



CITY OF
WESTMINSTER,
MARYLAND

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2017

CITY OF WESTMINSTER, MARYLAND

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



Prepared by the Department of Finance

City of Westminster, Maryland

CITY OF WESTMINSTER, MARYLAND

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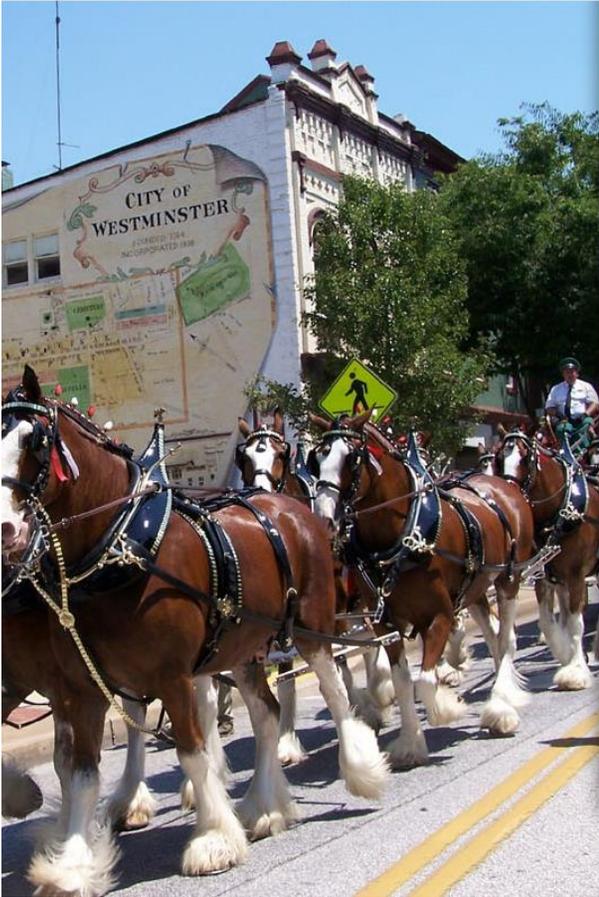
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Introductory Section





November 30, 2017

The Honorable Mayor and Common Council
and the Citizens of the City of Westminster:

State law requires that all general-purpose local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. Pursuant to that requirement, we hereby issue the comprehensive annual financial report for the City of Westminster, Maryland for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City of Westminster. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City of Westminster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Westminster's financial statements have been audited by CohnReznick LLP, a firm of licensed certified public accountants. Based on this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Westminster's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of City of Westminster was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Westminster was founded in 1764 by William Winchester of England. Winchester originally named his planned community "Winchester's Town." The community changed its name to Westminster in 1768 because mail was frequently mistakenly delivered to nearby Winchester, Virginia.

In 1764, Winchester located Westminster on one of the three main western-bound routes in what we now know as Carroll County. Today, these routes are known as Route 30, Route 140, and Route 26. These roadways were critical for the economic expansion of the fledgling colony of Maryland. Winchester established Westminster ten miles - one day's travel - between Reisterstown and Taneytown, Maryland. This resulted in Westminster quickly establishing hotels, eating establishments, and provisioning stores.

Westminster's first settlers were predominately Germans and Scotch-Irish, who moved to the Westminster area from southern Pennsylvania. Much of the early industry was agriculture, tanning, banking, and a wide variety of merchants and craftsmen. Hotels and restaurants were also an important part of local commerce, catering to westward bound travelers well into the late 1800s.

According to "What Ever Happened to our Hotels," written by former Historical Society curator Lillian Shipley in September 1971, as late as "around the turn of the (20th) century Westminster had 7 churches, 7 hotels, and 18 saloons." "The hotels (were the) Eastern or East End, the Main Court, the Central, the Westminster (Charles Carroll Hotel,) the Albion, the Montour House, and the Anchor."

Originally, Westminster sat on the boundary line between Frederick and Baltimore Counties. In 1837, Carroll County was created from portions of Frederick and Baltimore Counties.

Until a formal organized municipal government was adopted in 1818, the Union Meeting House, and its board of trustees, was utilized as a "governing body" for the early settlers. Westminster was originally incorporated in 1818 and provided for the community to be governed by a burgess and six commissioners elected annually. The 1818 incorporation also consolidated three adjoining towns into one town called Westminster: Westminster, New London, and Winter's Addition to Westminster. From the initial incorporation passed by the Maryland General Assembly in Chapter 128, Acts of 1818, through a subsequent incorporation in 1830, until 1856, Westminster had a Burgess and Commissioner form of government. The first "Mayor" of the City of Westminster was Francis Shriver, who served from 1856 to 1858.

Of note is that Westminster was not recognized as a "city" until the 1838 charter - incorporation was amended by Chapter 335 of the Acts of the Maryland General Assembly of 1856. This action re-characterized the municipality as a "city" and changed the titles of the elected officials to the Mayor and Common Council of Westminster.

The year after Carroll County was formed in 1837, Westminster was re-incorporated and made the county seat because of the aggressive advocacy of its citizens and because of Westminster's central location. Carroll County is the birthplace of Methodism in America and is near the home of Francis Scott Key, the author of our national anthem. The first countywide rural free delivery of mail started in Westminster in the late 1890s.

Today, Westminster is an exciting community of approximately 19,000 citizens. It has grown from its humble beginnings of 0.745 square miles to its current size of 6.55 square miles. It is located strategically in the rolling countryside foothills of the Blue Ridge Mountains, 30 miles northwest of Baltimore, Maryland and 60 miles north of Washington, D.C. Westminster is the county seat of Carroll County and is located in the middle of the county.

Westminster is governed by a Mayor and a five-member Common Council. The Mayor and Common Council Members are elected at large and serve staggered elected terms of four years each. The City Administrator oversees the day-to-day operations of the City government, assisted by the directors of each department. Westminster has a full-time equivalent staff of 162 employees.

Westminster residents enjoy a high quality of life, with easy access to parks, recreational activities, places of religious worship, and meaningful employment. The community has a low crime rate. The Carroll County Public School System consistently ranks as one of the best in Maryland.

Local Economy

Westminster is steeped in tradition and history, but progressive when it comes to technology and business development. As the county seat of Carroll County, Westminster is the center of a fast growing commercial and industrial base, with a strong manufacturing base located in the industrially zoned parcels near the County's only airport. Knorr Brake, FR Conversions, and Advanced Thermal Batteries moved to the industrial center in 2015. The Strouese Corporation purchased lots in 2016.

The City's retail spaces include large box retail along major thoroughfares and a mall. Downtown Westminster provides a unique shopping, dining, and cultural experience in a small town atmosphere; the Main Street area is pedestrian friendly, with wide sidewalks, mature shade trees, and brick crosswalks. The City hosts numerous downtown events, including Fall fest, the Miracle on Main holiday parade, the Celtic Canter, the Flower and Jazz Festival, a summer concert series, and numerous 5k runs. The City's renovation of the historic Carroll Theater into the Carroll Arts Center established Westminster as an emerging cultural heritage and arts destination.

Three of the City's largest employers are public sector agencies - Carroll County government, Carroll County Public Schools, and the City itself.

Westminster is also home to McDaniel College, formally known as Western Maryland College. This nationally ranked liberal arts college was chartered in 1868.

Westminster's median household income in 2017 was \$55,122 and its median house value was \$233,045. The estimated per capita income in 2017 was \$27,326.

Long-term Financial Planning

Real Property Tax Rate

The real property tax rate is set by the Mayor and Common Council annually during the adoption of the budget. For fiscal year 2017, the Mayor and Council adopted a real property tax rate of \$0.56 per \$100 of assessed value, unchanged from the prior year. This rate is split into two rates, one for operations and one for capital improvements. All tax revenues collected for capital improvements are restricted for use in the capital improvement budget in the General Fund.

Personal Property Tax Rate

The personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2017, the Mayor and Council adopted a personal property tax rate of \$1.10 per \$100 of assessed value, unchanged from the prior year.

Utility Personal Property Tax Rate

The utility personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2017, the Mayor and Common Council adopted a tax rate of \$1.40 per \$100 of assessed value, unchanged from the prior year.

Operating Budget

The City maintains a balanced Operating Plan and a six-year Capital Improvement Plan (CIP) for expenditures based on projected revenues. The development of these four-year and six-year plans requires the City to evaluate the impact of current decisions on the long-term financial position of the City.

Capital Projects

The City's six-year Capital Improvement Plan is focused on maintaining existing infrastructure, building a fiber network, and improving and expanding economic development. The six-year program includes \$21 million to build the broadband fiber network and \$56 million to upgrade the wastewater facility for enhanced nutrient removal. Additional projects include replacement of aging technology equipment, water mains, and vehicles and equipment. The Plan also includes funding for road and streetlight improvements.

Debt Administration

The City finances its capital needs on a regular basis dictated by its capital spending pattern. The City plans long and short-term debt issuance to finance its capital budget based on cash flow needs, sources of revenue, available financing instruments, trends in bond market structures, and trends in interest rates. A financial advisory firm and bond counsel assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors.

Users of this document, as well as others interested in the programs and services offered by the City, are encouraged to read the City's Adopted Fiscal Year 2017-2018 Budget. The document details the City's long-term goals and financial policies, describes the various activities' accomplishments and initiatives, and outlines the City's capital improvement program. The budget can be obtained from the City of Westminster's website at www.westminstermd.gov.

Financial Policies and Practices

General

1. The City of Westminster's departments will carry out the Mayor and Common Council's goals, objectives, and policies through a service delivery system funded by the City's operating and capital budgets.
2. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate duplicative functions within the City government and between the City of Westminster and other public agencies in the community. Specifically, intensive reviews of the efficiency and effectiveness of certain City services will be periodically undertaken.

3. Whenever feasible, City activities will be considered enterprises if they will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.
4. Adequate reserves will be maintained for all known liabilities.
5. Efforts will be coordinated with neighboring governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis, and support favorable legislation at the State and Federal level.
6. The City will seek out, apply for, and effectively administer federal, state, and foundation grants-in-aid that address the City's current priorities and policy objectives.
7. The City will initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
8. The City's Finance Department personnel will carry out all policies responsibly, ethically, and professionally for the betterment of the City of Westminster.

Budget

1. The City Administrator, on behalf of the Mayor, will develop a recommended budget in conjunction with the City's department directors. The Finance Director will coordinate all aspects of the City's budget process. The recommended budget will be presented to the Common Council for its consideration and adoption.
2. The recommended budget will be developed based on the Government Finance Officer Association (GFOA) budget document development guidelines as a planning document, and will present key economic issues for public discussion.
3. As required by State law, the Common Council shall adopt a balanced budget by an ordinance appropriating funds prior to the beginning of the fiscal year.
4. All governmental fund budgets presented to the Mayor and Common Council for adoption will be balanced, with projected expenditures equal or less than projected revenues and applied fund balance.
5. The relationship between the operating and capital budgets will be explicitly recognized and incorporated into the budget process. Funding for these budgets shall be sufficient to provide municipal operating services and maintenance or enhancement of capital assets needed to support public demand for City services.
6. Common Council approval is required to transfer balances from one department to any other department.
7. These financial policies will be included as part of the budget document.

Revenue Policies

1. Budgeted revenue estimates will be based on reasonably conservative and realistic expectations.
2. Non-recurring revenues and financing sources will not be used to finance continuing operations per City Code requirements.
3. Long-term financial commitments for continuing outlays will be avoided unless sustained revenue growth is assured.

4. The City will be aggressive in collecting revenues owed to it.
5. The City will establish all user charges fees at a level related to the full costs of providing the service. The City will review fees/charges periodically.
6. The City will consider market rates and charges levied by other area municipalities of similar size for like services in establishing rates, fees, and charges. The fee structure will be reviewed during the budget process and will be included in the budget document.
7. Enterprise operations will be self-supporting.
8. With the development of the water/sewer rate structure model in 2009, the City provided for a "dividend" that may be declared by the Common Council based on successful results within the enterprise funds. Should the Common Council elect to do so, at the end of the fiscal year when final results are available, by resolution they may declare a dividend that will be transferred to the General Fund in support of costs incurred by the fund in support of the enterprise activities.
9. For the FY 2010 - 2011 budget year, the Common Council approved an increase in the real estate property tax rate for the intent of funding capital projects. Any and all revenue received above the FY 2009 - 2010 tax rate is hereby directed into a Capital Projects account to be used only in support of Common Council appropriated capital projects.
10. The City bills for services provided. These may include, but are not limited to, fees associated with levies authorized by legislation, fines issued for violations of Code, and charges for utilities consumed. Each receivable is booked when billed, and is associated with a customer account that represents an obligation to the City. It is assumed that charges incurred will be paid according to the terms and conditions of the obligation; however, not all receivables are honored in full and may not be cost effective for the City to pursue in collection. As a result, a receivable may need to be written-off and bad debt expense recorded. A receivable should be written-off to loss when cost-effective means to collect monies due have been performed and further effort would be more costly than the proceeds received. Cost-effective means include, but are not limited to, using City resources to provide notice to the obligor as provided for by City policy and Code, and filing liens as the laws of the State of Maryland provide. Each action taken is documented in accordance with internal control procedures, and is utilized to support the write-off decision.

Expenditure Accounts

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balance accumulated through prior years.
2. The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions may include a hiring freeze, expenditure reductions, fee increases, or use of contingencies. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided.

3. The City Administrator shall undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.
4. The City shall make every effort to maximize any discounts offered by creditors/vendors, and partnering with other governmental agencies for resource purchasing shall be encouraged.
5. If budgeted funds are not available, the Director of Finance shall be contacted to assist in locating a source of funds prior to the purchase occurring.
6. A department director is able to make transfers up to \$10,000. Any transfers over \$10,000 require the Common Council's approval, even if involving a reallocation of funds within the same department. Common Council approval is required for all transfers between departments.

Capital Improvement Policies

1. The City will develop a multi-year plan for capital improvements, which will be updated annually. The Capital Improvement Plan (CIP) will include a description of each project, its cost, and its funding source(s). All capital improvements during the year will be made in accordance with the CIP and City Code requirements.
2. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues whenever possible.
3. The capital budget process works in conjunction with the regular operating budget process. CIP projects are noted as funded or unfunded depending on whether or not the forecasted operating budget can support or fund the project. All funded CIP projects are included in the operating budget for the current budget year.
4. Carryover or multi-year projects will be included in the CIP.

Capital Asset Management Policy

1. Capital (fixed) assets are tangible items that are acquired by procurement, transfer, capital lease, donation, or other method that transfers ownership and have the following characteristics
 - a) Have an estimated useful life of five or more years;
 - b) Are not intended for sale in the ordinary course of operations; and,
 - c) Are acquired or constructed with the intention of being used, or being available for use, by the entity to conduct business.
2. Capital assets will not be degraded, given away, or allowed to deteriorate except by action of the Common Council.
3. The capitalization threshold used in determining if a given asset qualifies for capitalization is \$10,000.

4. Adequate insurance shall be maintained on all capital assets consistent with the results of the annual physical count/inspection.

Accounting, Auditing and Financial Reporting Policies

1. The City Treasurer prepares and presents regular reports to the City Administrator and the Mayor and Common Council that analyze, evaluate, and forecast the City's financial performance, position, and economic conditions.
2. The Finance Committee of the Common Council and the State of Maryland requires an independent audit to be performed annually. This audit is available to the public on the City's website.
3. The City will issue annual financial reports in accordance with generally accepted accounting principles (GAAP) as outlined in the Governmental Accounting, Auditing and Financial Reporting (GAAFR) publication.

Purchasing Policy

1. The City shall ensure that all purchasing actions are fair and impartial with no impropriety or appearance of impropriety. All qualified buyers and sellers will have equal access to City business and no individual or firm shall be arbitrarily excluded.
2. To the maximum extent possible, purchasing actions will be conducted in a competitive environment.
3. Purchases will be made by the City Treasurer. Responsibility for certain purchasing actions may be delegated to other senior City officials by the City Treasurer.
4. All budgeted purchase requisitions are subject to the following approvals:
 - a) Purchases up to \$25,000 are approved by the Mayor, City Administrator, or department director.
 - b) Purchases above \$25,000 are approved by the Common Council.
 - c) Purchases of budgeted capital items and vehicles may be authorized by the City Administrator to take advantage of state, county, or other local purchasing options. The Common Council will be notified of such purchases.
5. Purchases up to \$100 may be made through petty cash.
6. The City will maintain yearly open purchase orders to cover purchases from vendors that supply the City with a high volume of the same or similar goods or services during the year.

Investment Policy

1. Public funds will be invested in a manner consistent with the greatest safety and protection for the City's investments. This investing of funds will, while protecting the safety of the City's investments, produce the highest investment return for meeting the cash flow requirements of the City and conform to all Maryland State statutes, City ordinances, and policies governing the investment of public funds.

2. The standard of prudence to be applied by the City Treasurer in managing the City's overall portfolio shall be the "Prudent Person Rule" which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."
3. The City Treasurer, acting in accordance with the City's Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
4. All investments will be governed by the following objectives:
 - a) Safety of principal is the primary objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, some diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - b) The City's investment portfolio shall be designed with the goal of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
5. The Common Council will annually review the overall Investment Policy during budget deliberations as it relates to the City's financial objectives and make any necessary modifications to the Policy.
6. Officials and employees involved in the investment process shall refrain from personal business activity which could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions.
7. The Treasurer will maintain a list of financial institutions and security dealers authorized to provide banking and investment services to the City.

Debt Management Policy

1. The City will ensure that future debt service payments can be made without jeopardizing the provision of essential services.
2. There will be an acceptable degree of flexibility to meet unanticipated expenditures.
3. Outstanding debt obligations will not threaten long-term financial stability.
4. The amount of outstanding debt will not place undue burden on community residents and businesses.
5. Debt issuance is subject to the City of Westminster's Charter requirements and the legal limits set by the State of Maryland.

Awards and Acknowledgements

The City is submitting its financial report to Government Finance Officers Association of the United States and Canada (GFOA) this year. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2016 adopted budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The Distinguished Budget Presentation Award is valid for a period of one year only. The City of Westminster has received the Distinguished Budget Presentation Award for the past four consecutive years (2013-2016).

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff in the Department of Finance and the cooperation of the entire organization. In closing, I would like to thank the Mayor and Common Council for their continuing support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Tammy Palmer

Tammy M. Palmer
Director of Finance and Administrative Services

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City of Westminster, Maryland

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Mayor

Mr. Joe Dominick

Common Council

Dr. Robert Wack, Council President
Mr. Gregory Pecoraro, Council President Pro-Tem
Dr. Mona Becker, Councilmember
Mr. Tony Chiavacci, Councilmember
Mr. Benjamin Yingling, Councilmember

Management Team

<u>Title</u>	<u>Name</u>
City Administrator	Barbara B. Matthews
Chief of Police	Jeff Spaulding
Director of Finance and Administrative Services	Tammy Palmer
Director of Housing and Preservation	Cindy Valenzisi
Director of Planning and Development	William Mackey
Director of Public Works	Jeff Glass
Director of Recreation and Parks	Abby Gruber

