

Township of Berlin

St. Clair County, Michigan

Audited Financial Report
March 31, 2020

KING & KING CPAS LLC

Marlette ~ Imlay City
Michigan

Township of Berlin
Annual Financial Report
For The Fiscal Year Ended March 31, 2020

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KING & KING CPAs LLC

Ryan L. King, C.P.A.
3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580

Joseph J. Raymond
www.kingandkingcpas.com

Wesley D. Messing, C.P.A.
148 N. ALMONT AVENUE
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

Independent Auditor's Report

Members of the Township Board
Township of Berlin
St. Clair County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the **Township of Berlin**, Michigan as of and for the fiscal year ended March 31, 2020, and the related notes to the financial statement, which collectively comprise the Township'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the **Township of Berlin**, Michigan as of March 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and major fund budgetary comparison schedule, as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Berlin**, St. Clair County, Michigan's basic financial statements. The other supplemental information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

King & King CPAs LLC

KING & KING CPAs LLC

August 17, 2020

Township of Berlin

Allenton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the **Township of Berlin**, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the Township's financial statements.

Using this Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current fiscal year and whether the taxpayers have fully funded the cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the fiscal year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Condensed Financial Information

The following table shows in a condensed format, the net position as of the current fiscal year. Comparative data of the prior audit's net position is included.

	Governmental Activities		Business-type Activities		Total	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Current Assets	\$ 2,121,784	\$ 1,963,042	\$ 146,378	\$ 141,493	\$ 2,268,162	\$ 2,104,535
Noncurrent Assets	981,510	738,368	2,013,456	2,067,353	2,994,966	2,805,721
Total Assets	3,103,294	2,701,410	2,159,834	2,208,846	5,263,128	4,910,256
Current Liabilities	28,167	44,776	113,379	19,083	141,546	63,859
Noncurrent Liabilities	-	-	607,457	703,369	607,457	703,369
Total Liabilities	28,167	44,776	720,836	722,452	749,003	767,228
Net Position:						
Net Investment in						
Capital Assets	981,510	654,456	1,393,998	1,436,896	2,375,508	2,091,352
Restricted	18,215	342,170	18,900	49,498	37,115	391,668
Unrestricted	1,800,402	1,660,008	26,098	-	1,826,500	1,660,008
Total Net Position	\$ 2,800,127	\$ 2,656,634	\$ 1,438,996	\$ 1,486,394	\$ 4,239,123	\$ 4,143,028

Township of Berlin

Allenton, Michigan

Condensed Financial Information – Continued

The following table shows the changes of the net position during the current fiscal year:

	Governmental Activities		Business-type Activities		Total	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Revenues						
Program Revenues:						
Charges for Services	\$ 54,422	\$ 79,875	\$ 56,457	\$ 55,862	\$ 110,879	\$ 135,737
Grants & Contributions	-	8,591	-	-	-	8,591
General Revenues:						
Property Taxes	365,874	332,150	-	-	365,874	332,150
State-Shared Revenues	294,369	279,838	-	-	294,369	279,838
Interest Earnings	28,319	31,379	1,669	1,868	29,988	33,247
Other Revenues	35,636	10,371	-	-	35,636	10,371
Transfers	-	-	-	-	-	-
Total Revenues	<u>778,620</u>	<u>742,204</u>	<u>58,126</u>	<u>57,730</u>	<u>836,746</u>	<u>799,934</u>
Program Expenses						
General Government	\$ 237,610	\$ 213,626	\$ -	\$ -	\$ 237,610	\$ 213,626
Public Safety	212,666	186,327	-	-	212,666	186,327
Public Works	144,808	192,112	-	-	144,808	192,112
Recreation & Culture	27,740	26,665	-	-	27,740	26,665
Interest on L/T Debt	-	-	15,906	-	15,906	-
Water & Sewer	-	-	76,454	85,545	76,454	85,545
Total Program Expenses	<u>622,824</u>	<u>618,730</u>	<u>92,360</u>	<u>85,545</u>	<u>715,184</u>	<u>704,275</u>
Change in Net Position	<u>\$ 155,796</u>	<u>\$ 123,474</u>	<u>\$ (34,234)</u>	<u>\$ (27,815)</u>	<u>\$ 121,562</u>	<u>\$ 95,659</u>

The Township as a Whole

- The Township's Governmental Activities net position increased by \$155,796 this fiscal year. This compares to a net increase of \$123,474 in the prior fiscal year. This was fairly comparable between the two years, with a slight increase in both revenues and expenditures.
- The Township's Business-type Activities net position decreased by \$34,234 this year. This compares to a net decrease of \$27,815 in the prior fiscal year. This was fairly comparable to the previously audited year.
- The Township's primary source of revenue is from property taxes and state-shared revenues. The total of these revenue sources represents 79% of total revenue.

