

# TOWN OF BERLIN

Berlin, Alabama

AUDITED FINANCIAL STATEMENTS

September 30, 2021



Town of Berlin  
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September 30, 2021

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# BASIC FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council  
Town of Berlin, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town'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.

### **Auditor's 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. 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 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, as of September 30, 2021, and the respective changes in financial position 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 budgetary comparison information on page 12 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berlin's basic financial statements. The combining and individual nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor governmental funds financial statements starting on page 26 are the responsibility of management and were derived from and relate 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, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Cooper, Hill & LeCroy*

Decatur, Alabama  
November 9, 2022



Town of Berlin  
Statement of Net Position  
September 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	\$ 286,971
Taxes Receivables	43,598
Restricted Assets:	
Cash and Cash Equivalents	54,624
Capital Assets (net of accumulated depreciation)	
Land	206,543
Other assets, net of accumulated depreciation	<u>106,739</u>
Total Assets	698,475
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 698,475</u></u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 481
Salaries and Benefits Payable	4,181
Accrued Interest	-
Deferred Revenue	<u>54,621</u>
Total Liabilities	59,283
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	-
NET POSITION	
Net Investment in Capital Assets	313,282
Restricted For:	
Highways, Streets, and Other Purposes	42,284
Capital Improvements	22
Other Purposes	3
Unrestricted	<u>283,601</u>
Total Net Position	<u>639,192</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 698,475</u></u>

Town of Berlin  
Statement of Activities  
September 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET REVENUE (EXPENSES) AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES					
General Government	\$ 118,640	\$ -	\$ 41,250	\$ 5,271	\$ (72,119)
Street	17,655	-	20,022	-	2,367
Park, Culture, and Recreation	1,394	500	-	-	(894)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 137,689</b>	<b>\$ 500</b>	<b>\$ 61,272</b>	<b>\$ 5,271</b>	<b>(70,646)</b>
GENERAL REVENUES:					
					222,165
					12,960
					8,045
					1,039
					847
					92
					511
					<b>245,659</b>
					175,013
					464,179
					<b>\$ 639,192</b>

Town of Berlin  
Governmental Funds  
Balance Sheet  
September 30, 2021

	GENERAL FUND	AMERICAN RESCUE PLAN ACT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 246,497	\$ -	\$ 40,474	\$ 286,971
Restricted Cash	-	54,624	-	54,624
Receivables, Net	41,766	-	1,832	43,598
	<u>288,263</u>	<u>54,624</u>	<u>42,306</u>	<u>385,193</u>
Total Assets	<u>\$ 288,263</u>	<u>\$ 54,624</u>	<u>\$ 42,306</u>	<u>\$ 385,193</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 481	\$ -	\$ -	\$ 481
Accrued Payroll and Other Withholdings	4,181	-	-	4,181
Unearned Revenue	-	54,621	-	54,621
	<u>4,662</u>	<u>54,621</u>	<u>-</u>	<u>59,283</u>
Total Liabilities	4,662	54,621	-	59,283
Fund Balances:				
Restricted	-	3	42,306	42,309
Unassigned	283,601	-	-	283,601
	<u>283,601</u>	<u>3</u>	<u>42,306</u>	<u>325,910</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 288,263</u>	<u>\$ 54,624</u>	<u>\$ 42,306</u>	<u>\$ 385,193</u>



Town of Berlin  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
September 30, 2021

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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Fund balances - total governmental funds	\$ 325,910
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	<u>313,282</u>
Net Position - Governmental Activities	<u><u>\$ 639,192</u></u>

Town of Berlin  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
September 30, 2021

	GENERAL FUND	AMERICAN RESCUE PLAN ACT FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Sales and Use	\$ 222,165	\$ -	\$ -	\$ 222,165
Property Taxes	12,960	-	-	12,960
Automobile	8,892	-	-	8,892
Alcohol	1,039	-	-	1,039
Other	271	-	-	271
Charges for Services	500	-	-	500
Intergovernmental Revenues	41,250	-	25,293	66,543
Other Revenues	305	6	21	332
	<u>287,382</u>	<u>6</u>	<u>25,314</u>	<u>312,702</u>
EXPENDITURES				
General government	113,254	3	-	113,257
Street and highways	17,655	-	-	17,655
Park, Culture and Recreation	830	-	-	830
Capital Outlay	41,928	-	-	41,928
	<u>173,667</u>	<u>3</u>	<u>-</u>	<u>173,670</u>
Excess (Deficiency) of Revenues	113,715	3	25,314	139,032
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	6,000	-	-	6,000
Transfers To Other Funds	-	-	(6,000)	(6,000)
	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>	<u>-</u>
Net Change in Fund Balances	119,715	3	19,314	139,032
FUND BALANCES - Beginning of Year	<u>163,886</u>	<u>-</u>	<u>22,992</u>	<u>186,878</u>
FUND BALANCES - End of Year	<u>\$ 283,601</u>	<u>\$ 3</u>	<u>\$ 42,306</u>	<u>\$ 325,910</u>

Town of Berlin  
Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
September 30, 2021

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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Net change in fund balances - total governmental funds \$ 139,032

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 outlays exceeded depreciation in the current  
period.