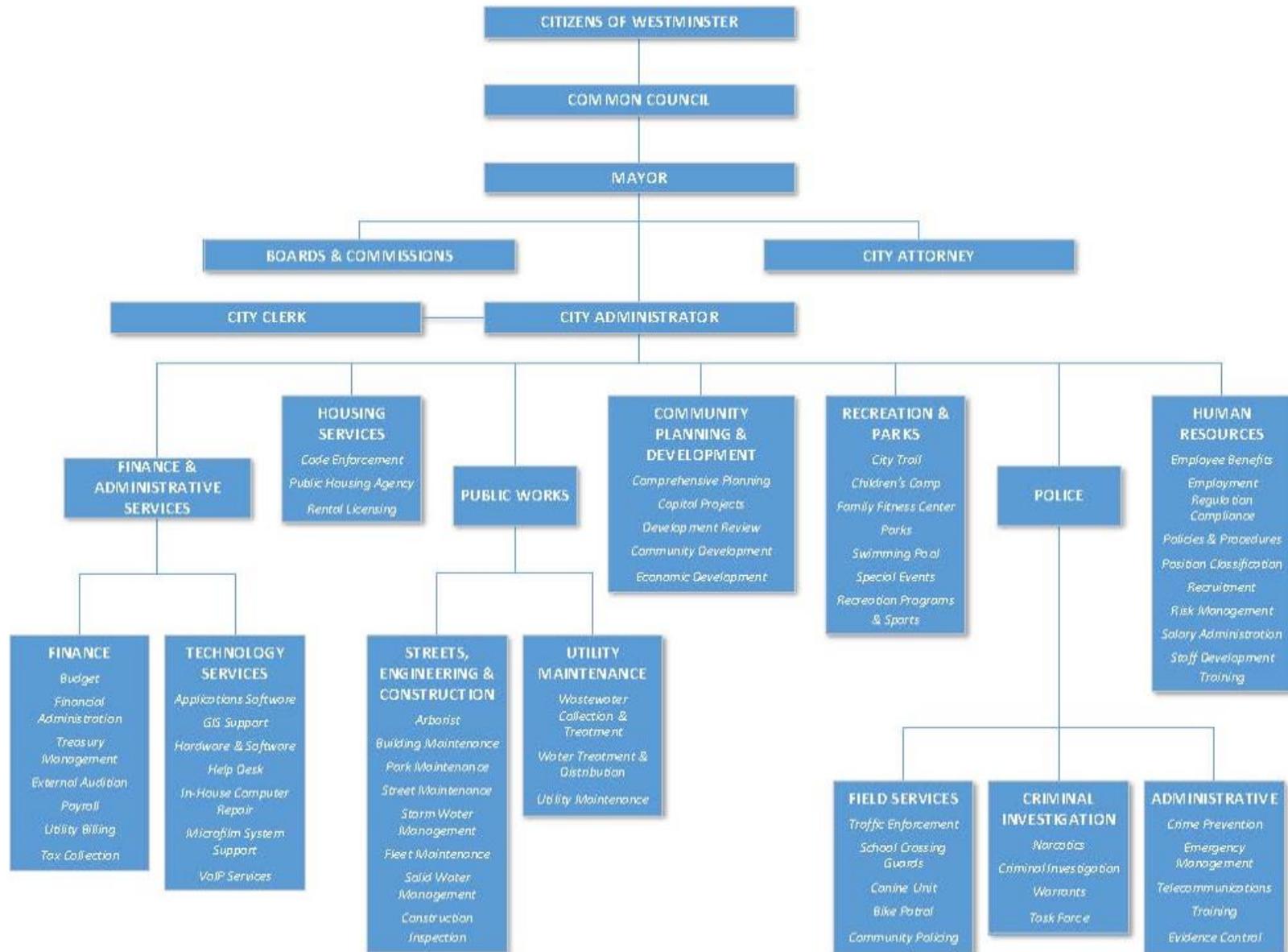
Independent Auditor

CohnReznick, LLP
Baltimore, Maryland

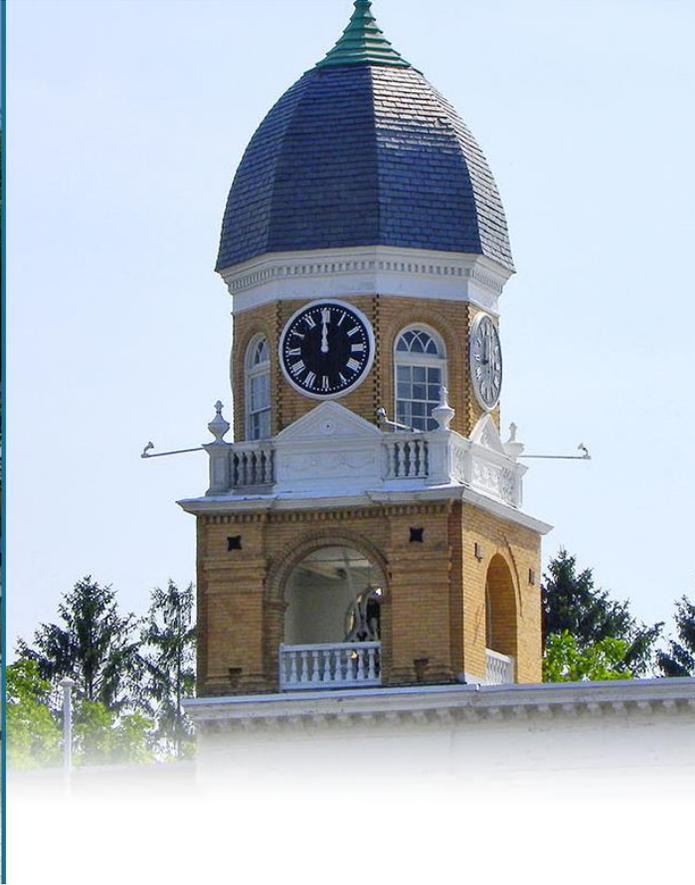
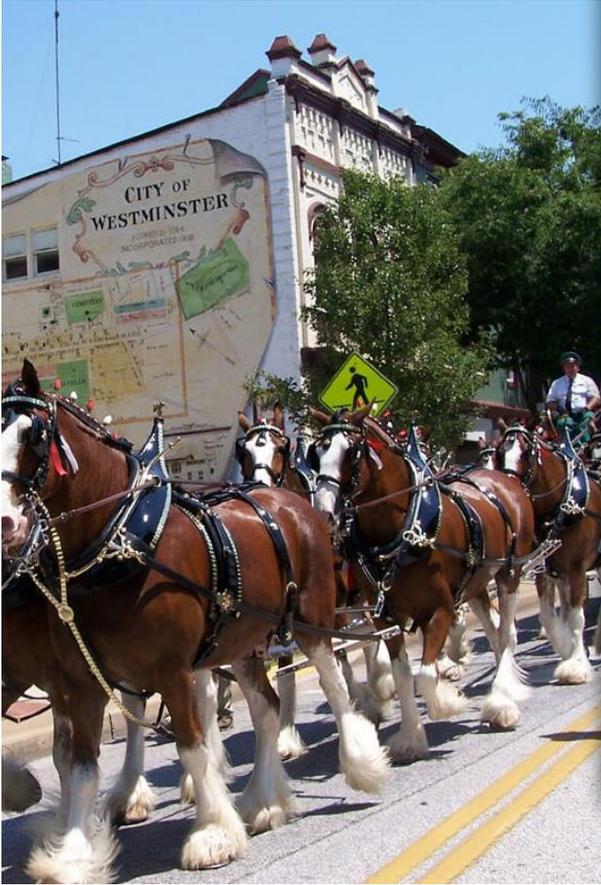
Bond Counsel

Funk & Bolton, P.A.
Baltimore, Maryland

CITY OF WESTMINSTER



Financial Section



Independent Auditor's Report

To the Mayor and Common Council
City of Westminster, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Westminster, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 18 - 30 and pages 93 - 94; the schedules of funding progress and employer contributions - other postemployment benefits plan on page 95; and the schedules of the City's proportionate share of the net pension liability and pension plan contributions on pages 96 and 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster, Maryland's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The Program Balance Sheet Summary and Program Revenue and Expense Summary are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the Program Balance Sheet and Program Revenue and Expense Summary 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City of Westminster, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westminster, Maryland's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
November 30, 2017

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of the City of Westminster, Maryland, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the City of Westminster for the fiscal year ended June 30, 2017. The objective of this discussion and analysis of the City's financial statements is to provide an overview of its financial activities for the past fiscal year.

Financial Highlights:

Government-wide:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$117,675,981 (net position). Of this amount \$49,076,152 was for governmental activities and \$68,599,829 was for business type activities. The amount of net position that was unrestricted at year end was \$4,632,883 for governmental activities and \$13,845,582 for business type activities. The total net investment in capital assets was \$91,474,645 at June 30, 2017 compared to \$88,228,512 at June 30, 2016.
- Total net position increased by \$3,262,031 or 3% over fiscal year 2016. Governmental activities increased by \$92,444 while business type activities increased by \$3,169,587. The increase in business activities can be attributed to capital improvement projects.

Fund level:

- As of June 30, 2017, the City's governmental funds reported combined fund balances of \$15,373,127 - an increase of \$1,597,082 from the prior year. Approximately 81% of the combined fund balance is available to meet the City's current and future needs (*unassigned*), 13% is restricted or committed for future use, 3% is assigned for items such as existing purchase orders and contracts, and 3% is non-spendable, meaning it is in the form of receivables and inventory.
- At the end of the most recent fiscal year, the unassigned fund balance of the general fund was \$12,637,073. This is available to meet the City's current and future needs.

Long term debt:

- The City of Westminster's total bonded debt increased by \$3,278,183 or 22% from fiscal year 2016. The increase was primarily due to the continued construction of the fiber network that resulted in additional draw downs. During fiscal year 2017, the City paid an average interest rate of 2.7%.

CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflow of resources, and liabilities with the difference between them reported as *net position*. Over time, changes in net position may serve as a useful indicator of whether the financial position and condition of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, earned but unused annual leave).

Both of the government-wide financial statements referenced above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police), public works (streets and sanitation), recreation and parks and community development (including the Public Housing Agency). The business-type activities of the City include the sewer, water, and fiber services.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two different categories: governmental funds and proprietary funds.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at

CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for:

- 1) The General Fund, and
- 2) The Public Housing Agency Fund (PHA)

The City appropriates annual budgets for its governmental funds. A budgetary comparison statement for the general fund has been provided in the required supplementary information.

Proprietary Funds: The City maintains only one type of proprietary fund: *enterprise funds*. Enterprise funds are used to report the same functions presented in *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water services as well as a newly created fiber services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Fiber Funds, which are considered to be major funds of the City.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City. A budgetary comparison schedule has been provided for the General Fund and Public Housing Fund.

Statistical Section: The statistical section provides supplemental financial and statistical information intended to provide a broader understanding of the City's financial and economic environment. Much of the data presented is multi-year and some of it is derived from records external to the City's accounting records, therefore; the statistical section is unaudited.

CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition and position. In the case of the City, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$117,990,434 at the close of the most recent fiscal year. The City's net position is divided into three categories: net investment in capital assets, restricted net position and unrestricted net position. The largest portion is the City's net investment in capital assets (e.g. buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems, and furniture and fixtures, less any related debt used to acquire those assets that is still outstanding, and accumulated depreciation). These net capital assets represent 78% of the total net position reported. The City uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from operating revenue since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$7,722,871 represents 7% of total net position. Restricted net position is resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position of \$18,478,465 represents 16% of total net position and may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the most recent fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

City of Westminster, Maryland
Net Position

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Assets:						
Current & Other Assets	\$ 18,494,015	\$ 16,865,835	\$ 25,231,715	\$ 24,011,840	\$ 43,725,730	\$ 40,877,675
Non-Current Assets	17,000	18,650	17,324	18,976	34,324	37,626
Capital Assets, Net	46,354,485	46,786,131	62,976,447	56,089,383	109,330,932	102,875,514
Total Assets	64,865,500	63,670,616	88,225,486	80,120,199	153,090,986	143,790,815
Deferred Outflows of Resources:						
	2,789,638	2,166,866	748,415	622,515	3,538,053	2,789,381
Total Assets and Deferred Outflows of Resources	\$ 67,655,138	\$ 65,837,482	\$ 88,973,901	\$ 80,742,714	\$ 156,629,039	\$ 146,580,196
Liabilities:						
Current Liabilities	\$ 3,055,552	\$ 3,016,678	\$ 3,384,466	\$ 2,215,590	\$ 6,440,018	\$ 5,232,268
Non-Current Liabilities	14,445,450	13,181,785	16,745,985	12,904,740	31,191,435	26,086,525
Total Liabilities	17,501,002	16,198,463	20,130,451	15,120,330	37,631,453	31,318,793
Deferred Inflow of Resources:						
	1,077,984	655,311	243,621	192,142	1,321,605	847,453
Net Position:						
Net Investment in Capital Assets	42,454,147	42,526,125	49,020,498	45,702,387	91,474,645	88,228,512
Restricted	1,989,122	1,935,889	5,733,749	6,092,201	7,722,871	8,028,090
Unrestricted	4,632,883	4,521,694	13,845,582	13,635,654	18,478,465	18,157,348
Total Net Position	\$ 49,076,152	\$ 48,983,708	\$ 68,599,829	\$ 65,430,242	\$ 117,675,981	\$ 114,413,950

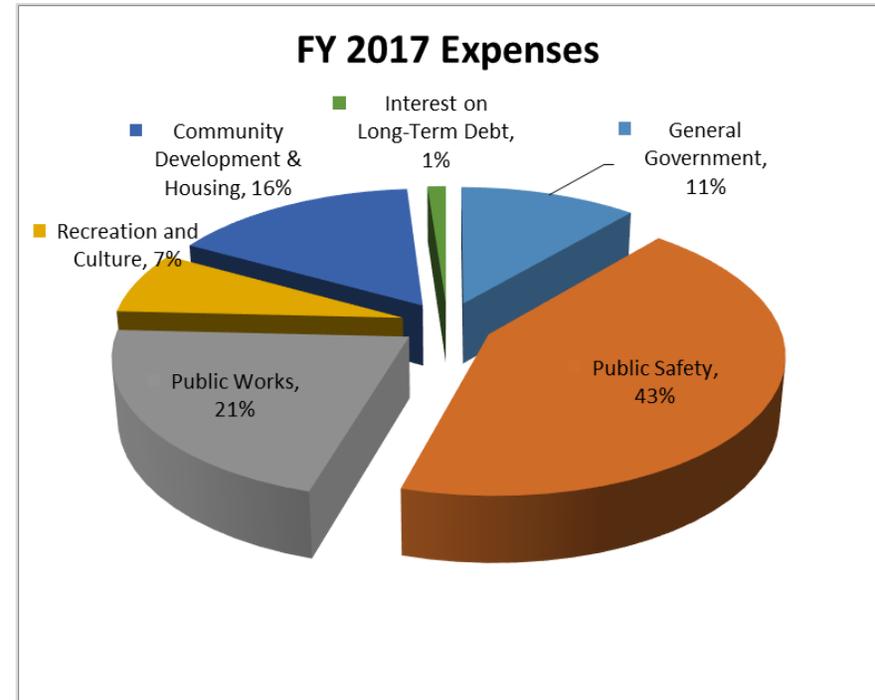
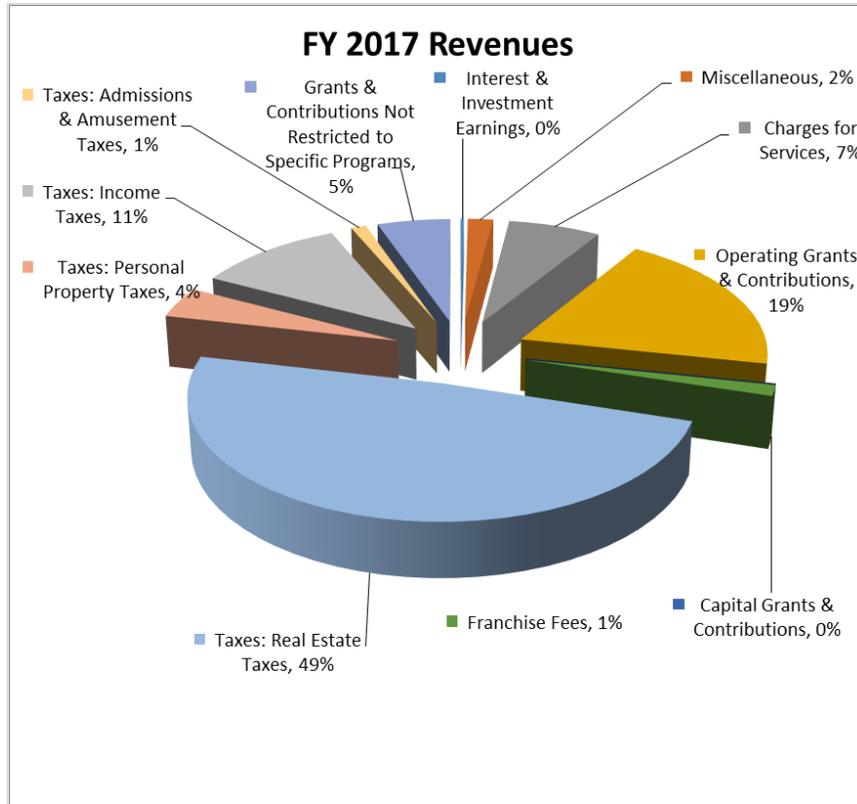
**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

City of Westminster, Maryland
Changes in Net Position

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
<u>Program Revenues:</u>						
Charges for Services	\$ 1,254,812	\$ 1,144,123	\$ 11,698,090	\$ 11,502,435	\$ 12,952,902	\$ 12,646,558
Operating Grants & Contributions	3,614,596	3,312,279	-	-	3,614,596	3,312,279
Capital Grants & Contributions	440,000	4,551,637	941,831	419,379	1,381,831	4,971,016
<u>General Revenues:</u>						
Taxes:						
Real Estate Taxes	9,061,859	8,830,708	-	-	9,061,859	8,830,708
Personal Property Taxes	792,293	904,381	-	-	792,293	904,381
Income Taxes	1,998,888	2,104,369	-	-	1,998,888	2,104,369
Admissions & Amusement Taxes	204,885	199,345	-	-	204,885	199,345
Grants & Contributions Not						
Restricted to Specific Programs	995,644	990,360	-	-	995,644	990,360
Franchise Taxes	270,616	255,188	-	-	270,616	255,188
Interest & Investment Earnings	42,233	26,550	84,466	53,066	126,699	79,616
Miscellaneous	345,252	449,220	373,012	228,452	718,264	677,672
Total Revenues	19,021,078	22,768,160	13,097,399	12,203,332	32,118,477	34,971,492
Expenses:						
<u>Governmental Activities:</u>						
General Government	1,958,923	2,044,804	-	-	1,958,923	2,044,804
Public Safety	7,779,910	6,077,097	-	-	7,779,910	6,077,097
Public Works	5,288,557	4,833,127	-	-	5,288,557	4,833,127
Recreation & Parks	1,406,611	1,363,735	-	-	1,406,611	1,363,735
Community Development & Housing	2,293,036	2,067,003	-	-	2,293,036	2,067,003
Interest on Long-Term Debt	166,597	178,666	-	-	166,597	178,666
<u>Business-Type Activities:</u>						
Sewer Services	-	-	5,036,757	4,839,774	5,036,757	4,839,774
Water Services	-	-	4,548,024	4,496,897	4,548,024	4,496,897
Fiber Services	-	-	378,031	347,687	378,031	347,687.00
Total Expenses	18,893,634	16,564,432	9,962,812	9,684,358	28,856,446	26,248,790
Excess of Revenues over Expenses	127,444	6,203,728	3,134,587	2,518,974	3,262,031	8,722,702
Transfer (Out) In	(35,000)	(2,055,923)	35,000	2,055,923	-	-
Change in Net Position	92,444	4,147,805	3,169,587	4,574,897	3,262,031	8,722,702
Net Position - Beginning	48,983,708	44,835,903	65,430,242	60,855,345	114,413,950	105,691,248
Net Position - Ending	\$ 49,076,152	\$ 48,983,708	\$ 68,599,829	\$ 65,430,242	\$ 117,675,981	\$ 114,413,950

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

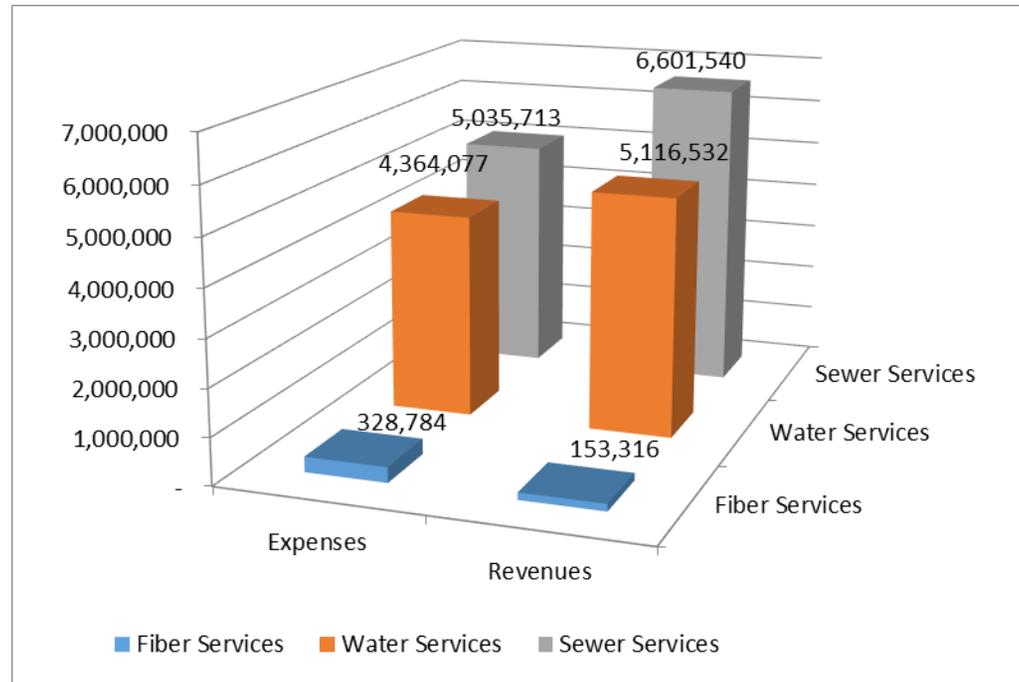
- Governmental Activities:** A graphic representation of the City's Governmental Activities Revenues and Expenses is shown below. Each component is accompanied by the percentage of the total it represents.



**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- **Business-type activities:** A graphic representation of the City's Business-Type Activity Revenues and Expenses is shown below.

FY 2017 Enterprise Funds



**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Financial Analysis of the Government's Funds:

As noted earlier, the City of Westminster, Maryland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the analysis of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a measure of a government's net resources available for appropriation as revenue in the subsequent fiscal year.

As of the June 30, 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$15,373,127. Approximately 1% of the fund balance (\$192,286) is restricted for the Public Housing Agency. An additional 14% has been restricted as follows:

- \$1,645,066 restricted for Capital Improvement Projects
- \$100,775 restricted for an employee flexible spending plan and forfeited proceeds awarded to the City by judicial process

The total General Fund balance increased \$1,540,791 during fiscal year 2017, as a result of being under budget in expenditures. The Public Housing Agency fund balance increased \$56,291 due to moderate funding increases from U.S. Department of Housing and Urban Development (HUD).

Proprietary Funds: The City's proprietary funds analysis provides the same type of information found in the governmental activities financial statements, but in more detail.

The Sewer, Water, and Fiber Funds are the City's three enterprise operations. There was an overall revenue increase of \$879,715, or 2.8%, from fiscal year 2016. Of this amount, \$100,000 was due to additional revenue arising from ongoing expansion of the fiber network. Approximately \$230,000 was attributable to an increase in the sewer rate.

General Fund Budgetary Highlights:

The budgetary statement of the General Fund shows actual revenues of \$16,378,251 compared to the budgeted amount of \$20,216,698, an overall shortfall of \$3,818,447. The major differences between the final budgeted amounts and the actual revenues are summarized below:

- A shortfall in intergovernmental revenues, primarily due to \$2,550,000 of project grants that have not yet been approved or have been delayed thereby reducing the need for seeking grant reimbursement.
- Project delays eliminated the need to transfer \$1,380,000 from fund balance.

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Actual General Fund expenditures were less than budget by \$5,470,651 primarily driven by:

- \$3,101,000 of Capital Improvement Projects that were either delayed or adjusted downwards in scope. Some of these capital outlay items were re-appropriated during the fiscal year 2018 budget process. The budget approved by the Common Council allocated \$2.5 million for retrofitting and redesign of sidewalks for ADA compliance; however, the anticipated intergovernmental grants were not received during the fiscal year.
- The Director of Housing position was vacant all year and the City Administrator position was vacant for six months. There were various other vacancies in positions in other departments resulting in reduced expenditures as budgeted.

Capital Asset and Debt Administration:

Capital Assets: The City of Westminster's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$109,634,380 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems, furniture and fixtures and construction in progress. The total increase in the City's investment in capital assets for the fiscal year was 7%, arising primarily from business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land & Land Rights	\$ 1,744,172	\$ 1,744,172	\$ 190,915	\$ 190,915	\$ 1,935,087	\$ 1,935,087
Construction in Progress	485,800	475,199	15,835,983	8,091,628	16,321,783	8,566,827
Buildings	14,799,293	14,764,293	121,075	117,375	14,920,368	14,881,668
Equipment	3,757,739	3,704,563	4,154,466	3,997,773	7,912,205	7,702,336
Furniture & Fixtures	221,986	128,041	6,414	6,414	228,400	134,455
Improvements Other than Buildings	10,415,040	9,640,047	-	-	10,415,040	9,640,047
Infrastructure	50,598,344	49,352,791	49,467,233	48,851,013	100,065,577	98,203,804
Utility Plant & Equipment	-	-	27,963,321	27,938,330	27,963,321	27,938,330
Vehicles	3,031,737	2,949,197	1,119,246	963,178	4,150,983	3,912,375
Water Use Rights	1,400,000	1,400,000	-	-	1,400,000	1,400,000
Less: Accumulated Depreciation	(40,099,626)	(37,372,172)	(35,882,206)	(34,067,243)	(75,981,832)	(71,439,415)
Total Capital Assets	\$ 46,354,485	\$ 46,786,131	\$ 62,976,447	\$ 56,089,383	\$ 109,330,932	\$ 102,875,514

Major capital asset activities during fiscal year 2017 included the following:

- Continued with Phase I of construction of the citywide Fiber Optic Network adding \$5.4 million to Construction in Progress (CIP). Phase I is expected to be completed during fiscal year 2018 at a total cost of approximately \$8 million. The project is funded by the sale of bonds.
- Continued construction of the Gesell Well Treatment Plan and project costs increased CIP by \$930,000.
- Continued the Waste Water Treatment Plant ENR Upgrade increasing CIP by \$805,000.
- Completed the extension of the Wakefield Valley Community Trail that got underway in fiscal year 2016. The total project cost was \$440,000.