Township of Berlin

Allenton, Michigan

The Township's Fund

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ended March 31, 2020, include the General Fund and the Fire Fund.

General Fund Budgetary Highlights

The Township made amendments to the budget throughout the year to cover the expenditures incurred, but there remained some items in excess of the budgeted amounts in the General and Fire Funds.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2020, the Township purchased a fire truck for \$375,000 out of the Fire Fund with a loan from the General Fund. Additional information regarding the Township's Capital Assets can be found in Note 5 to the financial statements.

The Township did not incur any Long-Term Debt in the fiscal year ended March 31, 2020. Additional information regarding the Township's Long-Term Debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township Office in Allenton, Michigan by telephone at (810) 395-4698.

Township of Berlin

Statement of Net Position

March 31, 2020

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 1,663,270	\$ 116,738	\$ 1,780,007
Restricted Cash - USDA Bond Reserve	-	18,900	18,900
Accounts Receivable	65,943	10,740	76,682
Due From Other Funds	112,012	-	112,012
Prepaid Insurance	5,559	-	5,559
Capital Assets			
Nondepreciable Capital Assets	137,671	125,808	263,479
Depreciable Capital Assets	843,839	1,887,648	2,731,486
<u>Total Assets</u>	<u>2,828,294</u>	<u>2,159,833</u>	<u>4,988,127</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Accounts Payable	28,167	12,778	40,945
Due To Other Funds	-	83,912	83,912
Current Portion of Long-term Debt	-	12,000	12,000
Long-term Debt	-	607,457	607,457
<u>Total Liabilities</u>	<u>28,167</u>	<u>716,147</u>	<u>744,314</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>4,689</u>	<u>4,689</u>
<u>Net Position</u>			
Net Investment in Capital Assets	981,510	1,393,998	2,375,508
Nonspendable - Prepaids	5,559	-	5,559
Restricted	12,656	18,900	31,556
Unrestricted	1,800,402	26,098	1,826,500
<u>Total Net Position</u>	<u>\$ 2,800,127</u>	<u>\$ 1,438,997</u>	<u>\$ 4,239,124</u>

The notes are an integral part of the statements.

Township of Berlin
Statement of Activities
For The Fiscal Year Ended March 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Primary Government:							
Governmental Activities:							
General Government	\$ 237,610	\$ 31,979	\$ -	\$ -	\$ (205,632)	\$ -	\$ (205,632)
Public Safety	212,666	22,444	-	-	(190,223)	-	(190,223)
Public Works	144,808	-	-	-	(144,808)	-	(144,808)
Recreation & Culture	27,740	-	-	-	(27,740)	-	(27,740)
<u>Total Governmental Activities</u>	<u>622,825</u>	<u>54,422</u>	<u>-</u>	<u>-</u>	<u>(568,402)</u>	<u>-</u>	<u>(568,402)</u>
Business-type Activities	76,454	56,457	-	-	-	(19,997)	(19,997)
Interest on Long-term Debt	15,906	-	-	-	-	(15,906)	(15,906)
<u>Total Business-type Activities</u>	<u>92,360</u>	<u>56,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,903)</u>	<u>(35,903)</u>
Total Primary Government	<u>\$ 715,184</u>	<u>\$ 110,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (568,402)</u>	<u>\$ (35,903)</u>	<u>\$ (604,305)</u>
General Revenues:							
Property Taxes					\$ 365,874	\$ -	\$ 365,874
Intergovernmental Revenues					294,369	-	294,369
Interest Earnings					28,319	1,669	29,987
Other Revenues					35,636	-	35,636
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					<u>724,197</u>	<u>1,669</u>	<u>725,866</u>
Change in Net Position					155,795	(34,234)	121,561
<u>Net Position - Beginning of Year</u>					<u>2,644,332</u>	<u>1,473,231</u>	<u>4,117,563</u>
<u>Net Position - End of Year</u>					<u>\$ 2,800,127</u>	<u>\$ 1,438,997</u>	<u>\$ 4,239,124</u>

The notes are an integral part of the statements.