35,981

Total Change in Net Position - Governmental Activities \$ 175,013

Town of Berlin  
 General Fund  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balance – Budget and Actual  
 September 30, 2021

REVENUES	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Taxes				
Sales and Use	\$ 130,000	\$ 130,000	\$ 186,580	\$ 56,580
Property Taxes	10,000	10,000	12,960	2,960
Automobile	6,000	6,000	8,565	2,565
Alcohol	600	600	1,039	439
Other	-	-	79	79
Charges for Services	-	-	500	500
Intergovernmental Revenues	-	-	41,250	41,250
Other Revenues	-	-	305	305
	146,600	146,600	251,278	104,678
EXPENDITURES				
General government	63,100	63,100	77,150	(14,050)
Street and highways	83,500	83,500	17,655	65,845
Park, Culture and Recreation	-	-	830	(830)
Capital Outlay	-	-	41,928	(41,928)
	146,600	146,600	137,563	9,037
Excess (Deficiency) of Revenues	-	-	113,715	95,641
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	-	6,000	6,000
Transfers To Other Funds	-	-	-	-
	-	-	6,000	6,000
Net Change in Fund Balances	-	-	119,715	101,641
FUND BALANCES - Beginning of Year	163,886	163,886	163,886	
FUND BALANCES - End of Year	\$ 163,886	\$ 163,886	\$ 283,601	\$ 101,641

# NOTES TO FINANCIAL STATEMENTS



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The Town of Berlin, Alabama (the Town) is a municipal corporation incorporated under the laws of the State of Alabama. The Town is governed by a Mayor and a Town Council consisting of five members elected to terms of four years. The Town complies with accounting principles generally accepted in the United States of America (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Accounting principles generally accepted in the United States of America require that the Town report the entire reporting entity, which consists of the Town (the primary government) and its component units, entities for which the Town is considered to be financially accountable. There are no component units that should be included with these financial statements.

### Government -Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support, of which the Town currently has none. Likewise, the primary government will be reported separately from certain legally separate component units for which the primary government is financially accountable, of which there are currently none.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum funds are maintained consistent with legal and managerial requirements. The Town currently has no proprietary or fiduciary funds to report.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are used to account for the Town's general governmental activities. Governmental fund financial statements use the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty (60) days of the end of the fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as in accrual accounting. However, debt service expenditures are recognized only when payment is due. Certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other taxes and receipts become measurable when cash is received by the Town and are recognized as revenue at that time. Shared revenues and entitlements are recorded at the time of receipt or earlier if the accrual criteria are met.

Payments in lieu of taxes are revenues from other governmental entities paid in lieu of property taxes. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

General Fund - The General Fund accounts for all of the revenues and expenditures of the Town, except those which must be accounted for in other funds, and it is the largest and most important accounting activity for the Town. General Fund revenues finance all of the current operations of governmental units which basically benefit the citizenry as a whole.

American Rescue Plan Act Fund - The American Rescue Plan Act Fund is used to account for amounts received under the American Rescue Plan Act Fund and related expenditures.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the government reports the following fund types:

Special Revenue Funds - A Special Revenue Fund accounts for the proceeds of specific revenue sources (other than those derived from expendable trusts or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the various state shared gasoline taxes.

During the course of normal operations, the Town has numerous transactions between funds to provide services, to pay debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

In the government-wide financial statements, amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, then restricted resources as they are needed, except in the case of grant monies which are used for their required purpose.

ASSETS, LIABILITIES, AND NET POSITION

Cash

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds". All trade and property tax receivables are shown net of an allowance for uncollectibles.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Property Taxes

Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year after which a penalty and interest are required to be charged. Revenue is recognized in the year when the taxes are levied and collected at the fund level and in the year for which they are levied at the government-wide level. The taxes are collected by the Marshall County tax collector and remitted to the Town.

Restricted Assets

Cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net position.

Capital Assets

Capital assets of the Town, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, or if inadequate records were available to determine the actual cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not capitalized.

It is the Town's policy not to depreciate historical objects and museum exhibits that are held for public exhibition. These objects are maintained by the Town at a reasonable level and, if sold, proceeds are used to purchase more historical objects for public display.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Class</u>	<u>Years</u>
Buildings & Improvements	10 - 50
Infrastructure	7 - 30
Furniture & Equipment	3 - 10

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and/or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualify for reporting in this category currently.

