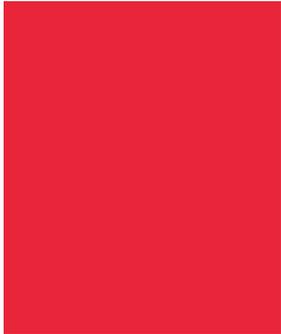




CITY OF WESTMINSTER, MARYLAND



Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2018





Honorable Mayor, Common Councilmembers, and the Westminster community:

I am pleased to present the first Popular Annual Financial Report (PAFR) for the City of Westminster. City staff created this report to enhance the level of transparency concerning the state of Westminster's finances. This report provides an overview of the City's financial position, its capital investments, and debt levels.

FY 2018 revenues were approximately \$976,000 higher compared to the prior year; the increase was largely driven by increases in water and sewer revenues. During FY 2018, the City made significant investments in land, buildings, streets, equipment, vehicles, and its water and sewer systems. The net increase in the City's investment in capital assets for FY 2018 was \$10,651,038, or 10%. This increase was attributable primarily to road paving activities and ongoing construction of the Westminster Fiber Network.

In FY 2019, City staff will continue its efforts to implement the priority initiatives of the Mayor and Common Council, as reflected in the multi-year Strategic Plan adopted in February 2018. Due to fiscal constraints, some projects envisioned in the Strategic Plan are unfunded at this time. As we move forward, staff will collaborate with the Mayor and Common Council to prioritize and fund the most critical items.

I would like to express my appreciation to Director of Finance and Administrative Services Tammy Palmer and Accountant Ken Lubega for producing this excellent report.

If you have any questions concerning the City's finances, please do not hesitate to contact me.

Sincerely

Barbara B. Matthews

Barbara B. Matthews
City Administrator
bmatthews@westgov.com
(410) 848 - 5651



WHAT IS A PAFR?

A Popular Annual Financial Report (PAFR) is a document designed to increase transparency and awareness in the City government through user-friendly financial reporting. The PAFR includes financial and other information that is presented in the City of Westminster's Comprehensive Annual Financial Report (CAFR) and annual budget document.

IS THE PAFR COMPLIANT WITH GAAP?

Because the PAFR is a summary document, it does not comply with the requirements of Generally Accepted Accounting Principles (GAAP). Residents who prefer to review a report that is GAAP compliant may review the audited CAFR document on the City's website, westminstermd.gov.

WHAT'S INSIDE THE PAFR?

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WHAT SERVICES DOES WESTMINSTER PROVIDE?

The City of Westminster municipal government provides a full range of services, including:

- police protection
- water and sewer services
- recycling and refuse collection
- snow removal and leaf collection
- recreation and parks programs
- street maintenance
- planning and zoning
- property code enforcement
- fiber optic network
- public housing assistance

WHAT MAKES UP THE WESTMINSTER COMMUNITY?

William Winchester laid out the original lots of Westminster in 1764. The City of Westminster was incorporated shortly after the creation of Carroll County in 1838.

Westminster is truly the best of both worlds. National, brand-name retailers and restaurateurs are attracted to Westminster's MD 140 shopping corridor, while the historic downtown provides a unique setting for local shopping, dining, and cultural experiences, capitalizing on the City's small town atmosphere.

McDaniel College - a private, liberal arts and sciences institution founded in 1867 as Western Maryland College - is located in Westminster; over 3,000 undergraduate and graduate students attend McDaniel. The City is also home to the Carroll Arts Center and the Historical Society of Carroll County.

Westminster is a technology leader nationally with its groundbreaking fiber network installation project. The City is installing new fiber optics to provide for the potential of a high-speed internet connection to every home and business in the City.

What is Westminster's form of government?

The City of Westminster operates under a Mayor-Council form of government. The Mayor is elected at-large to a four-year term and serves as the City's Chief Executive Officer. The Common Council is the legislative body of the City government. It is composed of five members who are elected at-large to serve four-year terms; one member of the Common Council is selected by his/her peers to serve as the Council President. The qualified voters of Westminster vote for three members of the Common Council on the Tuesday after the second Monday of May, while the Mayor and the remaining two Councilmembers are elected to office on the Tuesday after the second Monday of May every four years thereafter.

In 2006, the Mayor and Common Council established the position of City Administrator. The City Administrator serves as the Chief Administrative Officer of the City and oversees the day-to-day operations of the organization.

Westminster's Mayor and Common Council



Where is Westminster located?

The City of Westminster is located in the center of Carroll County and serves as the county seat. Approximately 6.5 square miles in size with a population of just under 20,000, the City is located approximately 35 miles northwest of Baltimore.