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- Installed new playground equipment at the City Park Playground at a cost of \$275,000.
- Continued the Water Main upgrade project increasing CIP by \$420,000.

Commitments:

The City is committed under the following contracts for construction and related projects as of June 30, 2017:

Project	Contract Amount	Amount Outstanding at June 30, 2017
Public Works - Structural Study for Walls	\$ 16,500	\$ 16,500
Recreation & Parks Installation of Equipment	14,270	14,270
Public Works - Line Striping, Street Lighting & Cleaning	<u>11,741</u>	<u>11,741</u>
Governmental Activities	<u>\$ 42,511</u>	<u>\$ 42,511</u>
City-Wide Fiber Infrastructure	\$ 7,081,606	\$ 423,475
Gesell Well Treatment Plant	2,978,437	1,072,216
WWTP Upgrade ENR Removal	1,395,523	1,277,928
Hollow Rock Rd & Cityview Water Main	498,391	471,461
Geographic Information System Layers	<u>94,433</u>	<u>39,010</u>
Business-Type Activities	<u>\$ 12,048,390</u>	<u>\$ 3,284,090</u>

Long-Term Debt:

At the end of fiscal year 2017, the City had total bond and loan principal outstanding of \$17,814,841, backed by the full faith and credit of the City. Of that amount, \$3,884,300 represents General Fund infrastructure bonds. Water Fund Drinking Water bonds totaled \$8,554,701 while Fiber Fund Infrastructure construction bonds equaled \$5,375,840. In addition, capital lease obligations for other equipment accounted for \$55,496.

There are four other types of long-term obligations of the City that do not have mandatory payment terms. The first is a non-interest obligation to the Carroll County Commissioners of Maryland related to agreements to provide water service totaling \$226,486. The second is for compensated absences in the amount of \$685,623. Compensated absences are the total amount of leave liability that the City would owe employees upon their termination. The third are accrued Other Post-Employment Benefits (OPEB) totaling \$2,201,000. This is a liability identified per the requirements of GASB 45 for retiree benefits. The fourth is Net Pension Liability totaling \$11,509,127. This is a liability identified per the requirement of GASB 68 related to the City's share of the total liability of the Maryland State Retirement System, in which the City participates. When considering these additions, total long-term debt at June 30, 2017, was \$32,491,573 compared to \$27,406,152 at June 30, 2016.

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

- **Annual Debt Service:** During fiscal year 2017 principal, interest, and administrative fee payments of \$1,846,585 were made on all bonds and leases. During fiscal year 2018, \$1,508,120 is expected to be paid for debt service obligations of principal, interest and administrative fees.

Subsequent Events and Economic Factors

GENERAL FUND

The City of Westminster has adopted the fiscal 2018 budget appropriation for the general fund of approximately \$15.65 million. Real property tax continues to be the main source of revenue at 47% and the rates are expected to remain the same at \$0.56 per \$100 of assessed valuation.

FIBER FUND

As of June 30, 2017, Phase 1 and 2 of the citywide Fiber Network Project was 80% complete; the remainder is expected to conclude by December 31, 2017. The projected cost of these first two phases (including the pilot phase) is approximately \$8.5 million; it is estimated that 2,750 units will have access to the network.

Phases 3 and 4 of the project will begin in January 2018, with an expected cost of approximately \$6 million. At the end of construction, it is estimated that a total of 5,600 units will have access to the network.

WATER FUND

The City provides service to approximately 6,200 locations in Westminster and 3,800 outside the City limits. There are no plans to change rates in the fiscal year 2018, but a rate study will be performed to provide a basis for establishing rates in fiscal 2019 and subsequent years.

SEWER FUND

There are no plans to change sewer rates during fiscal year 2018. The most recent increase took effect in June 2016. A rate study will be performed which will provide a basis for establishing rates in fiscal year 2019 and beyond. The multi-year project to upgrade the City's Wastewater Treatment Plant is expected to cost \$58.9 million, with construction beginning in fiscal year 2018.

ADMINISTRATIVE OFFICES

On November 27, 2017, the Mayor and Common Council approved the purchase of a building that will house the City's administrative offices. The transaction is expected to be completed at a cost of approximately \$1.6 million and will be funded from existing reserves. The current lease for office space expires in March 2018.

**CITY OF WESTMINSTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Request for Information:

This financial report is designed to provide a general overview of the City of Westminster, Maryland's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Tammy Palmer, Director of Finance, City of Westminster, 56 W. Main Street, Westminster, Maryland, 21157.

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Basic Financial Statements



City of Westminster, Maryland
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 3,300	\$ -	\$ 3,300
Equity in Pooled Cash & Cash Equivalents			
Unrestricted	11,169,204	15,245,211	26,414,415
Restricted	6,701,885	5,733,749	12,435,634
Taxes Receivable	327,624	-	327,624
Accounts Receivable, Net of Allowance for Uncollectibles of \$210,373 and \$208,936, respectively			
Unrestricted	326,187	1,412,900	1,739,087
Restricted	-	78,578	78,578
Unbilled Services	-	1,663,202	1,663,202
Grants Receivable	30,459	-	30,459
Loan Receivable	1,650	-	1,650
Prepaid Items and Deposits	213,262	164,216	377,478
Internal Balances	(767,517)	767,517	-
Due from Other Governments	413,326	27,451	440,777
Inventory	74,635	138,891	213,526
TOTAL CURRENT ASSETS	18,494,015	25,231,715	43,725,730
NON-CURRENT ASSETS			
Accounts Receivable	-	17,324	17,324
Loan Receivable	17,000	-	17,000
	17,000	17,324	34,324
Capital Assets			
Land & Land Rights	1,744,172	190,915	1,935,087
Construction in Progress	485,800	15,835,983	16,321,783
Buildings	14,799,293	121,075	14,920,368
Equipment	3,757,739	4,154,466	7,912,205
Furniture & Fixtures	221,986	6,414	228,400
Improvements Other than Buildings	10,415,040	-	10,415,040
Infrastructure	50,598,344	49,467,233	100,065,577
Utility Plant & Equipment	-	27,963,321	27,963,321
Vehicles	3,031,737	1,119,246	4,150,983
Water Use Rights	1,400,000	-	1,400,000
	86,454,111	98,858,653	185,312,764
Accumulated Depreciation	40,099,626	35,882,206	75,981,832
Net Capital Assets	46,354,485	62,976,447	109,330,932
TOTAL NON-CURRENT ASSETS	46,371,485	62,993,771	109,365,256
TOTAL ASSETS	64,865,500	88,225,486	153,090,986
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - pension related	2,775,588	748,415	3,524,003
Charge on Refunding	14,050	-	14,050
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,789,638	748,415	3,538,053
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 67,655,138	\$ 88,973,901	\$ 156,629,039

See Notes to Basic Financial Statements

City of Westminster, Maryland
Statement of Net Position (Continued)
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 300,431	\$ 2,151,310	\$ 2,451,741
Accrued Liabilities	160,441	67,282	227,723
Compensated Absences	22,627	7,966	30,593
Unearned Revenue	367,888	13,178	381,066
Loan Payable	100,000	-	100,000
Capital Lease Obligations	30,088	25,408	55,496
General Obligation Bonds Payable	340,100	873,949	1,214,049
Payable from Restricted Assets			
Deposits & Escrows	1,733,977	-	1,733,977
Due to Other Governments	-	245,373	245,373
TOTAL CURRENT LIABILITIES	<u>3,055,552</u>	<u>3,384,466</u>	<u>6,440,018</u>
NON-CURRENT LIABILITIES			
Compensated Absences	411,436	243,594	655,030
Accrued Other Postemployment Benefits	1,401,000	799,000	2,200,000
Net Pension Liability	9,088,814	2,420,313	11,509,127
Due to Other Governments	-	226,486	226,486
General Obligation Bonds Payable	3,544,200	13,056,592	16,600,792
TOTAL NON-CURRENT LIABILITIES	<u>14,445,450</u>	<u>16,745,985</u>	<u>31,191,435</u>
TOTAL LIABILITIES	<u>17,501,002</u>	<u>20,130,451</u>	<u>37,631,453</u>
DEFERRED INFLOWS OF RESOURCES			
Pension - Deferred Inflows	1,077,984	243,621	1,321,605
NET POSITION			
Net Investment in Capital Assets	42,454,147	49,020,498	91,474,645
Restricted for:			
Future Infrastructure Growth	-	5,733,749	5,733,749
Capital Improvement Projects	1,804,614	-	1,804,614
PHA Vouchers	184,508	-	184,508
Unrestricted	4,632,883	13,845,582	18,478,465
TOTAL NET POSITION	<u>49,076,152</u>	<u>68,599,829</u>	<u>117,675,981</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 67,655,138</u>	<u>\$ 88,973,901</u>	<u>\$ 156,629,039</u>

City of Westminster, Maryland
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 1,958,923	\$ 294,166	\$ -	\$ -	\$ (1,664,757)	\$ -	\$ (1,664,757)
Public Safety	7,779,910	136,825	317,128	-	(7,325,957)	-	(7,325,957)
Public Works	5,288,557	360,041	729,445	440,000	(3,759,071)	-	(3,759,071)
Recreation and Culture	1,406,611	463,780	281,993	-	(660,838)	-	(660,838)
Community Development & Housing	2,293,036	-	2,286,030	-	(7,006)	-	(7,006)
Interest on Long-Term Debt	166,597	-	-	-	(166,597)	-	(166,597)
Total Governmental Activities	18,893,634	1,254,812	3,614,596	440,000	(13,584,226)	-	(13,584,226)
Business-Type Activities							
Sewer Service	5,036,757	6,587,898	-	517,035	-	2,068,176	2,068,176
Water Service	4,548,024	5,045,375	-	424,796	-	922,147	922,147
Fiber Service	378,031	64,817	-	-	-	(313,214)	(313,214)
Total Business-Type Activities	9,962,812	11,698,090	-	941,831	-	2,677,109	2,677,109
TOTAL GOVERNMENT	\$ 28,856,446	\$ 12,952,902	\$ 3,614,596	\$ 1,381,831	(13,584,226)	2,677,109	(10,907,117)
GENERAL REVENUES							
Taxes							
Real Estate Taxes					9,061,859	-	9,061,859
Personal Property Taxes					792,293	-	792,293
Income Taxes					1,998,888	-	1,998,888
Admission & Amusement Taxes					204,885	-	204,885
Grants & Contributions Not Restricted to Specific Programs					995,644	-	995,644
Franchise Taxes					270,616	-	270,616
Interest & Investment Earnings					42,233	84,466	126,699
Miscellaneous					345,252	373,012	718,264
TOTAL GENERAL REVENUES					13,711,670	457,478	14,169,148
TRANSFERS IN (OUT)					(35,000)	35,000	-
CHANGES IN NET POSITION					92,444	3,169,587	3,262,031
Net Position - Beginning					48,983,708	65,430,242	114,413,950
NET POSITION - ENDING					\$ 49,076,152	\$ 68,599,829	\$ 117,675,981

See Notes to Basic Financial Statements

City of Westminster, Maryland
Balance Sheet of Governmental Funds
June 30, 2017

	General Fund	Public Housing Agency Fund	Total Government Funds
ASSETS			
Cash & Cash Equivalents	\$ 3,300	\$ -	\$ 3,300
Equity in Pooled Cash & Cash Equivalents			
Unrestricted	11,169,204	-	11,169,204
Restricted	6,504,433	197,452	6,701,885
Taxes Receivable	327,624	-	327,624
Accounts Receivable, Net of Allowance for Uncollectibles of \$210,373 and \$208,936, respectively	296,345	29,842	326,187
Grants Receivable	30,459	-	30,459
Loan Receivable	18,650	-	18,650
Prepaid Items and Deposits	205,484	7,778	213,262
Due from Other Governments	413,326	-	413,326
Inventory	74,635	-	74,635
TOTAL ASSETS	\$ 19,043,460	\$ 235,072	\$ 19,278,532
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 298,692	\$ 1,739	\$ 300,431
Accrued Liabilities	116,944	-	116,944
Compensated Absences	22,627	-	22,627
Unearned Revenue	367,888	-	367,888
Loan Payable	100,000	-	100,000
Interfund Payables	765,233	2,284	767,517
Payable from Restricted Assets			
Unearned Revenue	18,229	-	18,229
Deposits & Escrows	1,725,056	8,921	1,733,977
TOTAL LIABILITIES	3,414,669	12,944	3,427,613
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivables	36,259	-	36,259
Fines & Penalties Receivables	31,658	-	31,658
Intergovernmental Receivables	380,033	-	380,033
Housing Assistance Reimbursement Receivable	-	29,842	29,842
TOTAL DEFERRED INFLOWS OF RESOURCES	447,950	29,842	477,792
FUND BALANCES			
Non-Spendable	297,119	7,778	304,897
Restricted	1,745,841	184,508	1,930,349
Committed	17,434	-	17,434
Assigned	483,374	-	483,374
Unassigned	12,637,073	-	12,637,073
TOTAL FUND BALANCES	15,180,841	192,286	15,373,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,043,460	\$ 235,072	\$ 19,278,532

City of Westminster, Maryland
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 15,373,127

Amounts reported for governmental activities in the statement of net position are different because:

Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the property tax revenue is not available and is reported as a deferred inflow of resources in the governmental funds. 36,259

A portion of revenue for citations, intergovernmental and housing voucher repayments is not available for current period expenditures and, therefore, is reported as a deferred inflow of resources in the governmental funds. 441,533

Net charge on bond refundings is reported as an expenditure in the governmental funds but is reflected as a deferred outflow of resources in the statement of net position. 14,050

Contributions to the pension plan in the current fiscal year are deferred outflows of resources and pension-related liabilities related to earnings on pension plan investments are deferred inflow of resources in the statement of net position. 1,697,604

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 46,354,485

Long-term compensated absences, pension benefits and other post-employment benefits are not payable in the current period and are reported as wages and insurance expenditures in the period during which the absence and service occurs in the fund financial statements. (10,901,250)

Long-term liabilities, including bonds payable, capital lease obligations, and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,939,656)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 49,076,152

City of Westminster, Maryland
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Public Housing Agency Fund	Total Government Funds
REVENUES			
Taxes	\$ 12,058,463	\$ -	\$ 12,058,463
Licenses & Permits	606,307	-	606,307
Intergovernmental	2,398,685	2,168,588	4,567,273
Charges for Services	775,162	-	775,162
Fines & Forfeitures	141,900	-	141,900
Interest & Investment Earnings	42,233	-	42,233
Rental Income	9,240	-	9,240
Miscellaneous	346,261	41,958	388,219
TOTAL REVENUES	16,378,251	2,210,546	18,588,797
EXPENDITURES			
General Government	1,630,485	-	1,630,485
Public Safety	6,271,625	-	6,271,625
Public Works	3,086,761	-	3,086,761
Recreation & Parks	1,052,026	-	1,052,026
Community Development & Housing	46,586	2,229,255	2,275,841
Debt Service			
Principal	362,477	-	362,477
Interest	168,925	-	168,925
Capital Outlays	2,127,162	-	2,127,162
TOTAL EXPENDITURES	14,746,047	2,229,255	16,975,302
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,632,204	(18,709)	1,613,495
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	18,587	-	18,587
Transfer in	-	75,000	75,000
Transfer out	(110,000)	-	(110,000)
TOTAL OTHER FINANCING (USES) SOURCES	(91,413)	75,000	(16,413)
NET CHANGE IN FUND BALANCES	1,540,791	56,291	1,597,082
Fund Balances- Beginning of Year	13,640,050	135,995	13,776,045
FUND BALANCES - END OF YEAR	\$ 15,180,841	\$ 192,286	\$ 15,373,127

City of Westminster, Maryland
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2017

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,597,082

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlays	2,127,162
Less: Depreciation Expense	(2,998,808)

Capital assets contributed by third parties are not recorded in the governmental funds but are recognized as capital assets in the government wide statement of net position and as capital contribution revenue in the statement of activities.

440,000

Bond, loan, and lease proceeds provide current financial resources to governmental funds, but issuing debt and lease financing increases long-term liabilities in the government-wide statement of net position. Repayment of debt and loan principal and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.

Payment of Capital Lease Obligations	34,778
Payment on Bonds Payable	327,700

Property tax, intergovernmental grants, citations, and housing voucher repayments in the statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds.

(4,043)

In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the change in:

Net Charge on Refunding	(2,810)
Accrued Interest Expense	2,328
Long-Term Portion of Compensated Absences	22,863
Accrued Other Postemployment Benefits	(68,000)
Net Pension Liability	(1,385,808)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 92,444

City of Westminster, Maryland
Statement of Net Position - Proprietary Funds
June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Equity in Pooled Cash & Cash Equivalents				
Unrestricted	\$ 8,161,345	\$ 6,794,582	\$ 289,284	\$ 15,245,211
Restricted	4,805,295	597,797	330,657	5,733,749
Accounts Receivable				
Unrestricted	775,379	599,915	37,606	1,412,900
Restricted	78,578	-	-	78,578
Unbilled Services	899,709	763,493	-	1,663,202
Prepaid Items and Deposits	84,276	79,418	522	164,216
Interfund Receivables	357,421	410,096	-	767,517
Due from Other Governments	27,451	-	-	27,451
Inventory	82,401	56,490	-	138,891
TOTAL CURRENT ASSETS	15,271,855	9,301,791	658,069	25,231,715
NON-CURRENT ASSETS				
Accounts Receivable	8,662	8,662	-	17,324
Land & Land Rights	54,202	136,713	-	190,915
Construction in Progress	4,017,943	5,578,066	6,239,974	15,835,983
Buildings	41,496	79,579	-	121,075
Equipment	3,268,236	886,230	-	4,154,466
Furniture & Fixtures	1,607	4,807	-	6,414
Infrastructure	18,439,706	29,233,763	1,793,764	49,467,233
Utility Plant & Equipment	16,427,813	11,535,508	-	27,963,321
Vehicles	473,835	645,411	-	1,119,246
Accumulated Depreciation	42,724,838	48,100,077	8,033,738	98,858,653
Total Property & Equipment	21,986,881	13,536,573	358,752	35,882,206
TOTAL NON-CURRENT ASSETS	20,746,619	34,572,166	7,674,986	62,993,771
TOTAL ASSETS	36,018,474	43,873,957	8,333,055	88,225,486
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - pension related	395,725	352,690	-	748,415
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURC	\$ 36,414,199	\$ 44,226,647	\$ 8,333,055	\$ 88,973,901

City of Westminster, Maryland
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 296,629	\$ 473,622	\$ 1,381,059	\$ 2,151,310
Accrued Liabilities	718	55,559	11,005	67,282
Compensated Absences - S/T	-	7,966	-	7,966
Unearned Revenue	-	13,178	-	13,178
Capital Lease Obligations	12,704	12,704	-	25,408
General Obligation Bonds Payable	-	873,949	-	873,949
Payable from Restricted Assets Due to Other Governments	243,082	2,291	-	245,373
TOTAL CURRENT LIABILITIES	553,133	1,439,269	1,392,064	3,384,466
NON-CURRENT LIABILITIES				
Compensated Absences - L/T	118,709	124,291	594	243,594
Accrued Other Postemployment Benefits	418,000	381,000	-	799,000
Net Pension Obligation	1,296,121	1,124,192	-	2,420,313
Due to Other Governments	226,486	-	-	226,486
General Obligation Bonds Payable	-	7,680,752	5,375,840	13,056,592
TOTAL NON-CURRENT LIABILITIES	2,059,316	9,310,235	5,376,434	16,745,985
TOTAL LIABILITIES	2,612,449	10,749,504	6,768,498	20,130,451
DEFERRED INFLOWS OF RESOURCES				
Pension - Deferred Inflows	130,097	113,524	-	243,621
NET POSITION				
Net Investment in Capital Assets	20,725,253	25,996,099	2,299,146	49,020,498
Restricted for:				
Future Infrastructure Growth	4,805,295	597,797	330,657	5,733,749
Unrestricted	8,141,105	6,769,723	(1,065,246)	13,845,582
TOTAL NET POSITION	33,671,653	33,363,619	1,564,557	68,599,829
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 36,414,199	\$ 44,226,647	\$ 8,333,055	\$ 88,973,901

City of Westminster, Maryland
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ 6,587,898	\$ 5,045,375	\$ 64,817	\$ 11,698,090
Miscellaneous	13,642	71,157	88,499	173,298
TOTAL OPERATING REVENUES	6,601,540	5,116,532	153,316	11,871,388
OPERATING EXPENSES				
Administrative & General	1,308,908	1,313,724	-	2,622,632
Sewer Treatment	1,973,567	-	-	1,973,567
Transmission & Distribution	965,394	694,749	-	1,660,143
Water Treatment & Pumping	-	1,507,861	-	1,507,861
Fiber	-	-	149,408	149,408
Depreciation	787,844	847,743	179,376	1,814,963
TOTAL EXPENDITURES	5,035,713	4,364,077	328,784	9,728,574
OPERATING INCOME (LOSS)	1,565,827	752,455	(175,468)	2,142,814
NON-OPERATING REVENUES (EXPENSES)				
Interest & Investment Earnings	42,233	42,233	-	84,466
Rental Income	-	199,714	-	199,714
Interest Expense	(1,044)	(183,947)	(49,247)	(234,238)
TOTAL NON-OPERATING REVENUES (EXPENSES)	41,189	58,000	(49,247)	49,942
INCOME BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS	1,607,016	810,455	(224,715)	2,192,756
Capital Contributions	517,035	424,796	-	941,831
Transfer in/(out)	-	-	35,000	35,000
CHANGES IN NET POSITION	2,124,051	1,235,251	(189,715)	3,169,587
Net Position - Beginning of Year	31,547,602	32,128,368	1,754,272	65,430,242
NET POSITION - END OF YEAR	\$ 33,671,653	\$ 33,363,619	\$ 1,564,557	\$ 68,599,829

