

TOWN OF BERLIN

Berlin, Alabama

AUDITED FINANCIAL STATEMENTS

September 30, 2023



Town of Berlin
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September 30, 2023

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Management has omitted the management's 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information



has been subjected to the auditing procedures applied in the audit of the 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 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
March 3, 2025



Town of Berlin
Statement of Net Position
September 30, 2023

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	\$ 753,773
Receivables, Net	
Taxes	50,580
Interest	1,997
Due From Other Governments	2,175
Capital Assets (net of accumulated depreciation)	
Land	206,543
Other assets, net of accumulated depreciation	138,123
	<hr/>
Total Assets	1,153,191
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions Subsequent to Measurement Date	10,580
	<hr/>
Total Deferred Outflows of Resources	10,580
	<hr/>
Total Assets and Deferred Outflows of Resources	\$ 1,163,771
	<hr/>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 542
Salaries and Benefits Payable	6,275
	<hr/>
Total Liabilities	6,817
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	-
	<hr/>
NET POSITION	
Net Investment in Capital Assets	344,666
Restricted For:	
Highways, Streets, and Other Purposes	12,450
Capital Improvements	5,560
Other Purposes	201
Unrestricted	794,077
	<hr/>
Total Net Position	1,156,954
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,163,771
	<hr/> <hr/>

Town of Berlin
Statement of Activities
For the Year Ended September 30, 2023

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	\$ 124,793	\$ -	\$ 4,856	\$ 5,360	\$ (114,577)
Street	13,311	-	24,319	-	11,008
Park, Culture, and Recreation	7,406	1,730	-	-	(5,676)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 145,510	\$ 1,730	\$ 29,175	\$ 5,360	(109,245)
GENERAL REVENUES:					
					322,176
					14,992
					9,805
					928
					478
					10,064
					5,927
					373
					364,743
					255,498
					901,456
					\$ 1,156,954

Town of Berlin
Governmental Funds
Balance Sheet
September 30, 2023

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 737,737	\$ 16,036	\$ 753,773
Restricted Cash	-	-	-
Receivables, Net			
Taxes	50,580	-	50,580
Interest	1,997	-	1,997
Due From Other Governments	-	2,175	2,175
	<u>790,314</u>	<u>18,211</u>	<u>808,525</u>
Total Assets	\$ 790,314	\$ 18,211	\$ 808,525
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 542	\$ -	\$ 542
Accrued Payroll and Other Withholdings	6,275	-	6,275
	<u>6,817</u>	<u>-</u>	<u>6,817</u>
Total Liabilities	6,817	-	6,817
Fund Balances:			
Restricted	-	18,211	18,211
Unassigned	783,497	-	783,497
	<u>783,497</u>	<u>18,211</u>	<u>801,708</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 790,314	\$ 18,211	\$ 808,525

Town of Berlin
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2023

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

Fund balances - total governmental funds	\$ 801,708
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	344,666
Contributions and earnings to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position.	<u>10,580</u>
Net Position - Governmental Activities	<u>\$ 1,156,954</u>

Town of Berlin
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended September 30, 2023

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Sales and Use	\$ 322,176	\$ -	\$ 322,176
Property Taxes	14,992	-	14,992
Automobile	10,282	-	10,282
Alcohol	928	-	928
Other	354	-	354
Licenses and Permits	10,064	-	10,064
Charges for Services	1,730	-	1,730
Intergovernmental Revenues	-	34,536	34,536
Other Revenues	5,927	19	5,946
	<u>366,453</u>	<u>34,555</u>	<u>401,008</u>
EXPENDITURES			
General government	129,474	-	129,474
Street and highways	59,230	-	59,230
Park, Culture and Recreation	6,052	-	6,052
	<u>194,756</u>	<u>-</u>	<u>194,756</u>
Excess (Deficiency) of Revenues	171,697	34,555	206,252
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	33,627	-	33,627
Transfers To Other Funds	-	(33,627)	(33,627)
	<u>33,627</u>	<u>(33,627)</u>	<u>-</u>
Net Change in Fund Balances	205,324	928	206,252
FUND BALANCES - Beginning of Year	<u>578,173</u>	<u>17,283</u>	<u>595,456</u>
FUND BALANCES - End of Year	<u>\$ 783,497</u>	<u>\$ 18,211</u>	<u>\$ 801,708</u>

Town of Berlin
Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2023

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

Net change in fund balances - total governmental funds \$ 206,252

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 depreciation exceeded capital outlays in the current
period. 38,666

