<u>1,781,750</u>	<u>1,006,068</u>	<u>(92,431)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from disposal of capital assets	34,249		
Transfers out	(1,691,781)		
Net other financing sources (uses)	<u>(1,657,532)</u>		
Net change in fund balance	<u>\$ 124,218</u>	<u>\$ 1,006,068</u>	<u>\$ (92,431)</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
ELECTRIC FUND**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)**

	2021	2020	2019
REVENUES			
Service charges	\$ 5,647,113	\$ 5,038,792	\$ 5,488,348
Sales and services	171,536	150,500	80,642
Interest on delinquent accounts	33,283	19,783	34,850
Miscellaneous	123,465	855	7,448
Total revenues	<u>5,975,397</u>	<u>5,209,930</u>	<u>5,611,288</u>
EXPENSES			
Purchased power	2,733,532	2,392,457	2,598,667
Personnel expenses	1,048,132	1,088,987	1,012,170
Supplies and operating	388,399	334,265	445,885
Professional services	97,383	113,184	134,389
Contracted services	269,466	453,264	64,253
Insurance	22,643	24,570	19,390
Repairs and maintenance	35,032	62,503	106,701
Depreciation	504,463	503,894	513,443
General overhead	375,037	380,860	367,014
Total expenses	<u>5,474,087</u>	<u>5,353,984</u>	<u>5,261,912</u>
Operating income (loss)	<u>501,310</u>	<u>(144,054)</u>	<u>349,376</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(141,228)	(155,061)	(163,365)
Insurance proceeds	124,306	1,798,992	
Gain (loss) on disposal of assets	(160,495)	10,937	
Net nonoperating revenue (expenses)	<u>(177,417)</u>	<u>1,654,868</u>	<u>(163,365)</u>
Change in net position	<u>\$ 323,893</u>	<u>\$ 1,510,814</u>	<u>\$ 186,011</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
WATER FUND**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)**

	2021	2020	2019
REVENUES			
Service charges	\$ 739,604	\$ 728,576	\$ 675,643
Sales and services	10,786	38,536	38,396
Interest on delinquent accounts	4,157	5,792	5,915
Miscellaneous	55,765	67,182	65,139
Total revenues	<u>810,312</u>	<u>840,086</u>	<u>785,093</u>
EXPENSES			
Personnel expenses	366,888	339,254	355,469
Supplies and operating	159,510	141,470	147,076
Contracted services	12,730	58,590	33,307
Insurance	10,082	9,193	8,383
Repairs and maintenance	71,481	62,716	67,007
Depreciation	190,504	196,303	198,395
General overhead	155,970	160,054	177,504
Total expenses	<u>967,165</u>	<u>967,580</u>	<u>987,141</u>
Operating loss	<u>(156,853)</u>	<u>(127,494)</u>	<u>(202,048)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>869</u>	<u>2,084</u>	<u>1,179</u>
Net nonoperating revenues	<u>869</u>	<u>2,084</u>	<u>1,179</u>
Loss before contributions and transfers	(155,984)	(125,410)	(200,869)
Capital contribution - special connection fees	401,829	65,325	340,311
Transfers in	<u>64,120</u>		
Change in net position	<u><u>\$ 245,845</u></u>	<u><u>\$ (60,085)</u></u>	<u><u>\$ 203,562</u></u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
SEWER FUND**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)**

	2021	2020	2019
REVENUES			
Service charges	\$ 2,307,598	\$ 2,291,510	\$ 1,745,730
Sales and services	5,155		
Hauler fees	135,290	101,583	125,655
Interest on delinquent accounts	13,550	17,306	16,116
Miscellaneous	7,082	2,100	13,059
Total revenues	<u>2,468,675</u>	<u>2,412,499</u>	<u>1,900,560</u>
EXPENSES			
Personnel expenses	762,665	714,359	879,698
Supplies and operating	400,216	369,448	412,939
Professional services			13,248
Contracted services	71,502	35,429	56,304
Insurance	20,046	20,514	16,380
Repairs and maintenance	69,877	59,308	84,504
Depreciation	1,059,945	1,074,591	1,086,514
General overhead	265,512	279,774	281,613
Total expenses	<u>2,649,763</u>	<u>2,553,423</u>	<u>2,831,200</u>
Operating loss	<u>(181,088)</u>	<u>(140,924)</u>	<u>(930,640)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,409	4,782	1,179
Interest expense	(179,630)	(189,216)	(181,081)
Gain on disposal of assets			5,689
Net nonoperating expenses	<u>(178,221)</u>	<u>(184,434)</u>	<u>(174,213)</u>
Loss before contributions and transfers	(359,309)	(325,358)	(1,104,853)
Capital contributions - special connection fees	1,111,925	178,693	934,524
Transfers in	<u>1,691,781</u>		
Change in net position	<u>\$ 2,444,397</u>	<u>\$ (146,665)</u>	<u>\$ (170,329)</u>

TOWN OF BERLIN, MARYLAND

**SCHEDULES OF REVENUES AND EXPENSES
STORMWATER FUND**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)**

	2021	2020	2019
REVENUES			
Service charges	\$ 189,232	\$ 184,746	\$ 181,266
Interest on delinquent accounts		738	1,348
Miscellaneous	28	84	63
Total revenues	<u>189,260</u>	<u>185,568</u>	<u>182,677</u>
EXPENSES			
Personnel expenses	96,057	78,690	105,931
Supplies and operating	17,967	11,428	15,744
Professional services	12,919	22,749	33,467
Contracted services	6,190	3,662	1,394
Insurance	1,219	1,365	812
Depreciation	156,420	142,104	124,125
General overhead			
Total expenses	<u>290,772</u>	<u>259,998</u>	<u>281,473</u>
Operating loss	<u>(101,512)</u>	<u>(74,430)</u>	<u>(98,796)</u>
NONOPERATING REVENUES			
Capital grants		71,000	76,786
Net nonoperating revenues		<u>71,000</u>	<u>76,786</u>
Change in net position	<u>\$ (101,512)</u>	<u>\$ (3,430)</u>	<u>\$ (22,010)</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
 Town of Berlin, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Maryland, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Maryland's basic financial statements and have issued our report thereon dated January 5, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Berlin, Maryland's internal control over financial reporting (internal control) to determine the audit 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Berlin, Maryland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 5, 2022