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows:				
Cash Received from Customers	\$ 6,381,123	\$ 4,978,770	\$ 64,817	\$ 11,424,710
Miscellaneous	13,642	71,157	72,768	157,567
	<u>6,394,765</u>	<u>5,049,927</u>	<u>137,585</u>	<u>11,582,277</u>
Outflows:				
Cash Paid to Suppliers	2,526,251	2,357,167	149,930	5,033,348
Cash Paid to Employees	1,204,530	1,227,741	-	2,432,271
	<u>3,730,781</u>	<u>3,584,908</u>	<u>149,930</u>	<u>7,465,619</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,663,984</u>	<u>1,465,019</u>	<u>(12,345)</u>	<u>4,116,658</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Inflows:				
Rental Income	-	199,714	-	199,714
Cash received from other funds	28,263	(6,786)	-	21,477
Transfers In/Out	-	-	35,000	35,000
	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>28,263</u>	<u>192,928</u>	<u>35,000</u>	<u>256,191</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Inflows:				
Capital Contributions & Grants	223,035	182,796	-	405,831
Bond Proceeds	-	-	4,466,988	4,466,988
	<u>223,035</u>	<u>182,796</u>	<u>4,466,988</u>	<u>4,872,819</u>
Outflows:				
Interest Paid	1,721	189,136	39,601	230,458
Principal Paid	257,655	879,570	-	1,137,225
Purchase of Capital Assets	1,106,519	1,712,784	4,044,956	6,864,259
	<u>1,365,895</u>	<u>2,781,490</u>	<u>4,084,557</u>	<u>8,231,942</u>
NET CASH PROVIDED BY (USED IN) CAPITAL & RELATED FINANCING ACTIVITIES	<u>(1,142,860)</u>	<u>(2,598,694)</u>	<u>382,431</u>	<u>(3,359,123)</u>

See Notes to Basic Financial Statements

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
CASH FLOWS FROM INVESTING ACTIVITIES				
Inflows:				
Interest on Investments	42,233	42,233	-	84,466
NET CASH PROVIDED BY INVESTING ACTIVITIES	42,233	42,233	-	84,466
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,591,620	(898,514)	405,086	1,098,192
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	11,375,020	8,290,893	214,855	19,880,768
CASH & CASH EQUIVALENTS - END OF YEAR	\$ 12,966,640	\$ 7,392,379	\$ 619,941	\$ 20,978,960
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
CURRENT ASSETS				
Equity in Pooled Cash & Cash Equivalents				
Unrestricted	\$ 8,161,345	\$ 6,794,582	\$ 289,284	\$ 15,245,211
Restricted	4,805,295	597,797	330,657	5,733,749
CASH & CASH EQUIVALENTS - END OF YEAR	\$ 12,966,640	\$ 7,392,379	\$ 619,941	\$ 20,978,960
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Developer financed additions to Infrastructure	\$ 294,000	\$ 242,000	\$ -	\$ 536,000
Accounts payable included in purchase of capital assets	\$ -	\$ -	\$ 1,301,768	\$ 1,301,768

City of Westminster, Maryland
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net operating income (loss)	\$ 1,565,827	\$ 752,455	\$ (175,468)	\$ 2,142,814
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	787,844	847,743	179,376	1,814,963
Changes in Assets and Liabilities				
Accounts Receivable	(206,775)	(66,605)	(15,731)	(289,111)
Prepaid Items & Deposits	3,172	8,010	(522)	10,660
Inventory	1,320	-	-	1,320
Accounts Payable	87,793	(121,852)	-	(34,059)
Accrued Expenses	71,889	32,023	-	103,912
Due to Other Governments	353,547	1,131	-	354,678
Compensated Absences	(633)	12,114	-	11,481
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,663,984	\$ 1,465,019	\$ (12,345)	\$ 4,116,658

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies

Reporting Entity

The City of Westminster, Maryland (the City), was incorporated as a city by Chapter 418 of the Acts of 1838. That charter was amended by Chapter 335 of the Acts of 1856, which characterized the municipality as a city known as the Mayor and Common Council of Westminster.

The City operates under a Mayor-Council supervised form of government and provides the following services as authorized by its charter: general administrative, planning and zoning, public safety, highways and streets, parking, sanitation, recreation and culture, community development and housing, and water and sewer services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based upon the application of these criteria, there are no separate component units of the City.

Basic Financial Statements - Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general government (general administrative, planning and zoning), public safety, public works (highways and streets, parking, and sanitation), recreation and culture, and community development and housing services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are using the economic resources measurement focus and accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Generally, the effect of interfund activity has been removed from these statements. The City's net position, is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or business-type activity. Program revenues include revenues from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

The City utilizes various criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities is reported as fund balance. The following is a description of the City's major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Fund - The Public Housing Agency Fund is used to account for the proceeds of federal funds regulated by the Department of Housing and Urban Development, and for the expenditures that are legally restricted for low-income housing program purposes.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues for the City's proprietary funds are charges for water, sewer, and fiber optic leasing services. Operating expenses for the City's proprietary funds include source of supply, water and sewer treatment and pumping costs, water and sewer transmission and distribution costs, fiber optic cable maintenance, administrative and general, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

The City's proprietary funds are all classified as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity meet any of the following criteria; (a) government officials elect to report the activity as an enterprise fund (b) financed with debt that is solely secured by a pledge of the net revenues, (c) third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (d) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the City's major enterprise funds:

Water Fund - The Water Fund is used to account for the revenues generated from the charges for distribution of potable water to residential and commercial users of the City and associated expenses.

Sewer Fund - The Sewer Fund is used to account for the revenues generated from the charges for sewer services provided to residential and commercial users of the City and associated expenses.

Fiber Fund - The Fiber Fund is used to account for the revenues generated from the charges for the use of a high-speed fiber optic network provided to residential and commercial users in the City and associated expenses.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when 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 eligible requirements imposed by the provider have been met.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or within 60 days after year-end. The City considers all revenues to be available if they are collected within sixty days after the end of the current fiscal year. Expenditures are generally recognized under when the related liability is incurred, as

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

under accrual accounting. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred inflows by the recipient.

Cash and Cash Equivalents

The City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates estimated fair value because of the short maturity of those instruments.

Receivables

All receivables are reported at the original amount less an estimate for uncollectible amounts. It is management's policy to use the aggregate of all accounts that are delinquent one year or more on police tickets and 85% of the aggregate housing assistance repayments as the basis and determination of the allowance for doubtful accounts. For proprietary funds, management determines the provision for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The City maintains one restricted receivable associated with Bay Restoration Fees billed and eventually collected, on behalf of the State.

Unbilled Services

Unbilled customer service receivables for water consumption and related sewer charges are based upon the actual quantity of water used during the subsequent billing periods and the previous year's respective billing periods, depending on the availability of related consumption read information when unbilled services are estimated.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

Deferred Outflows are the consumption of net position by the City that is applicable to a future reporting period. As of June 30, 2017, the City's deferred outflows consist of pension related assets and a net charge on a bond refunding.

Inventory

Inventories of materials are maintained in the General, Water, and Sewer Funds. Materials are carried in an inventory account at cost using the first-in, first-out method and are subsequently charged to expenditures when consumed.

Capital Assets

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Capital assets with a value of \$10,000 or more are capitalized by the City. The City regularly evaluates its capital assets in order to determine the appropriate useful lives. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements other than Buildings	7 - 41
Equipment and Vehicles	5 - 10
Furniture and Fixtures	5
Infrastructure	7 - 100
Utility Plant	10 - 40
Water Use Rights	40

Government-Wide Financial Statements - In the government-wide financial statements, governmental fund capital outlay are accounted for as capital assets.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Interfund Activity

The City allocates to several funds a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for such funds.

Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds.

On fund financial statements, interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Regular employees are granted vacation leave based on the number of continuous service years. A maximum of 40 days of annual leave may be carried over to subsequent years. Upon termination, the employees will be paid for the number of days they have accrued.

The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds. The City estimates the current portion of compensated absences based on known or anticipated retirements for the forthcoming calendar year. The remainder of the obligation for compensated absences is reported as a long-term liability in the government-wide financial statements and the proprietary fund financial statements.

Deferred Inflows of Resources

This financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. One item which qualifies for reporting in this category, which arises only under the modified accrual basis of

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

accounting, is unavailable revenue. Accordingly, it is only reported in the governmental funds balance sheet. The City reports unavailable revenues from property taxes, income taxes, fines and penalties, grants, and reimbursements of housing assistance from tenants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows also include pension-related liabilities.

Unearned Revenue

Both governmental and proprietary funds report revenue received in advance of the City providing services as unearned. As of June 30, 2017, governmental and proprietary funds reported unearned revenues of \$367,888 and \$13,178, respectively.

Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the term of the bonds using the bond-outstanding method which approximates the effective interest method.

Net Position

In the government-wide financial statements and proprietary fund financial statements, net position equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources and is classified in the following three categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City which is not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the fund financial statements.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Fund Balance

In the governmental fund financial statements the City classifies governmental fund balances as follows:

Nonspendable - This category includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual agreements.

Restricted - This category includes fund balance amounts that are considered restricted for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - This category includes fund balance amounts for which constraints have been imposed by the government itself using the highest level of decision-making authority. A majority of the Mayor and Common Council must approve, by consensus vote, the establishment of a fund balance commitment or assignment as well the elimination of any fund balance commitment.

Assigned - This category includes fund balance amounts intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the Mayor and Common Council.

Unassigned - This category includes the residual positive fund balance of the General Fund which has not been classified within the other above mentioned categories. The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

Budgets and Budgetary Accounting

The City prepares an annual operating budget for the General Fund and the Enterprise Funds on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations for salaries and operating expenses lapse at the fiscal year-end. Budget revisions receive approval of the Mayor and Common Council. There were two budget revisions approved by the Mayor and Common Council during the year ended June 30, 2017.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Overview and Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 2. Fair Value Measurement

The City has adopted GASB Statement No. 72 - Fair Value Measurement and Application. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value:

- Level 1 - quoted market prices in active markets
- Level 2 - inputs other than quoted market prices that are observable either directly or indirectly
- Level 3 - unobservable inputs

During the year ended June 30, 2017, certain capital assets consisting of land improvements and infrastructure were donated to the City by a third party. The City valued the assets based on what it would have paid if it were to have purchased those assets in the marketplace, which are classified within Level 2 of the fair value hierarchy. No other assets or liabilities are measured at fair value as of June 30, 2017. The following table presents, by level within the fair value hierarchy, the City's investment in capital assets at fair value as of June 30, 2017.

Assets measured at fair value	Fair value as of June 30, 2017	Level 1	Level 2	Level 3
Improvements Other Than				
Buildings	\$ 440,000	\$ -	\$ 440,000	\$ -
Infrastructure	536,000	-	536,000	-
Capital Assets	<u>\$ 976,000</u>	<u>\$ -</u>	<u>\$ 976,000</u>	<u>\$ -</u>

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3. Deposits and Investments

The City follows Government Accounting Standards Board Statement 79, "Certain External Investment Pools and Pool Participants," which requires disclosure of specific criteria regarding external investment pools. The City maintains a cash and investment pool that is available for use by all funds. The City is governed by the deposit and investment limitations of Maryland law. The City is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state an investment vehicle for short-term investment of funds. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution. A MLGIP Advisory Committee of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2017, all pool holdings are in cash and cash equivalents with a weighted average maturity of 37 days. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 and also issues a publicly available financial report that includes financial statements and required supplemental information for the MLGIP. This report can be obtained in writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160, or the website, www.mlgip.com. As of June 30, 2017, the City had total investments in MLGIP of \$6,485,949 which have been reflected as equity in pooled cash and cash equivalents

Restricted cash and cash equivalents at June 30, 2017 consisted of the following

	Governmental Activities	Business-Type Activities
Future Infrastructure Growth	\$ -	\$ 5,733,749
Capital Improvement Projects	3,240,141	-
Future Healthcare Costs	2,421,272	-
Community Development	475,953	-
Housing Voucher Program	197,452	-
Judicial Mandates	96,318	-
Developer Deposits	23,034	-
Benefit Assessments	160,438	-
City Program Commitments	94,698	-
Total Restricted Cash and Cash Equivalents	<u>\$ 6,709,306</u>	<u>\$ 5,733,749</u>

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$33,481,785 at June 30, 2017, of which \$2,006,017 was covered by federal depository insurance. The remaining amount of \$31,475,768 was fully collateralized by securities pledged and held by a financial institution's trust department or agent, not in the City's name, as of June 30, 2017.

Interest Rate Risk

The City's formal investment policy manages its exposure to fair value losses arising from increasing interest rates by limiting investments in securities to those maturing within three years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed 30 years to maturity. Reserve funds may be invested in securities exceeding 30 days if the maturity of such investment coincides as nearly as practicable with the expected use of funds. Maturities of investments held at June 30, 2017 are disclosed under deposits and investments.

Credit Risk

The City's formal investment policy does not limit its investment choices beyond the limitations of State law, which are as follows:

1. An obligation for which the United States has pledged its faith and credit for the payment of principal and interest.
2. An obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress.
3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer.
4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3. Deposits and Investments (Continued)

5. Commercial Paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States SEC provided that such Commercial Paper may not exceed five percent of the total investments made by the Treasurer under this subsection.
6. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States SEC issued by, or on behalf of, this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or any fund or trust that invests only in securities of the type described in this paragraph.
7. Money market mutual funds that:
 - a. contain only securities of the organizations listed in items 1, 2, and 3 of this subsection;
 - b. are registered with the SEC under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and
 - c. are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended.
8. Any investment portfolio created under the MLGIP defined under Article 95 22G of the code that is administered by the office of the State Treasurer.
9. Interest-bearing time deposits (including certificates of deposit) and/or savings accounts in any bank(s) or savings and loan association(s) in the State of Maryland, which are collateralized, as provided in the State Finance and Procurement Article.

Concentration of Credit Risk

Based on the formal investment policy, the City invests no more than 70% of its total investment portfolio in any single security type or in any single financial institution, excluding the MLGIP. At June 30, 2017, the City had no concentration of credit risk.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4. Loan Receivable and Related Forgiveness

In February 1998, the City loaned \$50,000 to Human Services Program of Carroll County, Inc., a local not-for-profit organization, to assist with the organization's project to rehabilitate a shelter building. The agreement provided that no payments of principal or interest shall be due under the note and the principal shall be forgiven at the rate of \$1,650 per year while the property is utilized as a shelter for low- and moderate-income families and individuals. If not paid off by the organization due to modification of use, the entire indebtedness will be forgiven by February 25, 2028. As of June 30, 2017, \$18,650 remains outstanding on the loan, \$1,650 of which has been classified as a current asset.

Note 5. Capital Assets

A summary of governmental activities follows:

	Balance July 1, 2016	Increases	Decreases	Transferred to Active Status	Balance June 30, 2017
Capital Assets					
Non-Depreciable Assets					
Land and Land Rights	\$ 1,744,172	\$ -	\$ -	\$ -	\$ 1,744,172
Construction in Progress	475,199	350,365	-	(339,764)	485,800
Total Non-Depreciable Assets	2,219,371	350,365	-	(339,764)	2,229,972
Depreciable Assets					
Buildings	14,764,293	35,000	-	-	14,799,293
Equipment	3,704,563	138,532	85,356	-	3,757,739
Furniture and Fixtures	128,041	93,945	-	-	221,986
Improvements Other than					
Buildings	9,640,047	774,993	-	-	10,415,040
Infrastructure	49,352,791	905,789	-	339,764	50,598,344
Vehicles	2,949,197	268,538	185,998	-	3,031,737
Water Use Rights	1,400,000	-	-	-	1,400,000
Total Depreciable Assets	81,938,932	2,216,797	271,354	339,764	84,224,139
Total Capital Assets	84,158,303	2,567,162	271,354	-	86,454,111
Accumulated Depreciation					
Buildings	5,174,914	427,785	-	-	5,602,699
Equipment	2,697,535	228,165	85,356	-	2,840,344
Furniture and Fixtures	128,041	1,690	-	-	129,731
Improvements Other than					
Buildings	4,802,989	351,811	-	-	5,154,800
Infrastructure	22,438,691	1,718,456	-	-	24,157,147
Vehicles	2,115,419	235,901	185,998	-	2,165,322
Water Use Rights	14,583	35,000	-	-	49,583
Total Accumulated Depreciation	37,372,172	2,998,808	271,354	-	40,099,626
Total Capital Assets, Net	\$ 46,786,131	\$ (431,646)	\$ -	\$ -	\$ 46,354,485

Management has evaluated the useful lives of all capital assets and has determined that no change is necessary at this time.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5. Capital Assets (continued)

Governmental improvements other than buildings included in the capital asset activity listed above include land improvements donated to the City. These land improvements are reported at their acquisition value (\$440,000), an estimate of a price that would be paid to acquire similar assets in an orderly market transaction at the acquisition date, (see Note 2) (Level 2 Inputs). This donation was recorded as capital grant and contribution revenue on the government-wide statement of activities.

Accumulated costs attributable to projects included in construction in progress at June 30, 2017 are as follows:

Governmental Activities		
Stormwater Mitigation	\$	334,773
Wakefield Development		112,417
Permits and license software		20,722
Streets		16,500
Radio Console - Police Headquarters		1,388
		<hr/>
Total Construction in Progress	\$	<u>485,800</u>

Depreciation expense, including depreciation expense on assets under capital lease, was charged to governmental activities functions as follows:

Governmental Activities		
General Government	\$	239,540
Public Safety		163,429
Public Works		2,220,383
Recreation and Culture		356,691
Community Development		18,765
		<hr/>
Total Depreciation Expense	\$	<u>2,998,808</u>

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5. Capital Assets (continued)

A summary of business-type activities follows:

	Balance July 1, 2016	Increases	Decreases	Transferred to Active Status	Balance June 30, 2017
Capital Assets					
Non-Depreciable Assets					
Land and Land Rights	\$ 190,915	\$ -	\$ -	\$ -	\$ 190,915
Construction in Progress	8,091,628	7,744,355	-	-	15,835,983
Total Non-Depreciable Assets	8,282,543	7,744,355	-	-	16,026,898
Depreciable Assets					
Buildings	117,375	3,700	-	-	121,075
Equipment	3,997,773	156,693	-	-	4,154,466
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	48,851,013	616,220	-	-	49,467,233
Utility Plant	27,938,330	24,991	-	-	27,963,321
Vehicles	963,178	156,068	-	-	1,119,246
Total Depreciable Assets	81,874,083	957,672	-	-	82,831,755
Total Capital Assets	90,156,626	8,702,027	-	-	98,858,653
Accumulated Depreciation					
Buildings	13,843	5,886	-	-	19,729
Equipment	3,112,431	178,705	-	-	3,291,136
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	16,315,944	947,487	-	-	17,263,431
Utility Plant	14,013,711	605,855	-	-	14,619,566
Vehicles	604,900	77,030	-	-	681,930
Total Accumulated Depreciation	34,067,243	1,814,963	-	-	35,882,206
Total Capital Assets, Net	\$ 56,089,383	\$ 6,887,064	\$ -	\$ -	\$ 62,976,447

Management has evaluated the useful lives of all capital assets and has determined that no change is necessary at this time.

Business-type infrastructure included in the capital asset activity listed above includes infrastructure donated to the City. This infrastructure is reported at its acquisition value, \$536,000, an estimate of a price that would be paid to acquire similar assets in an orderly market transaction at the acquisition date, (see note 2) (Level 2 Inputs). This donation was recorded as capital grant and contribution revenue on the government-wide statement of activities

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5. Capital Assets (Continued)

Accumulated costs attributable to projects included in construction in progress at June 30, 2017 are as follows:

Water Fund	
Gesell Well/Little Pike Creek	\$ 3,138,297
Well #8 (Radon/Nitrate Storage)	1,277,538
Hydes Quarry (New Water Source)	725,939
Water Main - Hollow Rock/City View	431,442
Geographic Information System Project	<u>4,853</u>
Total Water Fund	<u>5,578,069</u>
Sewer Fund	
Enhanced Nutrient Removal Project & Biosolids Upgrade - WWTP	4,005,792
Geographic Information System Project	<u>12,152</u>
Total Sewer Fund	<u>4,017,944</u>
Fiber Enterprise Fund	
Fiber - City-Wide	<u>6,239,970</u>
Total Fiber Enterprise Fund	<u>6,239,970</u>
Total Construction in Progress	<u>\$ 15,835,983</u>

Depreciation expense, including depreciation expense on assets under capital lease, was charged to business-type functions as follows:

Water Fund	\$ 847,743
Sewer Fund	787,844
Fiber Enterprise Fund	<u>179,376</u>
Total Depreciation Expenses	<u>\$ 1,814,963</u>

Note 6. Loan Payable

In February 2007, the City received \$100,000 in zero-interest financing from the Westminster Town Center Corporation to be used for the purchase and rehabilitation of certain properties to be sold as affordable housing to qualified buyers. The loan is payable upon the sale of the related properties. During 2015, the related properties were sold and the conditions for repayment were satisfied. As of June 30, 2017, the loan remains outstanding and will be paid upon the reestablishment of the Corporation.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7. Due to Other Governments

In prior years, the City received \$478,000 from the Carroll County Commissioners of Maryland in relation to agreements to provide water service to the County Airport and County Industrial Park Complex in the amount of \$228,000 and for project costs for expanding permanent sewage infrastructure along Maryland Route 31 and the Adams Mill Road Vicinity (the "Avondale" area) in the amount of \$250,000. Both amounts bear no interest and no repayment guidelines, and have been classified as non-current obligations of the City. As of June 30, 2017, \$77,449 and \$149,037 are outstanding on the County Airport and County Avondale obligations, respectively.

Note 8. Capital Leases

The City has entered into several agreements to lease server configuration equipment and fitness equipment. The obligations are secured by the related assets and carry stated interest rates from 6.17% to 10.36%.

At June 30, 2017, future minimum payments required under leases with terms greater than one year, and the present value of minimum capital lease payments, were as follows:

Years Ending June 30,	Governmental Activities	Business-Type Activities
2018	\$ 31,720	\$ 26,976
Less: Amount Representing Interest	1,632	1,568
Present Value of Net Future Minimum Capital Lease Payments Included in General Long-Term Debt - Current Portion	\$ 30,088	\$ 25,408

Assets under capital lease included in Property and Equipment at June 30, 2017 include the following:

	Governmental Activities	Business-Type Activities
Asset Cost under Capital Lease		
Equipment	\$ 215,043	\$ 303,354
Less: Accumulated Depreciation	81,667	163,353
Total Asset Cost under Capital Lease, Net	\$ 133,376	\$ 140,001

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Type of Debt	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 4,212,000	\$ -	\$ 327,700	\$ 3,884,300	\$ 340,100
Capital Lease Obligations	64,866	-	34,778	30,088	30,088
Other Long-Term Liabilities:					
Compensated Absences	477,210	350,000	393,147	434,063	22,627
Net OPEB Obligations	1,333,000	68,000	-	1,401,000	-
Net Pension Liability	7,500,097	1,588,717	-	9,088,814	-
Total Governmental Activities	\$ 13,587,173	\$ 2,006,717	\$ 755,625	\$ 14,838,265	\$ 392,815
Business-Type Activities					
General Obligation Bonds Payable	\$ 10,324,658	\$ 4,466,988	\$ 861,105	\$ 13,930,541	\$ 873,949
Capital Lease Obligations	62,338	-	36,930	25,408	25,408
Other Long-Term Liabilities:					
Compensated Absences	239,485	205,000	192,925	251,560	7,966
Net OPEB Obligations	721,000	78,000	-	799,000	-
Due to Other Governments	226,486	-	-	226,486	-
Net Pension Liability	2,245,012	175,301	-	2,420,313	-
Total Business-Type Activities	\$ 13,818,979	\$ 4,925,289	\$ 1,090,960	\$ 17,653,308	\$ 907,323

Other long-term liabilities in governmental and business-type activities are liquidated from general revenues in the respective General, Public Housing Agency, Water, and Sewer Funds, as applicable.