Risk Management

The Town is exposed to normal business risk in the course of operations. Commercial insurance is purchased by the Town to cover any normal, insurable loss up to policy limits. During the past three years, there have been no losses which exceeded insured amounts.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity Classifications

Government-Wide statements - Equity is classified as net position and displayed in three components:

- a) Net Investment in Capital Assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ASSETS, LIABILITIES, AND NET POSITION (Continued)

Fund equity is reported in the fund financial statements as fund balances. The following classifications of fund balances are reported in the fund financial statements:

- a) Nonspendable - This classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact.
- b) Restricted - This classification includes amounts that have constraints placed on the use of resources imposed either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) by law through constitutional provisions or enabling legislation.
- c) Committed - This classification includes amounts that can only be used for specific purposes. It is the practice of the Town to present assets in this classification pursuant to constraints imposed by formal action of the Council before the end of the fiscal year and require the same level of formal action to remove the constraint. However, no formal policy regarding this action has been approved by the Town. No amounts were reported as committed as of September 30, 2021.
- d) Assigned - This classification includes amounts that are intended to be used for specific purposes but are neither restricted nor committed. It is the practice of the Town to allow the Town Council to make a determination of the assigned amounts of fund balance, and also to allow the Town Council to remove the constraints. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. No formal policy regarding the assignment of fund balances to this classification has been approved by the Town. No amounts were reported as assigned as of September 30, 2021.
- e) Unassigned - This classification is the residual classification for the general fund and represents fund balances that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. For the classification of Governmental Fund balances, the Town considers an expenditure to be made from the most restrictive first, when more than one classification is available.

GASB Accounting Pronouncements

Pronouncements issued, but not yet effective, which will be adopted by the Town in future years:

The Town plans to adopt GASB Statement No. 87, Leases, required for fiscal periods beginning after December 15, 2020, in fiscal 2022. This Statement increases the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

The Town plans to adopt GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, required for fiscal periods beginning after December 15, 2020, in fiscal 2022. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Accounting Pronouncements (Continued)

The Town plans to adopt GASB Statement No. 91, Conduit Debt Obligations, required for fiscal periods beginning after December 15, 2021, in fiscal 2023. This Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

The Town plans to adopt GASB Statement No. 93, Replacement of Interbank Offered Rates, required for fiscal periods beginning after December 15, 2021, in fiscal 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of Interbank Offered Rates (IBORs).

The Town plans to adopt GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, required for fiscal periods beginning after June 15, 2022, in fiscal 2023. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements.

The Town plans to adopt GASB Statement No. 96, Subscription-Based Information Technology Arrangements, required for fiscal periods beginning after June 15, 2022, in fiscal 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements to governments.

The Town plans to adopt GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, required for fiscal periods beginning after June 15, 2021, in fiscal 2022. This Statement increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain employee benefit plans, and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code 457 deferred compensation plans. Certain provisions of GASB Statement No. 97 that were effective immediately had no impact on the Government's financial statements.

Management is in the process of determining the effects that the adoption of these statements will have on the Town's basic financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama municipalities. Investments for the Town are stated at fair market value.

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1974, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

**NOTE 3 – RECEIVABLES**

Receivables at September 30, 2021, consist of the following:

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
	<u>          </u>	<u>          </u>	<u>          </u>
State of Alabama	\$ 473	\$ 1,832	\$ 2,305
Cullman County	41,293	-	41,293
	<u>\$ 41,766</u>	<u>\$ 1,832</u>	<u>\$ 43,598</u>

(This Section Intentionally Left Blank)

Town of Berlin  
Notes to Financial Statements (Continued)  
September 30, 2021

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**NOTE 4 - CAPITAL ASSETS**

The following is a summary of changes in the Town's Governmental Activities capital asset activity for the fiscal year:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets Not Being Depreciated:				
Land	\$ 206,543	\$ -	\$ -	\$ 206,543
 Total Capital Assets Not Being Depreciated	 206,543	 -	 -	 206,543
Capital Assets Being Depreciated:				
Buildings & Improvements	56,729	41,928	-	98,657
Intangibles	8,568	-	-	8,568
Furniture & Equipment	8,882	-	-	8,882
 Total Capital Assets Being Depreciated	 74,179	 41,928	 -	 116,107
Less Accumulated Depreciation for:				
Buildings & Improvements	(1,262)	(3,600)		(4,862)
Intangibles	(1,380)	(571)	-	(1,951)
Furniture & Equipment	(779)	(1,776)		(2,555)
	<u>(3,421)</u>	<u>(5,947)</u>	<u>-</u>	<u>(9,368)</u>
 Total Capital Assets Being Depreciated, Net	 <u>70,758</u>	 <u>35,981</u>	 <u>-</u>	 <u>106,739</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 277,301</u>	 <u>\$ 35,981</u>	 <u>\$ -</u>	 <u>\$ 313,282</u>