Township of Berlin

Governmental Funds

Balance Sheet

March 31, 2020

	General Fund	Fire Fund	Total Governmental Funds
<u>Assets</u>			
Cash & Certificates of Deposit	\$ 1,371,440	\$ 291,830	\$ 1,663,270
Due from Other Governments	55,399	10,544	65,943
Due From Other Funds	387,012	-	387,012
Prepaid Insurance	1,686	3,873	5,559
<u>Total Assets</u>	<u>\$ 1,815,537</u>	<u>\$ 306,247</u>	<u>\$ 2,121,784</u>
<u>Liabilities & Fund Equity</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 13,449	\$ 14,718	\$ 28,167
Due To Other Funds	-	275,000	275,000
<u>Total Liabilities</u>	<u>13,449</u>	<u>289,718</u>	<u>303,167</u>
<u>Fund Equity</u>			
Fund Balances			
Nonspendable	1,686	3,873	5,559
Restricted For:			
Fire Protection	-	12,656	12,656
Unassigned	1,800,402	-	1,800,402
<u>Total Fund Balances</u>	<u>1,802,088</u>	<u>16,530</u>	<u>1,818,617</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 1,815,537</u>	<u>\$ 306,247</u>	<u>\$ 2,121,784</u>

The notes are an integral part of the statements.

Township of Berlin
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Position
For The Fiscal Year Ended March 31, 2020

Total Fund Balances for Governmental Funds	\$ 1,818,617
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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 not reported in the funds.	981,510
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Long-term bonds payable are not due and payable in the current period and are not reported in the funds.	<u>-</u>
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Net Position of Governmental Activities	<u><u>\$ 2,800,127</u></u>
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The notes are an integral part of the statements.

Township of Berlin
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balances
For The Fiscal Year Ended March 31, 2020

	General Fund	Fire Fund	Total Governmental Funds
<u>Revenues</u>			
Property Taxes	\$ 148,639	\$ 202,288	\$ 350,927
State Revenue Sharing	294,369	-	294,369
Intergovernmental Revenues	14,947	-	14,947
Charges for Services	54,422	-	54,422
Franchise Fees & Rents	11,526	-	11,526
Interest Earnings	25,034	3,285	28,319
Other Revenues	14,662	9,448	24,110
<u>Total Revenues</u>	<u>563,599</u>	<u>215,020</u>	<u>778,619</u>
<u>Expenditures</u>			
General Government	227,992	-	227,992
Public Safety	31,177	150,221	181,397
Public Works	144,808	-	144,808
Recreation & Culture	20,681	-	20,681
Capital Outlay	-	375,000	375,000
<u>Total Expenditures</u>	<u>424,657</u>	<u>525,221</u>	<u>949,877</u>
Excess of Revenues Over (Under) Expenditures	138,942	(310,200)	(171,258)
<u>Other Financing Sources (Uses)</u>			
Loan Proceeds	-	-	-
Operating Transfers In (Out)	-	-	-
Net Change in Fund Balances	138,942	(310,200)	(171,258)
<u>Fund Balances - Beginning of Year</u>	<u>1,663,145</u>	<u>326,730</u>	<u>1,989,875</u>
<u>Fund Balances - End of Year</u>	<u>\$ 1,802,088</u>	<u>\$ 16,530</u>	<u>\$ 1,818,617</u>

The notes are an integral part of the statements.

Township of Berlin
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Fiscal Year Ended March 31, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (171,258)
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as depreciation.	375,000
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The sale of fixed assets is not adjusted for the remaining basis in the Governmental Funds.	-
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Loan proceeds are recognized as revenue in the Governmental Funds, but not in the Statement of Activities.	-
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Repayment of bond principal is an expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces long-term debt).	-
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Depreciation is an expenditure for the Statement of Activities, but is not reported in the Governmental Funds.	<u>(47,947)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 155,795</u></u>
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The notes are an integral part of the statements.

Township of Berlin

Proprietary Funds Statement of Net Position

March 31, 2020

	Enterprise Fund Wastewater System Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 116,738
Restricted Cash - USDA Bond Reserve	18,900
Accounts Receivable	10,740
<u>Total Current Assets</u>	<u>146,377</u>
<u>Noncurrent Assets</u>	
Nondepreciable Capital Assets	125,808
Capital Assets Being Depreciated	2,156,054
Less: Accumulated Depreciation	(268,406)
<u>Total Noncurrent Assets</u>	<u>2,013,456</u>
<u>Total Assets</u>	<u>2,159,833</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	4,746
Accrued Interest Payable	8,032
Due To Other Funds	83,912
Current Portion of Long-Term Debt	12,000
<u>Total Current Liabilities</u>	108,690
<u>Noncurrent Liabilities</u>	
Long-Term Debt	607,457
<u>Total Liabilities</u>	<u>716,147</u>
<u>Deferred Inflows of Resources</u>	<u>4,689</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,393,998
Restricted	18,900
Unrestricted	26,098
<u>Total Net Position</u>	<u>\$ 1,438,997</u>

The notes are an integral part of the statements.