The full faith and credit and taxing powers of the City are pledged in payment of any deficiency in the funding of the principal and interest payments of all general obligation bonds.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Long-Term Debt (Continued)

General Obligation Bonds outstanding as of June 30, 2017 are composed of the following:

Governmental Activities General Obligation Bonds Payable

\$4,820,000 Infrastructure Bonds - 2005 Series A due in annual principal payments of \$148,000 - \$300,000 plus interest paid semi-annually at rates of 4.00% - 4.40%. The bond matures on May 1, 2030. \$ 3,087,900

\$1,541,400 Infrastructure Bonds - 2012 Series B due in annual principal payments of \$157,500 - \$165,500 plus interest paid semi-annually at rates of 0.61% - 2.53%. The bond matures on May 1, 2022. 796,400

Total Governmental Activities General Obligation Bonds Payable 3,884,300

Business-Type Activities General Obligation Bonds Payable

Water Fund

Drinking Water Bond, Series 2000, in the amount of \$1,269,858. Due in annual principal payments of \$66,965 - \$80,145 plus interest paid semi-annually at a rate of 2.6%. The bond matures on February 1, 2021. 308,601

Drinking Water Bond, Series 2007, in the amount of \$9,850,906. Due in annual principal payments of \$552,341 - \$546,872 plus interest paid semi-annually at a rate of 1.0%. Interest payments began on August 1, 2007 and principal payments began on February 1, 2010. The bond matures on February 1, 2027. 5,451,966

Drinking Water Bond, Series 2008, in the amount of \$4,415,138. Due in annual principal payments of \$204,614 - \$285,190 plus interest paid semi-annually at a rate of 2.4%. Interest payments began on August 1, 2009 and principal payments began on February 1, 2010. The bond matures on February 1, 2028. 2,794,134

Fiber Fund

General Obligation Bond, Series 2015A, in the amount of \$14,000,000. Due in annual principal payments beginning November 2020 - plus monthly interest payments based on a rate of 1.46% + LIBOR. Interest payments began in November 2015. The bonds mature on October 1, 2045. 5,375,840

Total Business-Type Activities General Obligation Bonds Payable 13,930,541

Total General Obligation Bonds Payable \$ 17,814,841

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9. Long-Term Debt (Continued)

The principal and interest requirements to maturity of the general obligation bonds payable debt of all funds are as follows:

Years Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 340,100	\$ 147,019	\$ 873,949	\$ 147,052
2019	346,500	137,250	887,025	133,976
2020	357,800	126,962	900,339	170,227
2021	369,900	115,884	1,026,327	177,894
2022	382,000	103,881	1,016,837	571,076
2023-2027	958,000	304,374	4,756,773	536,532
2028-2032	1,130,000	126,940	1,284,535	249,556
2033-2037	-	-	1,080,743	145,323
2038-2042	-	-	1,229,901	27,570
2043-2047	-	-	874,112	8,178
	<u>\$ 3,884,300</u>	<u>\$ 1,062,310</u>	<u>\$ 13,930,541</u>	<u>\$ 2,167,384</u>

Interest costs incurred and charged to expense for the year ended June 30, 2017 for governmental activities and business-type activities were \$166,597 and \$234,238, respectively.

Note 10. Conduit Debt

From time to time, the City has issued Economic Development and Educational Facilities Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there were various series of Economic Development Revenue Bonds and Educational Facilities Revenue Bonds outstanding, with an aggregate principal amount payable of \$107,473,410.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11. Interfund Transactions

Interfund receivable and payable balances at June 30, 2017 consisted of the following:

<u>Due To</u>	<u>Due From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	
General Fund	\$ (2,284)	\$ 2,284	\$ -
Sewer Fund	357,421	-	357,421
Water Fund	410,096	-	410,096
Total	<u>\$ 765,233</u>	<u>\$ 2,284</u>	<u>\$ 767,517</u>

The City established an earmarked fund for estimated future OPEB obligations in the General Fund. Since no irrevocable trust has been established, a long-term liability for the Net OPEB Obligation (NOO) remains outstanding for both the Sewer and Water Funds, offset by interfund receivable from the General Fund, where these funds are maintained, which is not expected to be collected in the subsequent year.

All remaining interfund balances resulted from the time lag between the dates that:

- 1) interfund goods and services are provided or reimbursable expenditures occur,
- 2) transactions are recorded in the accounting system, and
- 3) payments between funds are made, and are expected to be repaid within the following year.

An interfund transfer of \$75,000 was made between the General Fund and the Public Housing Agency Fund for operating expenditures.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12. Net Position and Fund Balances

The governmental fund balances at June 30, 2017, are summarized as follows:

	General Fund	Public Housing Agency Fund	Total
Non-Spendable:			
Prepaid Expenditures	\$ 205,484	\$ 7,778	\$ 213,262
Inventory	74,635	-	74,635
Loans Receivable	17,000	-	17,000
Subtotal	<u>297,119</u>	<u>7,778</u>	<u>304,897</u>
Restricted:			
Housing Voucher Program	-	184,508	184,508
Capital Improvements	1,645,067	-	1,645,067
Employee Flexible Spending Account	22,685	-	22,685
Police Non-Budgeted	78,089	-	78,089
Subtotal	<u>1,745,841</u>	<u>184,508</u>	<u>1,930,349</u>
Committed to:			
Police Discretionary Use	<u>17,434</u>	-	<u>17,434</u>
Assigned to:			
Community Development	475,953	-	475,953
Tree Commission	7,421	-	7,421
Subtotal	<u>483,374</u>	-	<u>483,374</u>
Unassigned	<u>12,637,073</u>	-	<u>12,637,073</u>
Total Fund Balance	<u>\$ 15,180,841</u>	<u>\$ 192,286</u>	<u>\$ 15,373,127</u>

The government-wide statement of net position for the year ended June 30, 2017 reports \$1,989,122 and \$5,733,749 of restricted net position for the City's governmental and business-type activities, respectively, of which \$1,989,122 and \$5,733,749, respectively, are restricted by enabling legislation.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13. Property Taxes

The amount of the tax levy in the corresponding tax year shall constitute a determination of the amount to be raised. Property taxes are due and payable on the first day of July on the year for which they are levied and become overdue and in arrears on the first day of the following October. The Mayor and Common Council also have the authority to levy a half-year tax on new construction due and payable on January 1st in the year such tax is levied. The tax rate for the year ended June 30, 2017 was \$0.56 per \$100 of assessed property value.

Personal property taxes are levied annually. Assessed values are established by the Maryland State Department of Assessments and Taxation based on estimates of fair market value. For tangible business and personal property, the rate per \$100 of assessed value was \$1.10 in fiscal year 2017. For tangible utility property, the rate per \$100 of assessed value was \$1.40 in fiscal year 2017.

Note 14. Rental Income Agreements

The City has entered into communication tower lease agreements with various unrelated parties. All lease agreements are renewable for four successive five-year periods at the lessee's discretion. Rental income for the year ended June 30, 2017 was \$199,714. Future minimum annual rental income for the Water Fund as of June 30, 2017 is as follows:

Years Ending June 30,	
2018	\$ 187,663
2019	206,502
2020	213,502
2021	180,690
2022	126,733
Thereafter	16,116
Total Minimum Rental Income	\$ 931,206

Note 15. Operating Leases

The City entered into a five-year operating lease, dated April 2012, with an unrelated party for the leasing of office space through March 2015, with the option to renew for an additional three-year period. During 2015, the lease was renewed for an additional three-year period through March 2018. The lease agreement states that the City is responsible for 56% of real estate taxes levied against the premises, as well as fifty 56% of annual operating expenses incurred by the landlord. Upon renewal, the monthly lease amounts increased 1.54%, 1.52%, and 1.49% annually beginning in April 2015.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 15. Operating Leases (Continued)

The City also entered into an operating lease, dated February 2005, with an unrelated party for the leasing of a parking lot through February 2015. The rental agreement is renewable for two additional three-year periods at the City's discretion. During 2015, the lease was renewed for the first of two three-year periods through February 2018.

In addition, the City has various operating leases with unrelated parties for copiers through August 2021.

The following is a schedule of future minimum rental payments required under the operating leases as of June 30, 2017:

Years Ending June 30,	Governmental Activities	Business-Type Activities
2018	\$ 94,866	\$ 67,840
2019	31,802	3,738
2020	31,088	3,024
2021	20,894	1,612
2022	4,761	291
Thereafter	373	-
Total Minimum Lease Payments	<u>\$ 183,784</u>	<u>\$ 76,505</u>

Rent expense for governmental and business-type activities for the year ended June 30, 2017 was \$115,002 and \$89,440, respectively.

Note 16. Defined Contribution Plans

The City, in accordance with Common Council approval, has two defined contribution plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a), respectively. The 457(b) plan is available to all regular full-time and part-time employees, and the 401(a) plan is available to those employees who are not members of the Law Enforcement Officers' Pension System (LEOPS) of Maryland with at least six months of employment service. The 457(b) and 401(a) plans have 102 and 82 active participants, respectively, as of June 30, 2017.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer the lesser of \$18,000, adjusted annually for cost-of-living increases, and up to an additional \$6,000 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. In addition, the City's 457(b) plan contains a Roth IRA option allowing after-tax contributions up to an annual maximum of \$5,500, with an additional \$1,000 catch-up for employees age 50 or over. No City contributions were made to the 457(b) plan for the year ended June 30, 2017.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16. Defined Contribution Plans (Continued)

The 401(a) plan permits the City to contribute two percent of eligible employees' salary to a maximum of \$50,000 per employee, adjusted annually for cost-of-living increases, to this plan based on attaining six months of service. Employees are fully vested in this plan upon contribution. The City contributed \$77,597 to the 401(a) plan for the year ended June 30, 2017.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries; thus, the plan assets are not reflected in the financial statements of the City.

Note 17. Pension Plans

The City adopted GASB No. 68 - Accounting and Financial Reporting for Pensions (GASB 68) during the year ended June 30, 2015. The City participates in the Maryland State Retirement and Pension System (the System) and qualifies as a Participating Governmental Unity (PGU) in the plan. The State Retirement Agency (the Agency) is the plan administrator and fiduciary for the plan. GASB No. 68 requires that a PGU recognize its proportionate share of the System's net pension liability (i.e. unfunded pension liability) and pension expense. The City's proportionate share is based on total System contributions of approximately 0.0488% (0.0199% Employees' Combined System (ECS) and 0.0289% Law Enforcement Officers' Pension System (LEOPS), respectively) as of the measurement date of June 30, 2016.

The City has also adopted GASB No. 71-Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB No. 68. GASB No. 71 requires that contributions to the pension plans subsequent to the measurement date be recognized as deferred outflows of resources. The City's fiscal 2017 contributions in December 2016 of \$981,874 (\$383,805 for ECS and \$598,069 for LEOPS) are therefore recognized as pension-related deferred outflows of resources.

In March 2016, the GASB issued Statement No. 82 - Pension Issues ("GASB 82"), which is effective for financial statements with periods beginning after June 15, 2016. This statement amends GASB 68 to require the presentation of covered payroll (the payroll or compensation paid to all employees on which contributions to the pension plan are based), and the related ratios, in the required supplementary information. Previously, GASB 68 required presentation of covered-employee payroll (the payroll of employees that are provided with pensions through the pension plan,) and the related ratios, in the required supplementary information. The City adopted GASB 82 during fiscal year 2017 and has retroactively applied the related changes to the accompanying required supplementary information to reflect covered payroll instead of covered-employee payroll for all periods presented.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

The City's employees who participate in ECS were required to contribute five or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City's employees who participate in LEOPS were required to contribute four, five, or seven percent of their earnable compensation depending on the retirement option selected, as stipulated by the System. The City contributed \$950,272 to the System for fiscal year 2017, which was actuarially determined based on statutory provisions. The City has also recognized in Pension Expense its proportionate share of the City's deferred inflows of resources (an increase in Pension Expense) attributable to the net difference between projected and actual investment earnings on pension plan assets, and its proportion share of the System's deferred outflows of resources (a decrease in Pension Expense) attributable to changes in assumptions.

Basis of presentation and basis of accounting

1. Employers participating in the System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.
2. Actual employer contributions billed to participating government units for the year ended June 30, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. The contributions were adjusted by increasing contributions by approximately \$251 million to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

3. The components of the calculation of the net pension liability for the System as of June 30, 2016, calculated in accordance with GASB Statement No. 67, are shown in the following table:

Total Pension Liability	\$ 68,959,954,000
Plan Fiduciary Net Position	45,365,927,000
Net Pension Liability	<u>\$ 23,594,027,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u>65.79%</u>

Actuarial Assumptions

- Actuarial - Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed
- Remaining Amortization Period: In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013, actuarial valuation: 25 years for the State Systems, 26 years for LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
- Asset Valuation Method: 5-year smoothed market; 20% collar
- Inflation: 2.7% general and 3.2% wage.
- Salary Increases: 3.3% to 9.2% including inflation.
- Discount Rate: 7.55%
- Investment Rate of Return: 7.55%
- Retirement Age: Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
- Mortality: RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Note: There were no benefit changes during the year. Adjustments to the rollforward liabilities were made to reflect the change in the Inflation assumptions from 2.95% and 3.45% to 2.7% and 3.2%. Investment returns assumptions did not change from last year.

Investments

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

For each major asset class that is included in the Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Fixed Income	20%	1.30%
Credit Opportunity	9%	4.20%
Real Return	0%	0.00%
Absolute Return	9%	3.70%
Private Equity	10%	7.40%
Real Estate	15%	4.70%
Cash	0%	0.00%
Total	100%	

The above was the Pension System's Board of Trustees' adopted asset allocation policy and best estimate of geometrical real rates of return for each major asset class as of June 30, 2016.

Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine the single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

these assumptions, the pension plan's fiduciary new position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the in the single discount rate, the following presents the System's net pension liability and the City's proportionate share of the System's net liability, calculated using a single discount rate 7.55%, a single discount rate that is 1 percentage point lower (i.e., 6.55%) and a single discount rate that is 1 percentage point higher (i.e., 8.55%):

	1% Lower 6.55%	Current Rate 7.55%	1% Higher 8.55%
The System's Net Pension Liability	\$ 32,408,442,000	\$ 23,594,027,000	\$ 16,259,112,000
The City's Proportionate Share of Net Pension Liability	\$ 15,808,784	\$ 11,509,127	\$ 7,931,168

Pension Plan Description

Organization

The State Retirement Agency (the Agency) is administrator of the System. The system was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowance and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The "State Pool" consists of the State agencies, board of education, community colleges, and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elected to join the System (the Municipal Pool) share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payments of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan members or beneficiaries as defined by the terms of plan. Consequently, the System is accounted for as a single plan as defined in Governmental

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans - An Amendments of GASB Statement No. 25." Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund. The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System. The City's employees participate in the Employees' Retirement and Pension System and the Law Enforcement Officers' Pension System.

Non-Uniformed Employees

Covered Members

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continued to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system, which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that are based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service Retirement Allowances

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who is a member of the Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has 10 years of eligibility service. For most individuals who retired from the Employees' Pension System on or before June 30, 2006 the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System. Exceptions to these benefit formulas apply to members of the Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the Social Security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the Social Security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator) and who terminates employment before attaining retirement age but after accumulating five years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator) and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member who terminates employment prior to attaining retirement age and before vesting receives a refund of all member contributions and interest.

Early Service Retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility services. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for an Employees' Retirement System member is 30%. An individual who is a member of Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Pension System is 42%. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Pension System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating five years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Adjusted Retirement Allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two-part combination COLA depending upon the COLA election made by the member. With certain exceptions, effective July 1, 1998, for Teachers', Employees', and Law Enforcement Officers' Pension System retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increase to pension allowance for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhance pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011 for benefits attributable to service earned on or after July 1, 2011, in all of the systems excepts the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increases in the CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in the CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowance will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Law Enforcement Officers

Covered Members

On July 2, 1990, the Law Enforcement Officers Pension System (LEOPS) was established to provide retirement allowances and other benefits to all uniformed law enforcement officers of the State of Maryland and law enforcement officers, firefighters and paramedics of participating governmental units. Effective January 1, 2005, the LEOPS Retirement Plan was closed to new members and the LEOPS Pension Plan was established. As a result, all employees hired after December 31, 2004, became members of the LEOPS Pension Plan.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension System from 5% to 7%, and from 4% to 6%, respectively, in fiscal year 2013. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service Retirement Allowances

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of creditable services regardless of age. The annual retirement allowance equals 2.3% of the members for the first 30 years of creditable service plus an additional 1% of AFC for each additional year for an individual who is subject to the LEOPS retirement plan provisions. The annual retirement allowance equals 2.0% of AFC for the three highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for member's subject to the LEOPS retirement plan provisions who became members on or before June 30, 2011. The annual retirement allowance equals 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 60% of AFC for members subject to the LEOPS retirement plan provisions who became members after July 1, 2011. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to the date of retirement.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

Vested Allowances

Any individual who is a member of the LEOPS on or before June 30, 2011 is eligible for vested pension allowances after separation from service and upon attaining age 50, provided they accumulated at least five years of eligibility service prior to separation. Any individual who joins the LEOPS on or after July 1, 2011 is eligible for vested pension allowances after separation from service upon attaining age 50, provided that they accumulated at least 10 years of eligibility service prior to separation. Vested allowances equal the normal service retirement or pension allowances computed on the basis of the member's accumulated creditable service and AFC at the date of separation.

Early Service Retirement

LEOPS members are not eligible for early service retirement allowances.

Disability and Death Benefits

LEOPS members covered under retirement plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive a service allowance based on the greater of the normal service allowance or 25% of AFC. LEOPS members covered under pension plan provisions qualify for ordinary disability after completing five years of eligible service and receiving medical board certification as to their permanent incapacity to perform their necessary job functions receive full service pension allowances if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS members qualify for accidental disability benefits if the medical board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty, and receive disability allowances equal to the sum of an annuity determined as the actuarial date of the members' accumulated contributions and 2/3 (66.67%) of AFC. Allowances may not exceed the members' AFC.

LEOPS members qualify for ordinary death benefits if the members have accumulated at least one but less than two years of eligibility prior to the date of death receive benefits equal to a member's annual earnable compensation at the time of death plus accumulated contributions. LEOPS members qualify for special death benefits if the members have accumulated at least two years of eligibility prior to the date of death or died in the line of duty receive benefits equal to 50% of the applicable ordinary disability allowance. In cases where the deceased members are not survived by a spouse, the decedents' children, if any will continue to

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

the special death benefit until the youngest child reaches age 18. The special death benefit for officers killed in the line of duty is 2/3 (66.7%) of AFC.

Adjusted Retirement Allowances (as applicable)

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. For LEOPS members who are subject to retirement plan provisions, annual COLAs are determined under various methods applicable to ERS members as described under uniformed employees.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$11,509,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units as actuarially determined. At June 30, 2016, the City's proportion was approximately 0.0488 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$1,486,688. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 444,739	\$ -
Difference between actual and expected experience	-	284,691
Net difference between projected and actual earnings on pension plan investments	1,783,380	431,922
Change in proportionate share	314,010	604,992
Contributions subsequent to the measurement date	981,874	-
Total	\$ 3,524,003	\$ 1,321,605

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

The deferred outflows of resources of \$981,874 relating to contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the City's net pension liability during the fiscal year ended June 30, 2018. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, differences in projected and actual investment earnings and change in proportionate share represent the City's proportionate share of the unamortized portions of the System's original amounts. The deferred inflows and outflows related to the non-investment activity are being amortized over the remaining service life of 5.87 years. The 2015 and 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for 2016, 2015 and 2014 are being amortized over a closed five-year period. The unamortized amounts will be ratably recognized as pension expense over these services lives and closed five-year period.

The following table shows the amortization of these deferred outflows and inflows:

Fiscal Year Ended	Amortization of 2016 Balance			Amortization of 2015 Balance				Amortization of 2014 Balance	
	Deferred Outflows -		Deferred Outflows -	Deferred Outflows -	Deferred Outflows -	Deferred Inflows -	Deferred Outflows -	Deferred Inflows -	
	Net Difference in	Actual vs.							Net Difference in
June 30	Investment	Expected	Investment	Assumptions	Proportion	Experience	Assumptions	Investment	
2018	\$ 285,406	\$ 25,921	\$ 214,586	\$ 100,168	\$ 80,176	\$ 40,980	\$ 28,541	\$ 215,961	
2019	285,406	25,921	214,586	100,168	80,176	40,980	28,541	215,961	
2020	285,406	25,921	214,586	100,168	80,176	40,980	-	-	
2021	283,404	25,921	-	87,153	73,482	34,224	-	-	
2022	-	23,843	-	-	-	-	-	-	

Net Pension Liability

The components of the City's proportionate share of the Pension System's net pension liability as of the measurement date of June 30, 2016 were as follows:

Total Pension Liability	\$ 33,638,550
Plan Fiduciary Net Position	22,129,423
Net Pension Liability	<u>\$ 11,509,127</u>

City's Fiduciary Net Postion as a	
Percentage of the Total City Pension Liability	<u>65.79%</u>

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 17. Pension Plans (Continued)

The Pension Plan Fiduciary

Plan Information as well as the Comprehensive Annual Financial Report of the Maryland State Retirement and Pension System for the years ended June 30, 2016 and 2015 are available from:

State Retirement & Pension System of Maryland
120 East Baltimore Street
Baltimore, MD 21202

www.sra.state.md.us

-General Interest

-Related Links

-Downloads

-Comprehensive Annual Financial Reports

Note 18. Other Postemployment Benefits Plan

The City offers a single-employer defined benefit healthcare plan for the employees of the City, administered through a third-party agent, which provides healthcare benefits for active employees and other postemployment benefits (OPEB) for eligible retirees, their spouses and dependents. The plan is administered under two City policies, the Retiree Insurance Policy and the Retirement Medical Insurance Policy (effective July 1, 2008).

Plan Description and Funding Policies

The defined healthcare plan provides medical, hospitalization and prescription drug benefits to eligible active plan members and retirees, their spouses and dependents, and is authorized by the City. The plan provisions, benefits available and required reimbursements are governed by the Retiree Insurance Policy and the Retirement Medical Insurance Policy. Upon reaching eligibility for Medicare, retirees are no longer permitted to participate in the City's plan, except for those eligible under the Retiree Insurance Policy.