Town of Berlin  
Notes to Financial Statements (Continued)  
September 30, 2021

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**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense is charged to functions of the primary government as follows:

General Government	\$ 5,383
Parks, Recreation & Culture	<u>564</u>
	<u>\$ 5,947</u>

**NOTE 5 - INTERFUND ACTIVITY**

Interfund transfers to/from for the year ended September 30, 2021, are as follows:

<u>TRANSFER FROM</u>	<u>TRANSFER TO</u>	
Nonmajor Governmental Funds	General Fund	<u>\$ 6,000</u>
		<u>\$ 6,000</u>

Interfund balances are used to: (1) supply funds from a fund that has current resources to a fund that needs current resources and (2) facilitate transactions that are made by one fund for the benefit of more than one fund.

**NOTE 6 - RESTRICTED NET POSITION AND RESERVED FUND BALANCES**

The statement of net position shows certain amounts as restricted net position. These amounts are restricted in their use by parties outside the Town such as creditors, grantors, or contributors, or are restricted by law or regulation. Components of restricted net position include:

<u>ACTIVITY</u>	<u>RESTRICTED BY</u>	<u>AMOUNT</u>
Road Surface and Repair	Law	\$ 42,284
Capital Projects	Law	22
Other	Grant Funds	<u>3</u>
		<u>\$ 42,309</u>

**NOTE 6 - RESTRICTED NET POSITION AND RESERVED FUND BALANCES (Continued)**

The balance sheet shows certain amounts as restricted or unassigned fund balances. Restricted amounts are restricted by either federal or state law; assigned amounts are designated by the Town leaders to use for a specific purpose; and unassigned amounts are to use in any Town function. Components of fund balances are:

	<u>GENERAL FUND</u>	<u>AMERICAN RESCUE PLAN ACT FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>FUND BALANCES:</b>				
Restricted For:				
Special Revenue Funds:				
Road Surface and Repair	\$ -	\$ -	\$ 42,284	\$ 42,284
Capital Projects	-	-	22	22
Other	-	3	-	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 42,306</u>	<u>\$ 42,309</u>

**NOTE 7 - CONTINGENT LIABILITIES**

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**NOTE 8 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 9, 2022 which is the date the financial statements were available to be issued.



# SUPPLEMENTARY INFORMATION



Town of Berlin  
Combining Balance Sheets  
Nonmajor Governmental Funds  
September 30, 2021

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	<u>FOUR CENT GAS TAX FUND</u>	<u>SEVEN CENT GAS TAX FUND</u>	<u>REBUILD ALABAMA GAS TAX FUND</u>	<u>CAPITAL IMPROVEMENT TRUST FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 7,583	\$ 9,628	\$ 23,241	\$ 22	\$ 40,474
Accounts Receivables	<u>228</u>	<u>285</u>	<u>1,319</u>	<u>-</u>	<u>1,832</u>
Total Assets	\$ 7,811	\$ 9,913	\$ 24,560	\$ 22	\$ 42,306
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	-	-	-	-	-
Fund Balances:					
Restricted	<u>7,811</u>	<u>9,913</u>	<u>24,560</u>	<u>22</u>	<u>42,306</u>
	<u>7,811</u>	<u>9,913</u>	<u>24,560</u>	<u>22</u>	<u>42,306</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 7,811</u></u>	<u><u>\$ 9,913</u></u>	<u><u>\$ 24,560</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ 42,306</u></u>

Town of Berlin  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
September 30, 2021

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	FOUR CENT GAS TAX FUND	SEVEN CENT GAS TAX FUND	REBUILD ALABAMA GAS TAX FUND	CAPITAL IMPROVEMENT TRUST FUND	TOTAL
REVENUES					
Intergovernmental Revenues	\$ 2,539	\$ 3,208	\$ 14,275	\$ 5,271	\$ 25,293
Other Revenues	-	-	-	21	21
	<u>2,539</u>	<u>3,208</u>	<u>14,275</u>	<u>5,292</u>	<u>25,314</u>
EXPENDITURES					
General government	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues	2,539	3,208	14,275	5,292	25,314
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	-	-	-	-	-
Transfers To Other Funds	-	-	-	(6,000)	(6,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>
Net Change in Fund Balances	2,539	3,208	14,275	(708)	19,314
FUND BALANCES - Beginning of Year	<u>5,272</u>	<u>6,705</u>	<u>10,285</u>	<u>730</u>	<u>22,992</u>
FUND BALANCES - End of Year	<u>\$ 7,811</u>	<u>\$ 9,913</u>	<u>\$ 24,560</u>	<u>\$ 22</u>	<u>\$ 42,306</u>