Township of Berlin
Proprietary Funds
Statement of Revenues, Expenditures and Changes in Net Position
March 31, 2020

	Enterprise Fund Wastewater System Fund
<u>Operating Revenues</u>	
User Charges & Penalties	\$ 17,468
Rents and Franchise Fees	11,400
<u>Total Operating Revenues</u>	<u>28,868</u>
<u>Operating Expenses</u>	
Operation & Maintenance	20,552
General & Administration	2,000
Depreciation	53,901
<u>Total Operating Expenses</u>	<u>76,454</u>
Operating Income (Loss)	(47,586)
<u>Non-operating Revenues (Expenses)</u>	
Interest Earned	1,669
Debt Service & Reserve Charges	27,589
Interest Expense	<u>(15,906)</u>
Change in Net Position	(34,234)
<u>Net Position - Beginning of Year</u>	<u>1,473,231</u>
<u>Net Position - End of Year</u>	<u>\$ 1,438,997</u>

The notes are an integral part of the statements.

Township of Berlin
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended March 31, 2020

	Enterprise Fund Wastewater System Fund
<u>Cash Flows From Operating Activities</u>	
Receipts From Customers	\$ 39,373
Payments For Operation, Maintenance & Water	(28,882)
Payments For General & Administration	(2,000)
<u>Net Cash Provided by Operating Activities</u>	<u>8,491</u>
<u>Cash Flows From Capital & Related Financing Activities</u>	
Purchased Capital Assets	-
Debt Service & Reserve Receipts	27,589
Interest Paid on Bonds	(15,906)
Bond Principal Payments	(11,000)
Received/Paid "Due From/To Other Funds"	-
<u>Net Cash Provided by Capital & Related Financing Activities</u>	<u>683</u>
<u>Cash Flows From Investing Activities</u>	
Interest Received on Investments	1,669
<u>Net Cash Provided by Investing Activities</u>	<u>1,669</u>
Net Increase (Decrease) In Cash & Cash Equivalents	10,843
<u>Cash & Cash Equivalents - Beginning of Year</u>	<u>124,795</u>
<u>Cash & Cash Equivalents - End of Year</u>	<u><u>\$ 135,638</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</u>	
Operating Income (Loss)	(47,586)
Adjustments to Reconcile Operating Income (Loss) From Operating Activities:	
Depreciation	53,901
Changes in Assets & Liabilities:	
Prior Period Adjustment	(13,167)
Accounts Receivable	5,815
Deferred Revenues	4,689
Prepays and Other Assets	143
Accounts Payable & Accrued Interest	4,695
<u>Net Cash Provided by Operating Activities</u>	<u><u>\$ 8,491</u></u>

The notes are an integral part of the statements.

Township of Berlin

Fiduciary Funds
Statement of Net Position
March 31, 2020

	Other Trust Funds	Agency Funds
<u>Assets</u>		
Cash & Certificates of Deposit	\$ 11,639	\$ 37,200
<u>Total Assets</u>	<u>11,639</u>	<u>\$ 37,200</u>
<u>Liabilities</u>		
Due To Other Funds	\$ -	\$ 28,100
Due To Others	-	9,100
<u>Total Liabilities</u>	<u>-</u>	<u>\$ 37,200</u>
<u>Net Position</u>		
Held in Trust for Cemetery Perpetual Care	6,943	
Cemetery - Unreserved & Undesignated	<u>4,696</u>	
<u>Total Net Position</u>	<u>\$ 11,639</u>	

The notes are an integral part of the statements.

Township of Berlin
Fiduciary Funds
Statement of Changes in Net Position
March 31, 2020

	Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 49
<u>Total Additions</u>	<u>49</u>
<u>Deductions</u>	
Contribution To (From) Other Funds	<u>-</u>
<u>Total Deductions</u>	<u>-</u>
Net Increase	49
<u>Net Position - Beginning of Year</u>	<u>4,647</u>
<u>Net Position - End of Year</u>	<u><u>\$ 4,696</u></u>

The notes are an integral part of the statements.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the **Township of Berlin**, St. Clair County, Michigan (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the **Township of Berlin**, St. Clair County, Michigan.