Under the Retiree Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for Law Enforcement and General employees, and the City, based on age and years of service as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, as of July 1, 2008 can participate in City-sponsored coverage. The City subsidizes the retirees' individual premium cost up to 80%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 80% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are eligible for a Medicare supplemental plan.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 18. Other Postemployment Benefits Plan (Continued)

Under the Retirement Medical Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for Law Enforcement and General employees, and the City, based on age and years of service as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, after July 1, 2008 can participate in City-sponsored coverage. The City subsidizes the retirees' individual premium cost up to 80%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 80% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are no longer permitted to participate in the City's plan.

Membership of the plan consisted of 139 participants, 113 of which are active plan members and 26 are retirees and beneficiaries receiving benefits at June 30, 2017.

The plan is unfunded, with premium payments made by the City on a pay-as-you-go basis. The City has reserved the difference between the annual required contribution and the premiums paid. Although not a separate fiduciary fund, the City has made an effort to recognize this required obligation. As of June 30, 2017, the City has reserved \$2,421,272. All eligible retirees are required to reimburse the City for premiums paid for medical and hospitalization and prescription drug benefits elected as paid by the City. These reimbursements are withheld from the retirees' state retirement benefit on behalf of the City, and are forwarded to the City on a monthly basis. For the year ended June 30, 2017, the City paid premium costs of \$142,947 for retirees, their spouses and dependents.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the *annual required contribution (ARC) of the employer*, which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarially accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 18. Other Postemployment Benefits Plan (Continued)

years. The following table shows the components of the City's annual OPEB cost, the estimated actuarial amount contributed to the plan, and changes in the City's net OPEB obligation for the three years ended June 30, 2017:

	2017	2016	2015
Annual Required Contribution	\$ 415,000	\$ 396,000	\$ 483,000
Interest on Net OPEB Obligation	81,000	76,000	65,000
Adjustment to Annual Required Contribution	(142,000)	(128,000)	(107,000)
Annual OPEB Cost	354,000	344,000	441,000
Contributions Made	(208,000)	(186,000)	(178,000)
Increase (Decrease) in Net OPEB Obligation	146,000	158,000	263,000
Net OPEB Obligation - Beginning of Year	2,054,000	1,896,000	1,633,000
Net OPEB Obligation - End of Year	<u>\$ 2,200,000</u>	<u>\$ 2,054,000</u>	<u>\$ 1,896,000</u>
Percentage of annual OPEB cost contributed	<u>59%</u>	<u>54%</u>	<u>40%</u>

Funded Status and Funding Progress

As of the July 1, 2017 valuation, the actuarially accrued liability for benefits was \$4,549,000, all of which was unfunded, the covered payroll (annual payroll of active employees covered by the plan) was \$8,636,696, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52.67%.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities, consistent with the long-term perspective of the calculations.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 18. Other Postemployment Benefits Plan (Continued)

For the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used, based on assumptions that between 2% and 100% of general employees, based on points and gender, will retire upon attainment of the eligibility requirements for retirement, and that law enforcement employees reaching 25 years of service will retire between 12% and 35%, based on age, upon attainment of the eligibility requirements for retirement as of the valuation date. The valuation assumes that between 50% and 100% of eligible retirees, based on points, will elect coverage in the plan, and 20% of these eligible retirees are assumed to be married and will have a spouse covered by the plan at retirement.

The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the City's assets, and medical and prescription drug base and sensitivity decreasing from 4.5% and 4.5%, respectively, in 2015 to an ultimate level of 4.0% and 3.9%, respectively, in 2077 and thereafter. Additional medical trend assumptions were developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions with the following used as input variables: 2.4% rate of inflation, 1.5% rate of growth in real income/gross domestic product (GDP) per capita, 1.0% extra trend due to technology and other factors, 25% health share of GDP resistance point, and 2075 being the year for limiting cost growth to GDP growth. The UAAL is being amortized as a level dollar amount on a 30-year closed basis. The remaining amortization period at the July 1, 2016 valuation was 23 years.

Note 19. Commitments and Contingencies

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the appropriate grantor government, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 19. Commitments and Contingencies (Continued)

The City is committed under the following contracts for construction and related projects:

Project	Contract Amount	Amount Outstanding at June 30, 2017
Public Works - Structural Study for Walls	\$ 16,500	\$ 16,500
Recreation & Parks Installation of Equipment	14,270	14,270
Public Works - Line Striping, Street Lighting & Cleaning	11,741	11,741
 Governmental Activities	 \$ 42,511	 \$ 42,511
City-Wide Fiber Infrastructure	\$ 7,081,606	\$ 423,475
Gesell Well Treatment Plant	2,978,437	1,072,216
WWTP Upgrade ENR Removal	1,395,523	1,277,928
Hollow Rock Rd & Cityview Water Main	498,391	471,461
Geographic Information System Layers	94,433	39,010
 Business-Type Activities	 \$ 12,048,390	 \$ 3,284,090

Note 20. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the Local Government Insurance Trust (LGIT), which is owned and directed by local governments (participants) that subscribe to its insurance coverages. LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The City does not exercise any control over LGIT's operations.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 20. Risk Management (Continued)

The maximum coverage under the liability pool of LGIT is \$1,000,000 per claim. The City also participates in an excess liability pool, which has maximum coverage of \$5,000,000. Settled claims resulting from these risks have not exceeded insurance coverage for each of the past three years.

	Maximum Coverage Per Claim	Premiums for Period Including June 30, 2017
Liability pool	\$ 1,000,000	\$ 48,772
Law enforcement liability pool	1,000,000	43,346
Public official liability pool	1,000,000	20,498
Excess liability pool	5,000,000	6,679
Automobile pool	1,000,000	45,538
		\$ 164,833

Note 21. Environmental Concerns

The City operates a sewer facility and has several above-ground storage tanks for its oil and diesel fuel. All above-ground storage tanks are surrounded by containment tanks to lessen the severity of contamination in the event of a leak. If a leak or contamination occurred, the City could become liable for the cost to clean up the spill.

Note 22. Concentrations and Economic Dependencies

The City provides various services to its residents. The City is located in northern Carroll County, Maryland. Credit is granted to its residents for taxes, water, and sewer bills. The City may place a lien on any property associated with unpaid taxes and water and sewer services; therefore, an allowance for uncollectible amounts is not considered necessary.

The City receives shared revenue from the county and state. The amounts of these funds are not guaranteed and may be reduced as a result of the current economic environment.

Note 23. New Governmental Accounting Standards Board Pronouncements

The GASB issued several pronouncements prior to the year ended June 30, 2017 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

**Note 23. New Governmental Accounting Standards Board Pronouncements
(Continued)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the City beginning with its fiscal year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the City beginning with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting requirements for asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the City beginning with the fiscal year ending June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on 1) whether a government is controlling the assets of the activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the City beginning with the fiscal year ending June 30, 2018. This Statement establishes accounting and financial reporting guidelines for in-substance defeasance of debt in which existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB State No. 87, *Leases*, will be effective for the City beginning with the fiscal year ending June 30, 2021. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

CITY OF WESTMINSTER, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 24. Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the City through November 30, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information



City of Westminster, Maryland
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund
(Legal Level of Control)
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 12,286,116	\$ 12,285,612	\$ 12,058,463	\$ (227,149)
Licenses & Permits	503,530	503,530	606,307	102,777
Intergovernmental	4,948,907	4,948,907	2,398,685	(2,550,222)
Charges for Services	590,000	590,000	775,162	185,162
Fines & Forfeitures	185,000	185,000	141,900	(43,100)
Interest & Investment Earnings	3,000	3,000	42,233	39,233
Rental Income	9,000	9,000	9,240	240
Reappropriation of Fund Balance	1,079,953	1,380,659	-	(1,380,659)
Miscellaneous	289,465	310,990	346,261	35,271
TOTAL REVENUES	19,894,971	20,216,698	16,378,251	(3,838,447)
EXPENDITURES				
GENERAL GOVERNMENT				
Executive & Legislative	\$ 1,141,923	\$ 1,233,737	\$ 1,031,783	\$ 201,954
Finance	231,649	185,369	138,335	47,034
Human Resources	121,603	102,893	75,864	27,029
Planning, Zoning & Development	386,553	386,553	375,724	10,829
Housing & Preservation Services	252,940	176,209	98,001	78,208
Facilities	3,610,091	3,814,872	750,141	3,064,731
Technology	736,875	699,349	246,263	453,086
TOTAL GENERAL GOVERNMENT	6,481,634	6,598,982	2,716,111	3,882,871
PUBLIC SAFETY				
Public Safety	6,767,270	7,091,530	6,458,154	633,376
TOTAL PUBLIC SAFETY	6,767,270	7,091,530	6,458,154	633,376
PUBLIC WORKS				
Public Works	5,439,542	5,316,000	4,454,937	861,063
TOTAL PUBLIC WORKS	5,439,542	5,316,000	4,454,937	861,063
RECREATION & PARKS				
Recreation & Parks	1,145,857	1,149,518	1,070,259	79,259
TOTAL RECREATION & PARKS	1,145,857	1,149,518	1,070,259	79,259
COMMUNITY DEVELOPMENT & HOUSING				
Community Support	60,668	60,668	46,586	14,082
TOTAL COMMUNITY DEVELOPMENT & HOUSING	60,668	60,668	46,586	14,082
TOTAL EXPENDITURES	19,894,971	20,216,698	14,746,047	5,470,651
EXCESS OF REVENUES OVER EXPENDITURES	-	-	1,632,204	(9,309,098)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	18,587	18,587
Transfer Out	-	-	(110,000)	110,000
TOTAL OTHER FINANCING USES	-	-	(91,413)	128,587
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,540,791	\$ (9,180,511)
Fund Balance - Beginning of Year			13,640,050	
FUND BALANCE - END OF YEAR			\$ 15,180,841	

City of Westminster, Maryland

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget to Actual - Public Housing Agency Fund
(Legal Level of Control)
For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental	\$ 1,989,706	\$ 1,989,706	\$ 2,168,588	\$ 178,882
Miscellaneous	10,000	10,000	41,958	31,958
TOTAL REVENUES	<u>1,999,706</u>	<u>1,999,706</u>	<u>2,210,546</u>	<u>210,840</u>
EXPENDITURES				
Salary & Benefits	\$ 222,875	\$ 222,875	\$ 237,193	\$ (14,318)
Administration	31,300	31,300	27,148	4,152
Housing Assistance Payments	1,777,288	1,777,288	1,920,785	(143,497)
Facilities	43,243	43,243	44,129	(886)
TOTAL EXPENDITURES	<u>2,074,706</u>	<u>2,074,706</u>	<u>2,229,255</u>	<u>(154,549)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(75,000)</u>	<u>(75,000)</u>	<u>(18,709)</u>	<u>365,389</u>
OTHER FINANCING SOURCES				
Transfer In	75,000	75,000	75,000	-
TOTAL OTHER FINANCING SOURCES	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	56,291	<u>\$ 365,389</u>
Fund Balance - Beginning of Year			<u>135,995</u>	
FUND BALANCE - END OF YEAR			<u>\$ 192,286</u>	

City of Westminster, Maryland
Other Postemployment Benefits (OPEB) Plan

SCHEDULE OF FUNDING IN PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
07/01/2013	\$ -	\$ 4,922,000	\$ 4,922,000	0.00%	\$ 8,220,230	59.88%
07/01/2014	\$ -	\$ 5,105,000	\$ 5,105,000	0.00%	\$ 8,054,207	63.38%
07/01/2015	\$ -	\$ 4,465,000	\$ 4,465,000	0.00%	\$ 8,371,785	53.33%
07/01/2016	\$ -	\$ 4,549,000	\$ 4,549,000	0.00%	\$ 8,636,696	52.67%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2014	\$ 457,000	\$ 153,000	33.5%	\$ 1,633,000
2015	\$ 441,000	\$ 178,000	40.4%	\$ 1,896,000
2016	\$ 344,000	\$ 186,000	54.1%	\$ 2,054,000
2017	\$ 355,000	\$ 208,000	58.6%	\$ 2,200,000

City of Westminster, Maryland
Schedule of Required Pension Related Supplemental Information
Schedule of the City's Proportionate Share of the Net Pension Liability (NPL)

	FY 2017	FY 2016	FY 2015
City's proportionate share (%) of collective net pension liability	0.0487798%	0.0468928%	0.0444709%
City's proportionate share (\$) of collective net pension liability	11,509,127	9,745,109	7,892,118
City's covered payroll (\$)	8,638,696	8,371,185	8,054,207
City's proportionate share of collective net pension liability as a percentage of its covered payroll	133.23%	116.41%	97.99%
Pension plan's fiduciary net position as a percentage of the total pension liability	65.79%	68.78%	71.87%

The above schedule is presented to illustrate the requirement for specified information for the past 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

City of Westminster, Maryland
Schedule of the City's Pension Plan Contributions
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 981,874	\$ 950,272	\$ 988,374	\$ 1,036,331	\$ 769,674	\$ 934,238	\$ 1,000,560	\$ 856,573	\$ 848,917	Not Available
Contributions in relation to the contractually required contribution	<u>981,874</u>	<u>950,272</u>	<u>988,374</u>	<u>1,036,331</u>	<u>769,674</u>	<u>934,238</u>	<u>1,000,560</u>	<u>856,573</u>	<u>848,917</u>	Not Available
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,638,696	\$ 8,371,185	\$ 8,054,207	\$ 8,220,230	\$ 7,794,504	\$ 7,776,206	\$ 7,651,516	\$ 7,973,815	\$ 8,319,609	Not Available
Contributions as a percentage of covered payroll	11.37%	11.35%	12.27%	12.61%	9.87%	12.01%	13.08%	10.74%	10.20%	0%

Note: The above schedules are presented to illustrate the requirement for specific information for 10 years; however, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Statistical Section



This part of the City of Westminster's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, not disclosures and required supplementary information say about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
 Financial Trends	
These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.....	100-104
 Revenue Capacity	
These tables contain information to help the reader assess the City's most significant local revenue sources and property tax.....	105-108
 Debt Capacity	
These tables contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	109-112
 Economic and Demographic Information	
These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place	113
 Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the City provides and the activities it performs	114-117

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF WESTMINSTER, MARYLAND

Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 42,454,147	\$ 42,526,125	\$ 38,532,024	\$ 35,682,137	\$ 35,100,713	\$ 34,872,097	\$ 32,874,066	\$ 31,552,405	\$ 29,898,287	\$ 30,376,442
Restricted	1,989,122	1,935,889	1,892,810	3,180,829	3,622,231	3,294,850	2,557,926	766,919	629,040	-
Unrestricted	4,632,883	4,521,694	3,273,138	7,814,643	6,640,317	5,926,862	4,621,325	4,516,227	3,380,253	3,324,176
<i>Total Governmental Activities Net Assets</i>	<u>49,076,152</u>	<u>48,983,708</u>	<u>43,697,972</u>	<u>46,677,609</u>	<u>45,363,261</u>	<u>44,093,809</u>	<u>40,053,317</u>	<u>36,835,551</u>	<u>33,907,580</u>	<u>33,700,618</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	49,020,498	45,702,387	42,443,649	39,299,413	38,453,577	38,090,979	38,010,808	38,205,420	39,277,817	40,405,560
Restricted	5,733,749	6,092,201	7,118,961	8,588,210	7,573,530	7,323,872	6,842,854	-	-	-
Unrestricted	13,845,582	13,635,654	11,115,646	11,383,168	10,953,354	9,597,503	7,485,149	10,394,967	6,647,514	7,607,749
<i>Total Business-Type Activities Net Assets</i>	<u>68,599,829</u>	<u>65,430,242</u>	<u>60,678,256</u>	<u>59,270,791</u>	<u>56,980,461</u>	<u>55,012,354</u>	<u>52,338,811</u>	<u>48,600,387</u>	<u>45,925,331</u>	<u>48,013,309</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	91,474,645	88,228,512	80,975,673	74,981,550	73,554,290	72,963,076	70,884,874	69,757,825	69,176,104	70,782,002
Restricted	7,722,871	8,028,090	9,011,771	11,769,039	11,195,761	10,618,722	9,400,780	766,919	629,040	-
Unrestricted	18,478,465	18,157,348	14,388,784	19,197,811	17,593,671	15,524,365	12,106,474	14,911,194	10,027,767	10,931,925
<i>Total Primary Government Net Assets</i>	<u>\$ 117,675,981</u>	<u>\$ 114,413,950</u>	<u>\$ 104,376,228</u>	<u>\$ 105,948,400</u>	<u>\$ 102,343,722</u>	<u>\$ 99,106,163</u>	<u>\$ 92,392,128</u>	<u>\$ 85,435,938</u>	<u>\$ 79,832,911</u>	<u>\$ 81,713,927</u>

Table 2

CITY OF WESTMINSTER, MARYLAND

Changes in Net Assets Last Ten Fiscal Years (accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General Government	\$ 1,958,923	\$ 2,044,804	\$ 2,279,392	\$ 2,033,740	\$ 1,619,659	\$ 1,658,564	\$ 1,412,939	\$ 1,628,041	\$ 2,207,358	\$ 1,688,588
Public Safety	7,779,910	6,077,097	5,917,816	5,698,822	5,849,529	5,537,316	5,717,661	5,806,461	5,497,624	6,089,946
Public Works	5,288,557	4,833,127	4,990,363	4,668,285	4,395,239	4,176,521	4,260,313	4,731,240	4,247,543	4,488,712
Recreation & Culture	1,406,611	1,363,735	1,229,001	1,267,334	1,142,296	1,231,756	1,192,491	1,206,961	1,089,680	1,408,613
Community Development & Housing	2,293,036	2,067,003	2,179,252	2,218,483	2,364,831	2,510,928	2,748,473	3,216,499	2,828,441	2,382,528
Interest on Long-Term Debt	166,597	178,666	190,055	196,380	218,755	245,602	268,075	268,649	312,342	294,822
<i>Total Governmental Activities Expenses</i>	<u>18,893,634</u>	<u>16,564,432</u>	<u>16,785,879</u>	<u>16,083,044</u>	<u>15,590,309</u>	<u>15,360,687</u>	<u>15,599,952</u>	<u>16,857,851</u>	<u>16,182,988</u>	<u>16,353,209</u>
Business-Type Activities:										
Sewer Services	5,036,757	4,839,774	4,944,571	4,877,723	4,762,370	4,990,870	4,805,897	4,793,225	4,739,579	4,002,488
Water Services	4,548,024	4,496,897	4,424,143	4,549,011	4,417,165	4,164,706	4,305,774	4,975,767	3,830,049	3,194,498
Fiber Services	378,031	347,687	-	-	-	-	-	-	-	-
<i>Total Business-Type Activities Expenses</i>	<u>9,962,812</u>	<u>9,684,358</u>	<u>9,368,714</u>	<u>9,426,734</u>	<u>9,179,535</u>	<u>9,155,576</u>	<u>9,111,671</u>	<u>9,768,992</u>	<u>8,569,628</u>	<u>7,196,986</u>
<i>Total Primary Government Expenses</i>	<u>\$ 28,856,446</u>	<u>\$ 26,248,790</u>	<u>\$ 26,154,593</u>	<u>\$ 25,509,778</u>	<u>\$ 24,769,844</u>	<u>\$ 24,516,263</u>	<u>\$ 24,711,623</u>	<u>\$ 26,626,843</u>	<u>\$ 24,752,616</u>	<u>\$ 23,550,195</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 294,166	\$ 217,309	\$ 562,842	\$ 437,144	\$ 420,820	\$ 340,590	\$ 301,450	\$ 287,715	\$ 355,850	\$ 393,117
Public Safety	136,825	224,441	212,383	178,832	164,063	242,242	233,785	182,841	51,879	64,158
Public Works	360,041	300,666	217,638	327,696	357,457	335,731	398,448	470,361	314,565	336,192
Recreation & Culture	463,780	401,707	425,545	346,037	459,368	467,659	485,040	454,128	425,494	420,925
Community Development & Housing	-	-	-	(53,648)	19,234	57,063	9,774	-	-	-
Operating Grants and Contributions	3,614,596	3,312,279	2,954,890	2,834,323	2,380,294	2,807,492	2,974,969	3,684,630	4,282,757	4,500,667
Capital Grants and Contributions	440,000	4,551,637	1,835,017	543,150	89,434	943,412	720,513	2,779,754	750,581	275,199
<i>Total Governmental Activities Program Revenues</i>	<u>5,309,408</u>	<u>9,008,039</u>	<u>6,208,315</u>	<u>4,613,534</u>	<u>3,890,670</u>	<u>5,194,189</u>	<u>5,123,979</u>	<u>7,859,429</u>	<u>6,181,126</u>	<u>5,990,258</u>
Business-Type Activities:										
Charges for Services:										
Sewer Services	6,587,898	6,214,017	5,556,135	5,291,975	5,159,685	5,228,490	5,732,485	5,124,759	2,835,273	3,359,434
Water Services	5,045,375	5,264,257	5,274,754	5,527,258	5,460,772	5,527,872	6,208,394	5,296,247	2,552,786	2,830,593
Fiber Services	64,817	24,161	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	12,076	12,286	12,286	9,900	-	-
Capital Grants and Contributions	941,831	419,379	1,615,385	872,369	468,331	983,559	864,719	2,383,176	822,260	705,554
<i>Total Business-Type Activities Program Revenues</i>	<u>12,639,921</u>	<u>11,921,814</u>	<u>12,446,274</u>	<u>11,691,602</u>	<u>11,100,864</u>	<u>11,752,207</u>	<u>12,817,884</u>	<u>12,814,082</u>	<u>6,210,319</u>	<u>6,895,581</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 17,949,329</u>	<u>\$ 20,929,853</u>	<u>\$ 18,654,589</u>	<u>\$ 16,305,136</u>	<u>\$ 14,991,534</u>	<u>\$ 16,946,396</u>	<u>\$ 17,941,863</u>	<u>\$ 20,673,511</u>	<u>\$ 12,391,445</u>	<u>\$ 12,885,839</u>