Contributions to the pension plan in the current fiscal year are not
included on the statement of activities. 10,580

Total Change in Net Position - Governmental Activities \$ 255,498

Town of Berlin
 General Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual
 For the Year Ended September 30, 2023

REVENUES	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Taxes				
Sales and Use	\$ 259,000	\$ 259,000	\$ 322,176	\$ 63,176
Property Taxes	10,000	10,000	14,992	4,992
Automobile	750	750	10,282	9,532
Alcohol	750	750	928	178
Other	200	200	354	154
Licenses and Permits	-	-	10,064	10,064
Charges for Services	-	-	1,730	1,730
Other Revenues	250	250	5,927	5,677
	270,950	270,950	366,453	95,503
EXPENDITURES				
General government	152,294	152,294	129,474	22,820
Street and highways	58,000	58,000	59,230	(1,230)
Park, Culture and Recreation	11,000	11,000	6,052	4,948
	221,294	221,294	194,756	26,538
Excess (Deficiency) of Revenues	49,656	49,656	171,697	122,041
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	-	33,627	33,627
Transfers To Other Funds	(60,000)	(60,000)	-	60,000
	(60,000)	(60,000)	33,627	93,627
Net Change in Fund Balances	(10,344)	(10,344)	205,324	215,668
FUND BALANCES - Beginning of Year	578,173	578,173	578,173	
FUND BALANCES - End of Year	\$ 567,829	\$ 567,829	\$ 783,497	\$ 215,668

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. Management has determined

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, 2023.
- 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, 2023.
- 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. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, required for fiscal periods beginning after June 15, 2023, in fiscal 2024. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections.

The Town plans to adopt GASB Statement No. 101, *Compensated Absences*, required for fiscal periods beginning after December 15, 2023, in fiscal 2025. This Statement provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Accounting Pronouncements (Continued)

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 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is maintained at the function and fund level. Transfers of appropriations between activity between funds require approval of the Town Council.

The following funds have annual legally adopted budgets: General Fund, Four Cent Gas Tax Fund, Seven Cent Gas Tax Fund, Rebuild Alabama Gas Tax Fund, and Capital Improvement Trust Fund.

NOTE 3 - 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.

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 Depositary 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.

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Town of Berlin
Notes to Financial Statements (Continued)
September 30, 2023

NOTE 4 – RECEIVABLES

Receivables at September 30, 2023, consist of the following:

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
	<u> </u>	<u> </u>	<u> </u>
State of Alabama	\$ 3,958	\$ 2,175	\$ 6,133
Cullman County	46,622	-	46,622
	<u>\$ 50,580</u>	<u>\$ 2,175</u>	<u>\$ 52,755</u>

These are presented on the statement of net position as follows::

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
	<u> </u>	<u> </u>	<u> </u>
Taxes Receivable	\$ 50,580	\$ -	\$ 50,580
Due from Other Governments	-	2,175	2,175
	<u>\$ 50,580</u>	<u>\$ 2,175</u>	<u>\$ 52,755</u>

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Town of Berlin
Notes to Financial Statements (Continued)
September 30, 2023

NOTE 5 - 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	98,657	-	-	98,657
Intangibles	8,568	-	-	8,568
Furniture & Equipment	8,882	-	-	8,882
Infrastructure	-	46,631	-	46,631
 Total Capital Assets Being Depreciated	 116,107	 46,631	 -	 162,738
Less Accumulated Depreciation for:				
Buildings & Improvements	(9,796)	(4,933)	-	(14,729)
Intangibles	(2,523)	(571)	-	(3,094)
Furniture & Equipment	(4,331)	(1,749)	-	(6,080)
Infrastructure	-	(712)	-	(712)
	<u>(16,650)</u>	<u>(7,965)</u>	<u>-</u>	<u>(24,615)</u>
 Total Capital Assets Being Depreciated, Net	 <u>99,457</u>	 <u>38,666</u>	 <u>-</u>	 <u>138,123</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 306,000</u>	 <u>\$ 38,666</u>	 <u>\$ -</u>	 <u>\$ 344,666</u>

NOTE 5 - CAPITAL ASSETS (Continued)

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

General Government	\$ 5,899
Street	712
Parks, Recreation & Culture	1,354
	<u>\$ 7,965</u>

NOTE 6 - INTERFUND ACTIVITY

Interfund transfers to/from for the year ended September 30, 2023, are as follows:

<u>TRANSFER FROM</u>	<u>TRANSFER TO</u>	
Nonmajor Governmental Funds	General Fund	<u>\$ 33,627</u>
		<u>\$ 33,627</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 7 - 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	\$ 12,450
Capital Projects	Law	5,560
Other	Grant Funds	201
		<u>\$ 18,211</u>

NOTE 7 - 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:

	GENERAL FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
FUND BALANCES:			
Restricted For:			
Special Revenue Funds:			
Road Surface and Repair	\$ -	\$ 12,450	\$ 12,450
Capital Projects	-	5,560	5,560
Other	-	201	201
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ -</u>	<u>\$ 18,211</u>	<u>\$ 18,211</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Town began contributing to Employees' Retirement System of Alabama (ERS), an agent multi-employer public employee retirement plan, which acts as a common investment and administrative agent for the various State agencies and departments, in January 2023.

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2022 created two additional representatives to the ERS Board of Control Effective October 1, 2022. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a Town, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One full time employee of a participating municipality or Town in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One full time employee of a participating employer other than a municipality, Town or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2022, membership consisted of:

	<u>RSA Totals</u>
Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP retired members still in active service	97
	<u>101,245</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan.

Total employer contributions to the pension plan from the Town were \$10,580 for the year ended September 30, 2023.

Town's Net Pension Liability, Deferred Outflows and Inflows of Resources, and Fiduciary Net Position

Determination of the net pension liability of each participating member of ERS is determined annually through an actuarial valuation which is based on the prior year's plan balance. The changes to the net pension liability, deferred outflows of resources, deferred inflows of resources, and total pension expenditures are also determined and provided to each participating member based on the valuation. As the Town first became a participating employer and began making contributions during the year ended September 30, 2023, an actuarial determination of the Town's net pension liability has yet to occur. However, as the actuarial valuation is based on prior year's balances and current year contributions were not taken into account, these have been classified as deferred outflows of resources on the Statement of Net Position and will be recognized in the subsequent year.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Additional financial and actuarial information on the Employees' Retirement System of Alabama (ERS) can be found at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 9 - 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 10 - 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 March 3, 2025 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, 2023

	FOUR CENT GAS TAX FUND	SEVEN CENT GAS TAX FUND	REBUILD ALABAMA GAS TAX FUND	AMERICAN RESCUE PLAN ACT FUND	CAPITAL IMPROVEMENT TRUST FUND	TOTAL
ASSETS						
Cash and Cash Equivalents	\$ 1,285	\$ 784	\$ 8,206	\$ 201	\$ 5,560	\$ 16,036
Due from Other Governments	228	291	1,656	-	-	2,175
Total Assets	\$ 1,513	\$ 1,075	\$ 9,862	\$ 201	\$ 5,560	\$ 18,211
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund Balances:						
Restricted	1,513	1,075	9,862	201	5,560	18,211
	<u>1,513</u>	<u>1,075</u>	<u>9,862</u>	<u>201</u>	<u>5,560</u>	<u>18,211</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,513</u>	<u>\$ 1,075</u>	<u>\$ 9,862</u>	<u>\$ 201</u>	<u>\$ 5,560</u>	<u>\$ 18,211</u>

Town of Berlin
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	FOUR CENT GAS TAX FUND	SEVEN CENT GAS TAX FUND	REBUILD ALABAMA GAS TAX FUND	AMERICAN RESCUE PLAN ACT FUND	CAPITAL IMPROVEMENT TRUST FUND	TOTAL
REVENUES						
Intergovernmental Revenues	\$ 2,538	\$ 3,202	\$ 18,580	\$ 4,856	\$ 5,360	\$ 34,536
Other Revenues	4	4	5	1	5	19
	2,542	3,206	18,585	4,857	5,365	34,555
EXPENDITURES						
General government	-	-	-	-	-	-
Street and highways	-	-	-	-	-	-
	-	-	-	-	-	-
Excess (Deficiency) of Revenues	2,542	3,206	18,585	4,857	5,365	34,555
OTHER FINANCING SOURCES (USES)						
Transfers To Other Funds	(2,318)	(3,050)	(18,253)	(4,852)	(5,154)	(33,627)
	(2,318)	(3,050)	(18,253)	(4,852)	(5,154)	(33,627)
Net Change in Fund Balances	224	156	332	5	211	928
FUND BALANCES - Beginning of Year	1,289	919	9,530	196	5,349	17,283
FUND BALANCES - End of Year	\$ 1,513	\$ 1,075	\$ 9,862	\$ 201	\$ 5,560	\$ 18,211