Financial Reporting Entity

The **Township of Berlin** was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the **Township of Berlin** (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of government required to be included in the financial reporting entity either as blended component units or discretely presented component units.

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 the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separate from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - This fund accounts for the operations of the Fire Department. Funding is provided primarily through a millage.

The Township reports the following major proprietary fund:

Wastewater System Fund – This fund is used to account for activities related to the wastewater system fund.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

1. Summary of Significant Accounting Policies - continued

Additionally, the Township reports the following fund types:

Trust & Agency (Surety Bonds) - This fund accounts for the performance bonds from various activities in the Township. Funding is provided primarily through performance bonds collected after certain applications have been completed and returned upon completion of the necessary requirements of the process.

Perpetual Care Fund - This fund accounts for money held permanently for the purpose of care for the Cemetery. The withdrawal of funds is limited to the earnings on the invested funds.

Current Tax Collection Fund - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenue is 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 revenue 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 Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Property Tax Revenues - Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The Township's 2019 tax is levied and collectible on July 1, 2019, and is recognized as revenue in the fiscal year ended March 31, 2020, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the Township totaled about \$117 million, on which taxes levied consisted of .7149 mills for operating purposes, 1.7376 mills for fire operations and 0.4894 mills for roads. This resulted in approximately \$87,000 for operating, \$202,000 for fire protection and \$57,000 for roads. These amounts are recognized in the General Fund, Fire Fund and General Fund (roads) financial statements as tax revenue.

Compensated Absences – The Township has no policy for compensated absences.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

1. Summary of Significant Accounting Policies - Continued

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 12 years

Long-term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts, issuance costs and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgets - The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Two to three months prior to the beginning of the ensuing fiscal year, the Township Board reviews a proposed operating budget which includes proposed revenues and expenditures.
- Prior to the beginning of the ensuing fiscal year, the Township Board passes a General Appropriations Act reflecting the formal budget approval in accordance with the Michigan Uniform Budget Act.
- Budgets for the General and Major Special Revenue Funds are adopted on a basis consistent with the accounting principles generally accepted in the United States of America (GAAP).
- Budgeted amounts in this report are as originally adopted or as amended by the Township Board. Amendments were not material in relation to the original appropriations which were amended.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

1. Summary of Significant Accounting Policies - *Continued*

Fund Balance Classification - In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation to use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the board; and assigned fund balance for constraints placed on resources by the Township's intent to be used for specific purposes.

- For *committed* fund balances, the Township's highest level of decision-making authority is the Board and it takes a Board resolution to establish a fund balance commitment.
- For *assigned* fund balances, the Board can authorize to assign amounts to a specific purpose through a motion.
- The Township's policy is that the restricted amounts are considered to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- The Township's policy is if it has *committed*, *assigned*, or *unassigned* fund balance available when it incurs an expenditure it will use the fund balance in the order of committed, assigned and then unassigned.
- The Township does not have a policy with respect to a fund balance.

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

2. Stewardship, Compliance and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Major Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. Budgetary control is exercised at the functional level. Budgets for the General Fund and Major Special Revenue Funds are presented in the required supplemental information.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

2. Stewardship, Compliance and Accountability - Continued

During the fiscal year ended March 31, 2020, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Fire Fund			
Capital Outlay	-	375,000	375,000

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Construction Code Activity	
Permit Revenue	\$ 22,444
Direct Costs	(17,969)
Indirect Costs (Estimated at \$1,000 per Month)	(12,000)
Net Construction Code Activity	<u><u>\$ (7,525)</u></u>

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated six bank for the deposit of Township funds. The Township has adopted an investment policy in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 1,663,270</u>	<u>\$ 135,638</u>	<u>\$ 48,839</u>	<u>\$ 1,847,747</u>

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

3. Cash and Investments - continued

The breakdown between deposits and investments is as follows

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CD's)	\$ 1,847,747
Total	<u>\$ 1,847,747</u>

The bank balance of the primary government's deposits is \$1,847,747 of which \$1,096,973 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$750,774 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At the fiscal year end, the deposits and investments were reported in the basic financial statements.

4. Due To and Due From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>	
General Fund	\$ 100	Tax Collection Fund	\$ 100	(1)
General Fund	275,000	Fire Fund	275,000	(2)
General Fund	28,000	Surety Bond Fund	28,000	(3)
General Fund	<u>83,912</u>	Wastewater System Fund	<u>83,912</u>	(4)
Total	<u>\$ 387,012</u>	Total	<u>\$ 387,012</u>	

- (1) Funds held in Tax Collection Fund on a residual basis
- (2) Fire Truck purchase funded by the General Fund. To be paid back in Monthly Installments
- (3) Forfeited Surety Bonds owed to General Fund
- (4) Accumulation of prior year transactions between funds

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

Interfund transfers reported in the Fund Statements are as follows:

NONE

Interfund balances and transfers are netted out in the government-wide statements where possible.