Table 2

CITY OF WESTMINSTER, MARYLAND

Changes in Net Assets Last Ten Fiscal Years (accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (Expense)/Revenue										
Governmental Activities	\$ (13,584,226)	\$ (7,556,393)	\$ (10,577,564)	\$ (11,469,510)	\$ (11,699,639)	\$ (10,166,498)	\$ (10,475,973)	\$ (8,998,422)	\$ (10,001,862)	\$ (10,362,951)
Business-Type Activities	2,677,109	2,237,456	3,077,560	2,264,868	1,921,329	2,596,631	3,706,213	3,045,090	(2,359,309)	(301,405)
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>\$ (10,907,117)</u>	<u>\$ (5,318,937)</u>	<u>\$ (7,500,004)</u>	<u>\$ (9,204,642)</u>	<u>\$ (9,778,310)</u>	<u>\$ (7,569,867)</u>	<u>\$ (6,769,760)</u>	<u>\$ (5,953,332)</u>	<u>\$ (12,361,171)</u>	<u>\$ (10,664,356)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Real Estate Taxes	\$ 9,061,859	\$ 8,830,708	8,999,043	\$ 9,068,948	8,950,262	10,514,072	10,122,431	7,394,792	7,288,909	7,119,358
Personal Property Taxes	792,293	904,381	775,478	686,858	809,810	740,724	747,784	795,572	760,949	222,172
Income Taxes	1,998,888	2,104,369	2,341,971	1,839,712	1,825,099	1,637,528	1,512,397	1,607,727	1,709,733	1,799,717
Admission & Amusement Taxes	204,885	199,345	218,568	251,232	210,009	242,019	239,106	256,508	256,963	288,383
Grants & Contributions not Restricted to Specific Programs	995,644	990,360	1,008,574	1,002,817	894,540	892,529	905,603	850,901	-	-
Franchise Fees	270,616	255,188	-	-	-	-	-	-	-	-
Interest & Investment Earnings	42,233	26,550	15,876	11,478	19,900	34,368	45,548	68,725	46,137	178,368
Miscellaneous	345,252	449,220	187,336	30,563	259,471	145,750	120,233	198,296	161,435	119,907
Transfers	(35,000)	(2,055,923)	-	-	-	-	637	14,262	(15,302)	-
<i>Total Government Activities:</i>	<u>13,676,670</u>	<u>11,704,198</u>	<u>13,546,846</u>	<u>12,891,608</u>	<u>12,969,091</u>	<u>14,206,990</u>	<u>13,693,739</u>	<u>11,186,783</u>	<u>10,208,824</u>	<u>9,727,905</u>
Business-Type Activities										
Grants & Contributions not Restricted to Specific Programs	-	-	-	-	-	-	-	-	-	-
Interest & Investment Earnings	84,466	53,066	31,694	14,547	17,379	16,730	20,101	17,948	111,826	311,153
Miscellaneous	373,012	228,452	14,059	17,565	29,399	60,182	12,747	14,188	144,203	283,407
Transfers	35,000	2,055,923	-	-	-	-	(637)	(14,262)	15,302	-
<i>Total Business-Type Activities</i>	<u>492,478</u>	<u>2,337,441</u>	<u>45,753</u>	<u>32,112</u>	<u>46,778</u>	<u>76,912</u>	<u>32,211</u>	<u>17,874</u>	<u>271,331</u>	<u>594,560</u>
<i>Total Primary Government</i>	<u>\$ 14,169,148</u>	<u>\$ 14,041,639</u>	<u>\$ 13,592,599</u>	<u>\$ 12,923,720</u>	<u>\$ 13,015,869</u>	<u>\$ 14,283,902</u>	<u>\$ 13,725,950</u>	<u>\$ 11,204,657</u>	<u>\$ 10,480,155</u>	<u>\$ 10,322,465</u>
Governmental Activities	\$ 92,444	\$ 4,147,805	\$ 2,969,282	\$ 1,422,098	\$ 1,269,452	\$ 4,040,492	\$ 3,217,766	\$ 2,188,361	\$ 206,962	\$ (635,046)
Business-Type Activities	3,169,587	4,574,897	3,123,313	2,296,980	1,968,107	2,673,543	3,738,424	3,062,964	(2,087,978)	293,155
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 3,262,031</u>	<u>\$ 8,722,702</u>	<u>\$ 6,092,595</u>	<u>\$ 3,719,078</u>	<u>\$ 3,237,559</u>	<u>\$ 6,714,035</u>	<u>\$ 6,956,190</u>	<u>\$ 5,251,325</u>	<u>\$ (1,881,016)</u>	<u>\$ (341,891)</u>

CITY OF WESTMINSTER, MARYLAND

Fund Balances, Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund (1)										
Nonspendable	\$ 297,119	\$ 347,766	\$ 232,706	\$ 365,159	\$ 311,064	\$ 880,810	\$ 1,354,585	\$ -	\$ -	\$ -
Restricted	1,745,841	1,897,019	1,806,276	3,378,400	3,280,469	2,739,346	1,757,595	-	-	-
Committed	17,434	24,122	23,392	10,960	209,468	-	-	-	-	-
Assigned	483,374	480,463	487,947	9,102	4,786	-	-	-	-	-
Unassigned	12,637,073	10,890,680	9,336,836	8,172,376	7,138,834	5,810,439	3,811,651	-	-	-
<i>Total General Fund</i>	<u>\$ 15,180,841</u>	<u>\$ 13,640,050</u>	<u>\$ 11,887,157</u>	<u>\$ 11,935,997</u>	<u>\$ 10,944,621</u>	<u>\$ 9,430,595</u>	<u>\$ 6,923,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public Housing Agency Fund (1)										
Nonspendable	\$ 7,778	\$ 4,720	\$ 7,273	\$ 7,263	\$ 5,463	\$ 4,002	\$ 1,999	\$ -	\$ -	\$ -
Restricted	184,508	131,275	159,981	137,496	396,967	555,504	800,511	-	-	-
<i>Total Public Housing Agency Fund</i>	<u>\$ 192,286</u>	<u>\$ 135,995</u>	<u>\$ 167,254</u>	<u>\$ 144,759</u>	<u>\$ 402,430</u>	<u>\$ 559,506</u>	<u>\$ 802,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Total Governmental Funds</i>	<u>\$ 15,373,127</u>	<u>\$ 13,776,045</u>	<u>\$ 12,054,411</u>	<u>\$ 12,080,756</u>	<u>\$ 11,347,051</u>	<u>\$ 9,990,101</u>	<u>\$ 7,726,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,869,781	\$ 2,394,416	\$ 964,857
Unreserved - Designated	-	-	-	-	-	-	-	-	-	470,900
Unreserved - Undesignated	-	-	-	-	-	-	-	2,979,759	1,582,609	1,778,205
<i>Total General Fund</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,849,540</u>	<u>\$ 3,977,025</u>	<u>\$ 3,213,962</u>				
Public Housing Agency Fund (1)										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,791	464,031	304,604
Unreserved - Undesignated	-	-	-	-	-	-	-	-	-	-
<i>Total Public Housing Agency Fund</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,791</u>	<u>\$ 464,031</u>	<u>\$ 304,604</u>				
<i>Total Governmental Funds</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,497,331</u>	<u>\$ 4,441,056</u>	<u>\$ 3,518,566</u>				

(1) In FY2011 GASB 54 was implemented

Table 4

CITY OF WESTMINSTER, MARYLAND

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
Taxes	\$ 12,058,463	\$ 12,250,655	\$ 11,943,094	\$ 11,664,491	\$ 11,823,982	\$ 13,125,890	\$ 12,642,294	\$ 10,029,452	\$ 10,015,967	\$ 9,435,440
Licenses & Permits	606,307	525,888	534,138	522,592	495,625	420,219	388,630	389,606	406,679	327,439
Intergovernmental	4,567,273	4,275,615	2,497,041	4,166,642	3,330,891	3,616,472	3,901,765	4,865,238	4,471,659	4,537,276
Charges for Services	775,162	641,696	672,497	579,615	732,550	714,006	791,175	806,175	667,649	811,186
Fines & Forfeitures	141,900	222,351	201,140	188,520	177,913	238,279	248,194	145,772	54,512	70,711
Interest & Investment Earnings	42,233	26,550	15,876	11,478	13,732	16,317	16,494	7,407	-	-
Rental Income	9,240	7,140	5,040	5,040	5,080	5,200	5,200	7,458	-	-
Miscellaneous	388,219	481,045	192,736	52,349	286,303	239,771	278,581	401,971	357,865	339,631
Total Revenues	18,588,797	18,430,940	16,061,562	17,190,727	16,866,076	18,376,154	18,272,333	16,653,079	15,974,331	15,521,683
EXPENDITURES										
Current:										
General Government	1,630,485	1,671,521	2,040,405	1,712,632	1,434,760	1,158,287	1,052,084	1,022,441	1,503,792	1,294,872
Public Safety	6,271,625	5,939,563	5,801,868	5,616,944	5,565,297	4,481,602	4,001,834	4,079,186	3,608,065	4,053,104
Public Works	3,086,761	3,304,020	3,233,687	3,151,535	2,895,110	2,501,924	2,627,455	2,867,680	2,671,505	2,663,760
Recreation & Parks	1,052,026	1,010,652	928,343	858,453	900,955	813,059	762,342	705,660	758,707	878,073
Community Development & Housing	2,275,841	2,050,314	90,562	2,199,736	2,346,084	2,449,092	2,533,393	3,034,163	2,675,576	2,359,987
Debt Service:										
Principal	362,477	358,804	348,519	337,060	312,932	299,147	303,931	398,447	3,873,439	352,271
Interest	168,925	180,835	192,090	194,812	226,290	248,967	268,318	271,305	316,775	297,671
Capital Outlays	2,127,162	1,858,601	3,427,616	2,479,394	1,894,285	2,649,869	2,189,325	946,341	583,298	1,285,374
Miscellaneous	-	-	-	-	-	1,595,185	2,316,762	2,380,380	2,580,556	2,978,119
Total expenditures	16,975,302	16,374,310	16,063,090	16,550,566	15,575,713	16,197,132	16,055,444	15,705,603	18,571,713	16,163,231
Excess (deficiency) of revenues over (under) expenditures	1,613,495	2,056,630	(1,528)	640,161	1,290,363	2,179,022	2,216,889	947,476	(2,597,382)	(641,548)
OTHER FINANCES SOURCES (USES)										
Proceeds from Issuance of Long-Term Debt	18,587	-	-	63,367	60,045	52,462	3,420	35,090	3,535,174	180,331
Proceeds from Sale of Capital Assets	75,000	43,074	27,684	30,177	6,542	32,270	8,070	(64,819)	-	-
Transfer in	-	109,180	-	69,000	-	-	637	14,262	-	-
Transfer out	(110,000)	(487,250)	(75,000)	(69,000)	-	-	-	-	(15,302)	-
Total other financing sources (uses)	(16,413)	(334,996)	(47,316)	93,544	66,587	84,732	12,127	(15,467)	3,519,872	180,331
Net change in fund balances	\$ 1,597,082	\$ 1,721,634	\$ (48,844)	\$ 733,705	\$ 1,356,950	\$ 2,263,754	\$ 2,229,016	\$ 932,009	\$ 922,490	\$ (461,217)
Debt Service as a percentage of Noncapital Expenditures	3.6%	3.7%	4.3%	3.8%	3.9%	4.0%	4.1%	4.5%	23.3%	4.4%

CITY OF WESTMINSTER, MARYLAND

Assessed Valuation and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	Real Property			Personal Property						Grand Total
	Assessed Value	Estimated Market Value	Direct Tax Rate	Assessed Value						
				Unincorporated	Incorporated	Public Utilities	Total	Estimated Market Value	Direct Tax Rate	
2008	1,636,886,364	1,636,886,364	0.44	N/A	N/A	N/A	N/A	N/A	0.44	N/A
2009	1,823,604,773	1,823,604,773	0.44	N/A	N/A	N/A	N/A	N/A	0.44	N/A
2010	1,786,435,227	1,786,435,227	0.44	\$ 1,586,010	\$ 59,206,860	\$ 10,960,470	\$ 71,753,340	71,753,340	0.44	1,858,188,567
2011	1,808,379,828	1,808,379,828	0.58	1,343,360	53,628,550	18,436,060	73,407,970	73,407,970	0.58	1,881,787,798
2012	1,847,051,897	1,847,051,897	0.58	1,440,980	51,284,240	18,427,480	71,152,700	71,152,700	0.58	1,918,204,597
2013	1,582,410,351	1,582,410,351	0.57	1,359,880	48,975,930	17,735,870	68,071,680	68,071,680	0.57	1,650,482,031
2014	1,603,654,464	1,603,654,464	0.56	1,065,140	44,477,390	17,750,040	63,292,570	63,292,570	0.56	1,666,947,034
2015	1,611,762,321	1,611,762,321	0.56	1,136,650	44,236,430	17,402,280	62,775,360	62,775,360	0.56	1,674,537,681
2016	1,614,145,000	1,614,145,000	0.56	1,816,470	51,723,690	17,035,740	70,575,900	70,575,900	0.56	1,684,720,900
2017	1,627,341,429	1,627,341,429	0.56	1,506,150	50,555,070	17,446,080	69,507,300	69,507,300	0.56	1,696,848,729

Real property is reassessed every three years. Real property is assessed at market value.

Total personal property assessed value is equal to the estimated market value.

Personal Property Assessment information unavailable FY2008 through FY2009

CITY OF WESTMINSTER, MARYLAND

Real Property Tax Rates - Direct and Overlapping Governments (Per \$100 of Assessed Value) Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Direct Rate</u>	<u>Overlapping Rates</u>		<u>Total Direct & Overlapping</u>
	<u>Assessed Value</u>	<u>State of Maryland</u>	<u>Carroll County</u>	
2008	0.440	0.112	1.048	1.600
2009	0.440	0.112	1.048	1.600
2010	0.440	0.112	1.048	1.600
2011	0.580	0.112	1.048	1.740
2012	0.580	0.112	1.028	1.720
2013	0.570	0.112	1.018	1.700
2014	0.560	0.112	1.018	1.690
2015	0.560	0.112	1.018	1.690
2016	0.560	0.112	1.018	1.690
2017	0.560	0.112	1.018	1.690

Sources: Carroll County Department of the Comptroller
Maryland State Department of Assessments and Taxation

CITY OF WESTMINSTER, MARYLAND

Principal Taxpayers Current Fiscal Year and Nine Years Ago

2017

Taxpayer	Type of Business	Assessed Valuations	Tax Amount Paid	% of Total Assessed Value
Carroll Lutheran Village	Elder Care/Retirement Community	\$ 51,898,467	\$ 290,631	3.19%
Knorr Brake Realty LLC	Light Manufacturing	22,820,900	127,797	1.40%
Cranberry Mall Properties LLC	Shopping Center/Commerical Rentals	22,406,633	125,468	1.38%
Cranberry Square LLC	Shopping Center/Commerical Rentals	21,732,233	121,701	1.34%
Home Properties Ridgeview Chase LLC	Shopping Center/Commerical Rentals	19,820,767	111,108	1.22%
BH Brightview Westminster	Elder Care/Retirement Community	19,137,800	107,172	1.18%
140 Village Limited Liability Partnership	Shopping Center/Commerical Rentals	17,147,334	96,025	1.05%
Westminster Crossing East LLC	Shopping Center/Commerical Rentals	13,228,500	74,416	0.81%
Washreit Westminster Shopping LLC	Shopping Center/Commerical Rentals	13,089,533	73,301	0.80%
Beral Limited Partnership	Shopping Center/Commerical Rentals	11,917,967	67,245	0.73%
		<u>\$ 213,200,134</u>	<u>\$ 1,194,864</u>	<u>13.10%</u>
	Total Assessed Valuations	<u>\$ 1,627,341,429</u>		

2008

Taxpayer	Type of Business	Assessed Valuation	Tax Amount Paid	% of Total Assessed Value
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	Total Assessed Valuation	<u>N/A</u>		

Property is reassessed every three years

Source: Carroll County Department of the Comptroller

Note: Information unavailable for FY2008

Table 8

CITY OF WESTMINSTER, MARYLAND

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collection within Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
		Amount	Percent of Levy		Amount	Percent of Levy		
2008	7,202,300	7,147,659	99.24%	54,641	7,202,300	100.00%	-	0.00%
2009	8,023,861	7,918,044	98.68%	105,817	8,023,861	100.00%	-	0.00%
2010	7,860,315	7,773,223	98.89%	87,092	7,860,315	100.00%	-	0.00%
2011	10,488,603	10,399,114	99.15%	89,489	10,488,603	100.00%	-	0.00%
2012	10,712,901	10,627,229	99.20%	85,672	10,712,901	100.00%	-	0.00%
2013	9,019,739	8,944,308	99.16%	75,431	9,019,739	100.00%	-	0.00%
2014	8,980,465	8,871,695	98.79%	108,770	8,980,465	100.00%	-	0.00%
2015	9,025,869	8,912,979	98.75%	112,056	9,025,035	99.99%	834	0.01%
2016	9,039,212	8,979,644	99.34%	57,388	9,037,032	99.98%	2,180	0.02%
2017	9,113,112	9,099,305	99.85%	-	9,099,305	99.85%	13,807	0.15%

Source: Carroll County Department of the Comptroller

Table 9

CITY OF WESTMINSTER, MARYLAND

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	% of Personal Income (3)	% of Market Property Value (2)	Per Capita (3)
	General Obligation Bonds	General Obligation Debt	General Obligation Bonds	General Obligation Debt (1)				
2008	6,449,600	309,987	8,768,447	-	15,528,034	N/A	N/A	858
2009	6,212,400	208,922	14,229,896	-	20,651,218	N/A	N/A	1,159
2010	5,968,600	89,365	14,459,022	83,128	20,600,115	3.10%	1.11%	1,103
2011	5,714,500	42,955	13,536,472	61,650	19,355,577	2.83%	1.03%	1,034
2012	5,446,700	64,070	12,736,266	128,138	18,375,174	2.63%	0.96%	980
2013	5,150,400	107,484	11,924,308	214,966	17,397,158	2.42%	1.05%	923
2014	4,844,900	139,289	11,100,389	151,846	16,236,424	2.21%	0.97%	860
2015	4,532,200	103,470	10,264,294	108,932	15,008,896	1.99%	0.90%	792
2016	4,212,000	64,866	10,324,658	62,338	14,663,862	1.87%	0.87%	772
2017	3,884,300	30,088	13,930,541	25,408	17,870,337	2.27%	1.05%	938

Notes:

Some demographic information unavailable

Details regarding City's outstanding debt can be found in the notes to the financial statements

(1) Bond premiums/discounts and other unamortized charges are included

(2) See Table 5 Assessed Valuation and Estimated Actual Value of Taxable Property, for Estimated Market Values of Taxable Property

(3) See Table 12, Demographic Statistics, for personal income and population data

CITY OF WESTMINSTER, MARYLAND

Ratios of Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds & Debt Outstanding	Percent of Actual Property Value (1)	Percent of Personal Income (2)	Per Capita (2)
2008	15,218,047	N/A	N/A	841
2009	20,442,296	N/A	N/A	1,147
2010	20,427,622	1.10%	3.10%	1,094
2011	19,250,972	1.02%	2.83%	1,028
2012	18,182,966	0.95%	2.63%	970
2013	17,074,708	1.03%	2.42%	906
2014	15,945,289	0.96%	2.21%	845
2015	14,796,494	0.88%	1.99%	781
2016	14,536,658	0.86%	1.87%	766
2017	17,814,841	1.05%	2.27%	935

Notes: N/A not available.

Details regarding the City's outstanding debt can be found in the notes to the financial statements

(1) See Table 5, Assessed Valuation and Estimated Market Value of Taxable Property, for Estimated Market Values of Taxable Property.

(2) See Table 12, Demographic Statistics, for personal income and population data

CITY OF WESTMINSTER, MARYLAND

Computation of Legal Debt Margin June 30, 2017

Net Assessed Value - Real Property	\$ 1,627,341,429	
Debt Limit - 6% of Net Assessed Value (1)		\$ 97,640,486
Assessed Value - Personal Property	<u>69,507,300</u>	
Debt Limit - 15% of Net Assessed Value (1)		<u>10,426,095</u>
Total Debt Limit (6%/15%)		108,066,581
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	17,814,841	
Less - Wastewater Bonds	-	
Less - Water Bonds	8,554,701	
Less - Fiber Bonds	5,375,840	
Total Amount of Debt Applicable to Debt Limit		<u>9,260,140</u>
Legal Debt Margin		<u>\$ 98,806,441</u>

Schedule of Legal Debt Margin 2008-2017

Fiscal Year	Assessed Value	Legal Debt Limitation	Legal Borrowing Limitation	Debt Subject to Limitation	Legal Debt Margin	Ratio of Debt Subject to Limitation To Legal Borrowing Limitation
2008	N/A	6.0%/15%	N/A	N/A	N/A	N/A
2009	N/A	6.0%/15%	N/A	N/A	N/A	N/A
2010	1,858,188,567	6.0%/15%	117,949,115	5,968,600	111,980,515	5.06%
2011	1,881,787,798	6.0%/15%	119,513,986	5,714,500	113,799,486	4.78%
2012	1,918,201,477	6.0%/15%	121,495,551	5,446,700	116,048,851	4.48%
2013	1,650,482,031	6.0%/15%	104,984,439	5,125,110	99,859,329	4.88%
2014	1,666,947,034	6.0%/15%	105,519,759	4,944,900	100,674,859	4.69%
2015	1,674,537,681	6.0%/15%	106,357,243	4,532,200	99,859,329	4.26%
2016	1,684,720,900	6.0%/15%	107,435,085	4,212,000	100,674,859	3.92%
2017	1,696,848,729	6.0%/15%	108,066,581	9,260,140	98,806,441	8.57%

N/A: Information not available for the years indicated

CITY OF WESTMINSTER, MARYLAND

Computation of Direct and Overlapping Debt June 30, 2016

Overlapping Debt (1)	Percentage Applicable (1)	Share of Overlapping Debt	Direct Debt (2)	Total Direct and Overlapping Debt
\$ 322,236,986	8.86%	\$ 28,550,197	\$ 3,914,388	\$ 32,464,585

Note: (1) Ratio of assessed value in the City of Westminster, Maryland to the total assessed value in Carroll County.

(2) See Note 9

(3) The overlapping debt is not a debt of the City of Westminster, Maryland on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the City of Westminster, Maryland are obligated to pay through direct tax levies of these governmental entities.

Source: Carroll County Department of the Comptroller
City of Westminster Department of Finance and Administrative Services

Table 13

CITY OF WESTMINSTER, MARYLAND

Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (\$ in 000's) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2008	18,089	618,517	34,193	2.90%
2009	17,817	621,332	34,873	3.70%
2010	18,674	664,328	35,575	6.40%
2011	18,721	683,504	36,510	6.80%
2012	18,753	699,356	37,293	6.10%
2013	18,839	719,217	38,177	5.90%
2014	18,879	734,790	38,921	5.50%
2015	18,953	753,495	39,756	4.80%
2016	18,989	784,417	41,309	4.30%
2017	19,054	788,607	41,388	3.60%

Source: (1) FY2010 reflect the 2010 Census date. All other fiscal years are estimates.

(2) Estimates for the City based on data for Carroll County, MD, from the U.S. Bureau of Economic Analysis.