5. Capital Assets

Capital assets activity of the Township's governmental activities was as follows:

	Balance April 1, 2019	Additions	Disposals & Adjustments	Balance March 31, 2020
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 137,671	\$ -	\$ -	\$ 137,671
Capital Assets Being Depreciated:				
Buildings & Improvements	686,654	-	-	686,654
Machinery & Equipment	1,184,042	375,000	258,232	1,300,810
Total Capital Assets Being Depreciated	<u>1,870,696</u>	<u>375,000</u>	<u>258,232</u>	<u>1,987,464</u>
Accumulated Depreciation:				
Buildings & Improvements	314,944	18,556	-	333,500
Machinery & Equipment	1,038,966	29,391	258,232	810,125
Total Accumulated Depreciation	<u>1,353,910</u>	<u>47,947</u>	<u>258,232</u>	<u>1,143,625</u>
Governmental Activities Capital Assets - Net	<u>\$ 654,457</u>	<u>\$ 327,053</u>	<u>\$ -</u>	<u>\$ 981,510</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Capital Assets Being Depreciated:	\$ 125,808	\$ -	\$ -	\$ 125,808
Water Utility Systems	2,156,054	-	-	2,156,054
Total Capital Assets Being Depreciated	<u>2,156,054</u>	<u>-</u>	<u>-</u>	<u>2,156,054</u>
Accumulated Depreciation:				
Water Utility Systems	214,505	53,901	-	268,406
Total Accumulated Depreciation	<u>214,505</u>	<u>53,901</u>	<u>-</u>	<u>268,406</u>
Business-type Activities Capital Assets - Net	<u>\$ 2,067,357</u>	<u>\$ (53,901)</u>	<u>\$ -</u>	<u>\$ 2,013,456</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 9,619
Public Safety	31,269
Recreation & Culture	7,060
Total Governmental Activities	<u>\$ 47,947</u>
Business-type Activities:	
Water Fund	53,901
Total Business-type Activities	<u>\$ 53,901</u>

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

6. Long-term Debt

The following is a summary of the Township's outstanding debt as of March 31, 2020:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
2013 Wastewater Collection & Treatment System Revenue Bond - USDA						
Original Issue - \$684,000		\$10,000 -				
Maturing through 2054	2.50%	\$29,000	\$ 630,457	\$ (11,000)	\$ 619,457	\$ 12,000
Total Business-type Activities			<u>\$ 630,457</u>	<u>\$ (11,000)</u>	<u>\$ 619,457</u>	<u>\$ 12,000</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 12,000	\$ 15,500	\$ 27,500
2022	12,000	15,200	27,200
2023	12,000	14,900	26,900
2024	13,000	14,600	27,600
2025	13,000	14,275	27,275
2026-2030	70,000	66,350	136,350
2031-2035	79,000	57,175	136,175
2036-2040	89,000	46,800	135,800
2041-2045	101,000	35,075	136,075
2046-2050	114,000	21,800	135,800
2051-2054	104,457	6,725	111,182
Total	<u>\$ 619,457</u>	<u>\$ 308,400</u>	<u>\$ 927,857</u>

7. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township's financial statements.

The Township has also adopted Resolution 95-1, which states that the Township will contribute 6.2% of gross pay to the deferred compensation plan for all elected officials and employees who work more than 100 hours per year, and who contribute at least 1.3% of their gross pay to the plan. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The Township's contribution for this fiscal year amounted to \$3,758.

Township of Berlin
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2020

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

NONE

9. Comparative Data

Comparative total data for the prior year has not been presented.

10. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

11. Subsequent Events

As of August 17, 2020, there were no subsequent events which have a material effect on the financial statements.

12. Tax Abatements

The Township does not have any tax abatements for the fiscal year ended March 31, 2020.

Required Supplemental Information

Township of Berlin
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 139,000	\$ 139,000	\$ 148,639	\$ 9,639
State-Shared Revenues	286,426	286,426	294,369	7,943
Park Millage	13,500	13,500	14,947	1,447
Charges for Services	6,000	6,000	4,649	(1,351)
Permits and Fees	28,500	28,500	22,444	(6,057)
Cemetery Revenues	19,000	19,000	27,330	8,330
Franchise Fees & Rents	11,100	11,100	11,526	426
Interest Earnings	15,000	15,000	25,034	10,034
Other Revenues	5,800	5,800	14,662	8,862
<u>Total Revenues</u>	524,326	524,326	563,599	39,273
<u>Expenditures</u>				
General Government				
Township Board	13,200	13,200	14,755	(1,554)
Supervisor	23,250	23,250	21,398	1,852
Elections	2,025	2,025	5,670	(3,644)
Assessor	18,490	18,490	17,161	1,329
Clerk & Deputy Clerk	22,675	22,675	20,620	2,055
Board of Review	2,250	2,250	1,781	469
Treasurer & Deputy Treasurer	22,650	22,650	20,656	1,993
Building & Grounds	10,700	10,700	8,868	1,831
Township Administration	120,266	120,266	79,323	40,943
Cemetery	35,500	35,500	37,761	(2,261)
Total General Government	271,006	271,006	227,992	43,013
Public Safety				
Inspection Services	19,100	19,100	17,969	1,131
Street Lights	5,500	5,500	9,502	(4,002)
Planning & Zoning	11,500	11,500	3,705	7,795
Total Public Safety	36,100	36,100	31,177	4,923
Public Works - Roads & Drains	192,000	192,000	144,808	47,192
Recreation & Culture	25,220	25,220	20,681	4,539
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	524,326	524,326	424,657	99,668
Excess of Revenues Over (Under) Expenditures	-	-	138,942	138,941
<u>Other Financing Sources (Uses)</u>				
Loan Proceeds	-	-	-	-
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Operating Transfers Over (Under) Expenditures & Operating Transfers Out	-	-	138,942	138,941
<u>Fund Balance - Beginning of Year</u>	1,663,145	1,663,145	1,663,145	-
<u>Fund Balance - End of Year</u>	\$ 1,663,145	\$ 1,663,145	\$ 1,802,088	\$ 138,941

Township of Berlin
Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Fire Fund
For The Fiscal Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 198,000	\$ 198,000	\$ 202,288	\$ 4,288
Interest Earnings	-	-	3,285	3,285
Other Revenues	-	-	9,448	9,448
<u>Total Revenues</u>	<u>198,000</u>	<u>198,000</u>	<u>215,020</u>	<u>17,020</u>
<u>Expenditures</u>				
Public Safety	155,136	197,950	150,221	47,729
Capital Outlay	-	-	375,000	(375,000)
<u>Total Expenditures</u>	<u>155,136</u>	<u>197,950</u>	<u>525,221</u>	<u>(327,271)</u>
Excess of Revenues Over (Under) Expenditures	42,864	50	(310,200)	(310,250)
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	42,864	50	(310,200)	(310,250)
<u>Fund Balance - Beginning of Year</u>	<u>326,730</u>	<u>326,730</u>	<u>326,730</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 369,594</u>	<u>\$ 326,780</u>	<u>\$ 16,530</u>	<u>\$ (310,250)</u>

Other Supplemental Information

Township of Berlin
Other Supplemental Information
Fiduciary Funds
Combining Statement of Net Position
March 31, 2020

	Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care			Surety	Tax	
	Expendable	Nonexpendable		Bond	Collection	
	Trust	Trust	Totals	Fund	Fund	Totals
<u>Assets</u>						
Cash & Certificates of Deposit	\$ 4,696	\$ 6,943	\$ 11,639	\$ 37,100	\$ 100	\$ 37,200
<u>Total Assets</u>	<u>4,696</u>	<u>6,943</u>	<u>11,639</u>	<u>37,100</u>	<u>100</u>	<u>37,200</u>
<u>Liabilities</u>						
Due To Other Funds	-	-	-	28,000	100	28,100
Due To Others	-	-	-	9,100	-	9,100
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 37,100</u>	<u>\$ 100</u>	<u>\$ 37,200</u>
<u>Net Position</u>						
Held in Trust for Cemetery Perpetual Care	-	6,943	6,943			
Unreserved - Undesignated	4,696	-	4,696			
<u>Total Net Position</u>	<u>\$ 4,696</u>	<u>\$ 6,943</u>	<u>\$ 11,639</u>			

Township Berlin
Other Supplemental Information
Fiduciary Funds
Combining Statement of Changes in Net Position
March 31, 2020