(3) Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information. Data for Carroll County, Maryland

CITY OF WESTMINSTER, MARYLAND

Major Employers Current Fiscal Year and Nine Years Ago

2017

Firm	Product/Service	Total Employment	Percentage of Total City Employment
Carroll County Public Schools	Education (K-12)	3,171	35.83%
Carroll County Commissioners	Local Government	957	10.81%
McDaniel College	Higher Education (Private)	800	9.04%
Carroll Lutheran Village	Retirement	425	4.80%
Arc of Carroll County	Non-Profit / Health Care	325	3.67%
Knorr Brake	Railroad Brake Manufacture	263	2.97%
Tevis Energy	Oil & Related Products	259	2.93%
Lowes	Home Improvement Products	180	2.03%
Target	Consumer Goods	175	1.98%
City of Westminster	Local Government	161	1.82%
	Total	<u>6,716</u>	<u>75.88%</u>
	Annual Average Employment in Westminster	<u>8,851</u>	

2008

Firm	Product/Service	Total Employment (1)	Percentage of Total City Employment
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
	Total	<u>N/A</u>	<u>N/A</u>
	Annual Average Employment in Westminster	<u>N/A</u>	

Notes:

(1) Information unavailable

Source:

Carroll County Department of Economic Development
Maryland Department of Commerce

CITY OF WESTMINSTER, MARYLAND

Full-Time City Employees by Function/Program Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Mayor	1	1	1	1	1	1	1	1	1	1
Common Council	5	5	5	5	5	5	5	5	5	5
City Administration	3	3	3	3	3	3	3	3	3	3
Finance	6	6	6	7	6	6	7	7	8	9
Human Resources	3	3	3	3	3	3	3	4	3	3
Technology Services	4	4	4	4	3	2	2	2	1	0
Community Planning & Development	4	5	5	5	5	5	5	6	6	9
Public Safety										
Police - Sworn	42	40	44	44	43	45	45	45	47	45
Police - Civilian	14	14	14	14	14	14	14	14	14	14
Public Works										
Administration	4	3	3	3	3	3	1	1	1	1
Engineering	3	3	3	3	3	3	3	3	3	3
Streets & Sanitation	19	19	19	19	19	20	20	23	23	23
Recreation and Parks	9	10	10	10	9	9	8	9	15	15
Housing & Preservation Services	5	5	5	5	4	4	4	5	4	5
Fiber	1	0	0	0	0	0	0	0	0	0
Utilities										
Utilities Maintenance	13	12	13	13	13	14	14	14	14	11
Water	13	11	10	10	10	10	10	10	9	9
Wastewater	11	12	13	13	13	13	13	13	13	13
Total Full-Time Employees	160	156	161	162	157	160	158	165	170	169
Part Time Employees	2	2	2	2	4	-	5	6	-	-
Total Employees	162	158	163	164	161	160	163	171	170	169

Source: Department of Finance and Administrative Services

CITY OF WESTMINSTER, MARYLAND

Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Information										
Population	19,054	18,989	18,953	18,879	18,839	18,753	18,721	18,674	17,817	18,089
General Government										
Building Permits Issued for Residential	213	180	133	N/A	76	138	215	204	182	205
Estimated Value (\$ in thousands) Residential	\$11,637	\$5,000	N/A	N/A	4,591	10,552	15,406	18,126	12,829	52,079
Building Permits Issued for Other Purposes	56	45	N/A							
Estimated Value (\$ in thousands) Other	\$5,205	\$3,000	N/A							
Police Protection										
Police Officers	42	40	44	44	43	45	45	45	47	45
Citations/Warnings	7,069	3,127	3,398	3,993	2,280	3,069	3,389	4,076	4,077	3,282
Calls for Service	11,776	10,979	10,897	11,725	12,130	11,957	12,073	11,785	14,877	15,987
Water										
Daily Average Usage (mgd)	3	3	N/A							
Plants Daily Capacity (mgd)	3	3	N/A							
Wastewater										
Daily Average Usage (mgd)	5	5	5	5	5	5	5	5	5	5
Plants Daily Capacity (mgd)	5	5	5	5	5	5	5	5	5	5
Solid Waste										
Tons In	4,034	4,044	3,980	3,961	3,602	4,082	2,100	N/A	4,267	N/A
Tons Recycled	1,175	1,029	1,058	962	768	999	490	N/A	1,207	N/A

N/A: Information is not available for the years indicated

CITY OF WESTMINSTER, MARYLAND

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Information										
Area in Square Miles	6.5501	6.5501	6.5501	6.3892	6.3892	N/A	6.3892	N/A	6.3892	6.3892
Miles of Roads - Paved	71.768	71.768	71.768	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miles of Roads - Unpaved	1.00	1.00	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
Water Mains (miles)	161	161	161	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treatment Facility	4	4	4	4	4	4	4	4	4	4
Water Tanks	4	4	4	4	4	4	4	4	4	4
Booster Stations	2	2	2	2	2	2	2	2	2	2
Wells	12	12	12	12	12	12	12	12	12	12
Number of Customer Accounts	9,602	9,602	9,790	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sewer Mains (miles)	160	160	160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treatment Facility	1	1	1	1	1	1	1	1	1	1
Pumping Stations	11	11	11	11	11	11	11	11	11	11
Number of Customer Accounts	9,258	9,258	9,244	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation and Culture										
Parks	14	14	14	14	14	14	14	14	14	14
Acreage	117	117	117	117	117	117	117	117	117	117

N/A: Information is not available for the years indicated

Source: City of Westminster

Other Supplementary Information



Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Mayor and Common Council

City of Westminster, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Westminster, Maryland's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Westminster, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Westminster, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Westminster, Maryland's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
November 30, 2017

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance

To the Mayor and Common Council
City of Westminster, Maryland

Report on Compliance for Each Major Federal Program

We have audited the City of Westminster, Maryland's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Westminster, Maryland's major federal programs for the year ended June 30, 2017. City of Westminster, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Westminster, Maryland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westminster, Maryland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Westminster, Maryland's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Westminster, Maryland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Westminster, Maryland, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Westminster, Maryland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Westminster, Maryland's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
November 30, 2017

CITY OF WESTMINSTER, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Funding			
Section 8 Housing Choice Vouchers	14.871	N/A	2,168,588
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,168,588
U.S. DEPARTMENT OF JUSTICE			
Pass-Through Governor's Office of Crime Control and Prevention			
Violence Against Women Formula Grants	16.588	VAWA-2013-1154 VAWA-2014-1154	24,257
Pass-Through Carroll County Health Department			
Bulletproof Vest Partnership/Body Armor Safety Initiative	16.607	N/A	1,120
TOTAL U.S. DEPARTMENT OF JUSTICE			25,377
U.S. DEPARTMENT OF TRANSPORTATION			
National Highway Traffic Safety Administration (NHTSA)			
NHTSA 402 - State and Community Highway Safety	20.600	LE 16-029	6,589
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			6,589
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-Through Maryland Emergency Management Agency (MEMA)			
Disaster Grants - Public Assistance	97.036	FEMA-4261-DR-MD	14,072
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			14,072
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,214,626

City of Westminster, Maryland
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of the City of Westminster, Maryland (the City) under programs of the Federal Government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accruals basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Grant revenues are recorded for financial reporting purpose when expenditures are made in accordance with requirements of respective grants.

Note 3. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirectly cost rate allowed under the Uniform Guidance.

City of Westminster, Maryland
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes	X	No
Significant deficiency(ies) identified?	Yes	X	None Reported
Noncompliance material to financial statements noted?	Yes	X	No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	Yes	X	No
Significant deficiency(ies) identified?	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any auditor findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	Yes	X	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>	<u>Fiscal Year</u> <u>6/30/2017</u> <u>Expenditures</u>
Section 8 Housing Choice Vouchers	14.871	\$ 2,168,588

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee?	Yes	X	No
--	-----	---	----

Section II. Financial Statement Findings

No matters were reported.

Section III. Findings and Questioned Costs for Federal Awards

No matters were reported.

City of Westminster Maryland
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

The prior year financial statement audit disclosed the following finding:

Finding 2016-001

Statement of Condition

The City did not record capital infrastructure assets in the year in which they were donated to the City.

Status

Cleared

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14,871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$ -	\$ -
112 Cash - Restricted - Modernization and Development	\$ -	\$ -
113 Cash - Other Restricted	\$ 188,531	\$ 188,531
114 Cash - Tenant Security Deposits	\$ -	\$ -
115 Cash - Restricted for Payment of Current Liabilities	\$ 8,921	\$ 8,921
100 Total Cash	\$ 197,452	\$ 197,452
121 Accounts Receivable - PHA Projects	\$ -	\$ -
122 Accounts Receivable - HUD Other Projects	\$ -	\$ -
124 Accounts Receivable - Other Government	\$ -	\$ -
125 Accounts Receivable -Miscellaneous	\$ -	\$ -
126 Accounts Receivable - Tenants	\$ -	\$ -
126.1 Allowance for Doubtful Accounts - Tenants	\$ -	\$ -
126.2 Allowance for Doubtful Accounts - Other	\$ -	\$ -
127 Notes, Loans, & Mortgages Receivable - Current	\$ -	\$ -
128 Fraud Recovery	\$ 200,687	\$ 200,687
128.1 Allowance for Doubtful Accounts - Fraud	\$ (170,845)	\$ (170,845)
129 Accrued Interest Receivables	\$ -	\$ -
120 Total Receivables, Net of Allowance for Doubtful Accounts	\$ 29,842	\$ 29,842
131 Investments - Unrestricted	\$ -	\$ -
132 Investments - Restricted	\$ -	\$ -
135 Investments - Restricted for Payment of Current Liability	\$ -	\$ -
142 Prepaid Expenses and Other Assets	\$ 7,778	\$ 7,778
143 Inventories	\$ -	\$ -
143.1 Allowance for Obsolete Inventories	\$ -	\$ -
144 Inter Program Due From	\$ -	\$ -
145 Assets Held for Sale	\$ -	\$ -
150 Total Current Assets	\$ 235,072	\$ 235,072
161 Land	\$ -	\$ -
162 Buildings	\$ -	\$ -
163 Furniture, Equipment & Machinery - Dwellings	\$ -	\$ -
164 Furniture, Equipment & Machinery - Administration	\$ -	\$ -

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14,871 Housing Choice Vouchers	Total
165 Leasehold Improvements	\$ -	\$ -
166 Accumulated Depreciation	\$ -	\$ -
167 Construction in Progress	\$ -	\$ -
168 Infrastructure	\$ -	\$ -
160 Total Capital Assets, Net of Accumulated Depreciation	\$ -	\$ -
171 Notes, Loans and Mortgages Receivable - Non-Current	\$ -	\$ -
172 Notes, Loans and Mortgages Receivable - Non-Current - Past	\$ -	\$ -
173 Grant Receivable - Non Current	\$ -	\$ -
174 Other Assets	\$ -	\$ -
176 Investments in Joint Ventures	\$ -	\$ -
180 Total Non-Current Assets	\$ -	\$ -
190 Total Assets	\$ 235,072	\$ 235,072
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	\$ 235,072	\$ 235,072
311 Bank Overdraft	\$ -	\$ -
312 Accounts Payable <= 90 Days	\$ 1,739	\$ 1,739
313 Accounts > 90 Days Past Due	\$ -	\$ -
321 Accrued Wage/Payroll Taxes Payable	\$ -	\$ -
322 Accrued Compensated Absences - Current Portion	\$ -	\$ -
324 Accrued Contingency Liability	\$ -	\$ -
325 Accrued Interest Payable	\$ -	\$ -
331 Accounts Payable - HUD PHA Programs	\$ -	\$ -
332 Accounts Payable - Other Government	\$ -	\$ -
341 Tenant Security Deposits	\$ -	\$ -
342 Unearned Revenue	\$ -	\$ -
343 Current Portion of Long-term Debt - Capital Projects/Mortgage	\$ -	\$ -
344 Current Portion of Long-term Debt - Operating Borrowings	\$ -	\$ -
345 Other Current Liabilities	\$ 8,921	\$ 8,921
346 Accrued Liabilities - Other	\$ 2,284	\$ 2,284
347 Inter Program - Due To	\$ -	\$ -
348 Loan Liability - Current	\$ -	\$ -
310 Total Current Liabilities	\$ 12,944	\$ 12,944

City of Westminster Housing Office (MD027)
Westminster, MD
Program Balance Sheet Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14,871 Housing Choice Vouchers	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$ -	\$ -
352 Long-term Debt, Net of Current - Operating Borrowings	\$ -	\$ -
353 Non-current Liabilities - Other	\$ -	\$ -
354 Accrued Compensated Absences - Non Current	\$ -	\$ -
355 Loan Liability - Non Current	\$ -	\$ -
356 FASB 5 Liability	\$ -	\$ -
357 Accrued Pension and OPEB Liabilities	\$ -	\$ -
350 Total Non-Current Liabilities	\$ -	\$ -
300 Total Liabilities	\$ 12,944	\$ 12,944
400 Deferred Inflow of Resources	\$ 29,842	\$ 29,842
508.3 Nonspendable Fund Balance	\$ 7,778	\$ 7,778
509.3 Restricted Fund Balance	\$ 184,508	\$ 184,508
510.3 Committed Fund Balance		
511.3 Assigned Fund Balance		
512.3 Unassigned Fund Balance		
513 Total Equity /Net Position	\$ 192,286	\$ 192,286
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets / Position	\$ 235,072	\$ 235,072

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14,871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue	\$ -	\$ -
70400 Tenant Revenue - Other	\$ -	\$ -
70500 Total Tenant Revenue	\$ -	\$ -
70600 HUD PHA Operating Grants	\$ 2,168,588	\$ 2,168,588
70610 Capital Grants	\$ -	\$ -
70710 Management Fee	\$ -	\$ -
70720 Asset Management Fee	\$ -	\$ -
70730 Book Keeping Fee	\$ -	\$ -
70740 Front Line Service Free	\$ -	\$ -
70750 Other Fees	\$ -	\$ -
70700 Total Fee Revenue	\$ 2,168,588	\$ 2,168,588
70800 Other Government Grants	\$ -	\$ -
71100 Investment Income - Unrestricted	\$ -	\$ -
71200 Mortgage Interest Income	\$ -	\$ -
71300 Proceeds from Disposition of Assets Held for Sale	\$ -	\$ -
71310 Cost of Sale of Assets	\$ -	\$ -
71400 Fraud Recovery	\$ 10,598	\$ 10,598
71500 Other Revenue	\$ 31,360	\$ 31,360
71600 Gain or Loss on Sale of Capital Assets	\$ -	\$ -
72000 Investment Income - Restricted	\$ -	\$ -
70000 Total Revenue	\$ 2,210,546	\$ 2,210,546
91100 Administrative Salaries	\$ 163,847	\$ 163,847
91200 Auditing Fees	\$ 6,449	\$ 6,449
91300 Management Fee	\$ -	\$ -
91310 Bookkeeping Fee	\$ -	\$ -
91400 Advertising and Marketing	\$ -	\$ -
91500 Employee Benefit contributions- Administrative	\$ 69,486	\$ 69,486
91600 Office Expenses	\$ 19,699	\$ 19,699
91700 Legal Expense	\$ -	\$ -
91800 Travel	\$ -	\$ -
91810 Allocated Overhead	\$ 42,029	\$ 42,029

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14,871 Housing Choice Vouchers	Total
91900 Other	\$ 1,732	\$ 1,732
91000 Total Operating Administrative	\$ 303,242	\$ 303,242
92000 Asset Management Fee	\$ -	\$ -
92100 Tenant Services - Salaries	\$ -	\$ -
92200 Relocation Costs	\$ -	\$ -
92300 Employee Benefit Contributions - Tenant Services	\$ -	\$ -
92400 Tenant Services - Other	\$ -	\$ -
92500 Total Tenant Services	\$ -	\$ -
93100 Water	\$ -	\$ -
93200 Electricity	\$ 1,539	\$ 1,539
93300 Gas	\$ 72	\$ 72
93400 Fuel	\$ -	\$ -
93500 Labor	\$ -	\$ -
93600 Sewer	\$ -	\$ -
93700 Employees Benefit Contributions - Utilities	\$ -	\$ -
93800 Other Utilities Expense	\$ -	\$ -
93000 Total Utilities	\$ 1,611	\$ 1,611
94100 Ordinary Maintenance and Operations - Labor	\$ -	\$ -
94200 Ordinary Maintenance and Operations - Materials and Other	\$ -	\$ -
94300 Ordinary Maintenance and Operations Contracts	\$ 1,489	\$ 1,489
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ -	\$ -
94000 Total Maintenance	\$ 1,489	\$ 1,489
95100 Protective Services - Labor	\$ -	\$ -
95200 Protective Services - Other Contracts Costs	\$ -	\$ -
95300 Protective Services - Other	\$ -	\$ -
95500 Employee Benefit Contributions - Protective Services	\$ -	\$ -
95000 Total Protective Services	\$ -	\$ -
96110 Property Insurance	\$ -	\$ -
96120 Liability Insurance	\$ -	\$ -

City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary

Submission Type: Audited/Uniform Guidance

Fiscal Year-End:

6/30/2017

	14.871 Housing Choice Vouchers	Total
96130 Workers' Compensation	\$ 3,860	\$ 3,860
96140 All Other Insurance	\$ -	\$ -
96100 Total Insurance Premiums	\$ 3,860	\$ 3,860
96200 Other General Expense	\$ -	\$ -
96210 Compensated Absences	\$ -	\$ -
96300 Payments in Lieu of Taxes	\$ -	\$ -
96400 Bad Debt - Tenant Rents	\$ -	\$ -
96500 Bad debt - Mortgages	\$ -	\$ -
96600 Bad debt - Other	\$ -	\$ -
96800 Severance Expense	\$ -	\$ -
96000 Total Other General Expenses	\$ -	\$ -
96710 Interest of Mortgage (or Bonds) Payable	\$ -	\$ -
96720 Interest on Notes Payable (Short and Long Term)	\$ -	\$ -
96730 Amortization on Bond Issue Costs	\$ -	\$ -
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -
96900 Total Operating Expenses	\$ 310,202	\$ 310,202
97000 Excess of Operating Revenue over Operating Expenses	\$ 1,900,344	\$ 1,900,344
97100 Extraordinary Maintenance	\$ -	\$ -
97200 Casualty Outlays - Government Funds	\$ -	\$ -
97300 Housing Assistance Payments	\$ 1,919,053	\$ 1,919,053
97350 HAP Portability-In	\$ -	\$ -
97400 Depreciation Expense	\$ -	\$ -
97500 Fraud Losses	\$ -	\$ -
97600 Capital Outlay - Governmental Funds	\$ -	\$ -
97700 Debt Principal Payment - Governmental Funds	\$ -	\$ -
97800 Dwelling Units Rent Expenses	\$ -	\$ -
90000 Total Expenses	\$ 2,229,255	\$ 2,229,255
10010 Operating Transfer In	\$ -	\$ -

	14.871 Housing Choice Vouchers	Total
10020 Operating Transfer Out	\$ -	\$ -
10030 Operating Transfers from/to Primary Government	\$ 75,000	\$ 75,000
10040 Operating Transfers from/to Component Unit	\$ -	\$ -
10050 Proceeds from Notes, Loans and Bonds	\$ -	\$ -
10060 Proceeds from Property Sales	\$ -	\$ -
10070 Extraordinary Items, Net Gain/Loss	\$ -	\$ -
10080 Special Items (Net Gain/Loss)	\$ -	\$ -
10091 Inter Project Excess Cash Transfer In	\$ -	\$ -
10092 Inter Project Excess Cash Transfer Out	\$ -	\$ -
10093 Transfers between Program and Project - In	\$ -	\$ -
10094 Transfers between Project and Program - Out	\$ -	\$ -
10100 Total Other financing Sources (Uses)	\$ 75,000	\$ 75,000
10000 Excess (Deficiency) of Total Revenue Other (Under) Total	\$ 56,291	\$ 56,291
11020 Required Annual Debt Principal Payments	\$ -	\$ -
11030 Beginning Equity	\$ 135,995	\$ 135,995
11040 Prior Year Adjustments, Equity Transfers and Correction		
11050 Changes in Compensated Absence Balance	\$ -	\$ -
11060 Changes in Contingent Liability Balance	\$ -	\$ -
11070 Changes in Unrecognized Pension Transition Liability	\$ -	\$ -
11080 Changes in Special Term/Severance Benefits Liability	\$ -	\$ -
11090 Changes in Allowance for Doubtful Accounts - Other	\$ -	\$ -
11100 Changes in Allowance for Doubtful Accounts - Other	\$ -	\$ -
11170 Administrative Fee Equity	\$ 144,292	\$ 144,292
11180 Housing Assistance Payments Equity	\$ 47,994	\$ 47,994
1190 Unit Months Available	3,516	3,516
11210 Number of Unit Months Leased	2,972	2,972
11270 Excess Cash		
11610 Land Purchases		
11620 Building Purchases		
11630 Furniture & Equipment - Dwelling Purchases		
11640 Furniture & Equipment - Administrative Purchases		
11650 Leasehold Improvements Purchased		
11660 Infrastructure Purchases		
13510 CFFP Debt Service Payments		
13901 Replacement Housing Factor Funds		

**City of Westminster Housing Office (MD027)
Westminster, MD
Program Revenue and Expense Summary**

**City of Westminster Housing Office (MD027)
Westminster, MD
HAP and Admin Equity Calculations
June 30, 2017**

HAP Excess/Deficit Calculation

GL #	GL Description	Amount
110.492102	Annual Contributions Earned	\$ 1,966,112
	Total HUD Grants	1,966,112
110.492103	Repayments - HAP	5,355
110.494305	FSS Forfeitures	31,360
110.494201	Interest - Operating	-
110.911105	Interest - HAP	-
	Subsidy from Admin	-
	Total HAP Revenue	2,002,827
110.65.100.5791	HAP- Homeownerships	-
110.65.100.5792	HAP - Family Unification	22,651
110.65.100.5793	HAP - Tenant Protection	-
110.65.100.5795	HAP - All Other	1,861,207
110.65.100.5796	HAP - FSS Escrow	4,302
110.65.100.5797	HAP - Port-Out	30,893
	Total HAP Expense	1,919,053
	Net HAP	83,774
<u>HAP Equity:</u>		
	Beginning of year	(35,780)
	End of year	<u>\$ 47,994</u>

Admin Equity Calculation

GL #	GL Description	Amount
110.492104	HUD Admin Fee Distribution	\$ 202,476
	Total HUD Grants	202,476
110.494302	Port-in: Subsidy Receipts	-
110.494303	Port-in Admin Fee Receipts	-
110.494301	Repayment - Admin	5,243
110.513140	Contribution/Subsidy	75,000
	Total Admin Revenue	282,719
	Total PHA Expenses	2,229,255
	Less: HAP-related Expenses	(1,919,053)
	Less: Subsidy to HAP	-
	Total Admin Expenses	310,202
	Net Admin	(27,483)
<u>Admin Equity:</u>		
	Beginning of year	171,775
	End of year	<u>\$ 144,292</u>
Total Ending Equity		<u><u>\$ 192,286</u></u>