	Other Trust Funds		
	Cemetery Perpetual Care		
	Expendable Trust	Nonexpendable Trust	Totals
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 49	\$ -	\$ 49
<u>Total Additions</u>	49	-	49
<u>Deductions</u>			
Contribution To (From) Other Funds	-	-	-
<u>Total Deductions</u>	-	-	-
Net Increase	49	-	49
<u>Net Position - Beginning of Year</u>	4,647	6,943	11,590
<u>Net Position - End of Year</u>	<u>\$ 4,696</u>	<u>\$ 6,943</u>	<u>\$ 11,639</u>

Township of Berlin

Other Supplemental Information

Schedule of Indebtedness

March 31, 2020

2013 Wastewater Collection & Treatment System Revenue Bond - USDA

Dated: October 1, 2013

Berville Wastewater Collection & Treatment System construction

Original Issue: \$684,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Annual Interest Payable
		2020	2019	
2.50%	10/1/2019	\$ -	\$ 11,000	\$ \$ -
2.50%	10/1/2020	12,000	12,000	\$ 15,500
2.50%	10/1/2021	12,000	12,000	\$ 15,200
2.50%	10/1/2022	12,000	12,000	\$ 14,900
2.50%	10/1/2023	13,000	13,000	\$ 14,600
2.50%	10/1/2024	13,000	13,000	\$ 14,275
2.50%	10/1/2025	13,000	13,000	\$ 13,950
2.50%	10/1/2026	14,000	14,000	\$ 13,625
2.50%	10/1/2027	14,000	14,000	\$ 13,275
2.50%	10/1/2028	14,000	14,000	\$ 12,925
2.50%	10/1/2029	15,000	15,000	\$ 12,575
2.50%	10/1/2030	15,000	15,000	\$ 12,200
2.50%	10/1/2031	15,000	15,000	\$ 11,825
2.50%	10/1/2032	16,000	16,000	\$ 11,450
2.50%	10/1/2033	16,000	16,000	\$ 11,050
2.50%	10/1/2034	17,000	17,000	\$ 10,650
2.50%	10/1/2035	17,000	17,000	\$ 10,225
2.50%	10/1/2036	17,000	17,000	\$ 9,800
2.50%	10/1/2037	18,000	18,000	\$ 9,375
2.50%	10/1/2038	18,000	18,000	\$ 8,925
2.50%	10/1/2039	19,000	19,000	\$ 8,475
2.50%	10/1/2040	19,000	19,000	\$ 8,000
2.50%	10/1/2041	20,000	20,000	\$ 7,525
2.50%	10/1/2042	20,000	20,000	\$ 7,025
2.50%	10/1/2043	21,000	21,000	\$ 6,525
2.50%	10/1/2044	21,000	21,000	\$ 6,000
2.50%	10/1/2045	22,000	22,000	\$ 5,475
2.50%	10/1/2046	22,000	22,000	\$ 4,925
2.50%	10/1/2047	23,000	23,000	\$ 4,375
2.50%	10/1/2048	23,000	23,000	\$ 3,800
2.50%	10/1/2049	24,000	24,000	\$ 3,225
2.50%	10/1/2050	25,000	25,000	\$ 2,625
2.50%	10/1/2051	25,000	25,000	\$ 2,000
2.50%	10/1/2052	26,000	26,000	\$ 1,375
2.50%	10/1/2053	28,457	28,457	\$ 725
Total Installment Loan		\$ 619,457	\$ 630,457	\$ 308,400

KING & KING CPAs LLC

Ryan L. King, C.P.A.

3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580

Joseph J. Raymond

www.kingandkingcpas.com

Wesley D. Messing, C.P.A.

148 N. ALMONT AVENUE
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

August 17, 2020

Township of Berlin

740 Capac Road
Allenton, Michigan 48022

To the Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, as of and for the fiscal year ended March 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the **Township of Berlin**'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that we have not identified.

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. We consider the following deficiency in the **Township of Berlin**'s internal control to be a significant deficiency:

Segregation of Duties – Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control possible. We recommend the Township segregate duties whenever possible.

This information is intended solely for the information and use of management, **Township of Berlin**, and others within the organization, and is not intended to be, nor should it be used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC

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Ryan L. King, C.P.A.
3531 MAIN STREET
MARLETTE, MI 48453
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August 17, 2020

Township of Berlin
740 Capac Road
Allenton, Michigan 48022

To the Members of the Board:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the **Township of Berlin** for the fiscal year ended March 31, 2020, and have issued our report thereon dated August 17, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted auditing standards. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of auditing standards and their application. The significant accounting policies used by the **Township of Berlin** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 17, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of management, the Board of the **Township of Berlin**, and Federal and State agencies and is not intended to be, nor should it be used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC
KING & KING CPAs LLC