GOVERNMENTAL FUNDS

GENERAL FUND

accounts for general government functions such as police and snow removal and is included in the operating budget.

PUBLIC HOUSING AGENCY FUND

supports the City's low-income housing program through federally funded housing vouchers and is included in the operating budget.

CAPITAL PROJECTS FUND

tracks non-enterprise capital projects and is included in the capital budget.

ENTERPRISE FUNDS

WATER FUND

supports the production, storage, and delivery of safe water to homes and businesses and is included in the operating and capital budgets.

SEWER FUND

supports the collection and transportation of wastewater to the treatment plant and is included in the operating and capital budgets.

FIBER FUND

accounts for financial activity related to the construction and operation of the Westminster Fiber Network and is included in the operating and capital budgets.

WHAT IS WESTMINSTER'S FUND STRUCTURE?

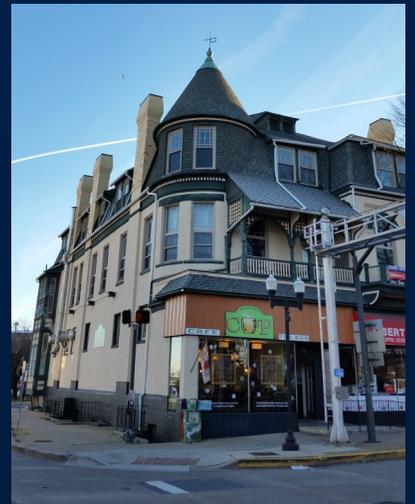
The City records its financial transactions in three "Governmental Funds" and three "Enterprise Funds" for a total of six individual funds.

The **governmental funds** account for the City's basic operations, such as police, snow removal, street paving and maintenance, public housing, and recreation programs. The majority of these programs are financed through real and personal property taxes and receipts from income taxes.

The **enterprise funds** account for the City's water, sewer, and fiber services.

WHY DOES THE CITY USE SEPARATE FUNDS?

Separate funds (also known as "fund accounting") show accountability and stewardship of specific resources. For example, the City wants to ensure that all payments received from sewer customers are spent to provide sewer services to those customers. This is why the City has a separate fund called the Sewer Fund.



WHAT IS THE CHANGE IN THE CITY'S NET POSITION?

A good measure of the City's overall financial health is the change in position over time, which indicates if the government has sufficient financial capacity to cover all its financial obligations.

Across all funds, the City's net position increased by \$1.9 million, or 1.6%, from FY 2017 to FY 2018.

The City's net investment in capital assets was \$94.3 million as of June 30, 2018 compared to \$91.5 million as of June 30, 2017. The \$2.8 million increase was largely attributable to the City's investment in road paving in governmental activities and ongoing construction of the Westminster Fiber Network in business activities.

BUDGET STATISTICS FY 2017 TO FY 2018

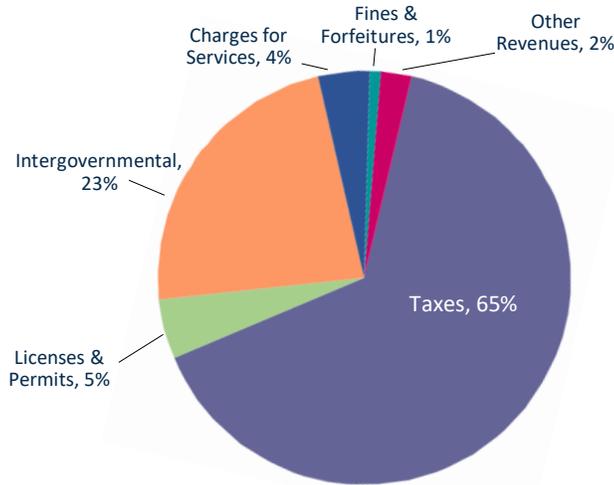
- ✓ total 2018 adopted operating budget decreased by \$3.55 million, or 13.5%, over the amended 2017 operating budget
- ✓ total adopted 2018 capital budget increased by \$8.4 million, or 19.5%, over the amended 2017 capital budget
- ✓ actual 2018 General Fund revenues decreased by \$0.5 million, or 3.9% (these amounts do not include transfers)
- ✓ actual 2018 General Fund revenues decreased by \$2.25 million, or 18.5% (these amounts do include transfers)
- ✓ actual 2018 General Fund expenditures decreased by \$0.73 million, or 6.0%
- ✓ total number of regular positions decreased by 1.0

City of Westminster's Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current & Other Assets	\$18.5	\$19.2	\$25.2	\$26.4	\$43.7	\$45.6
Noncurrent & Capital Assets	\$46.4	\$51.4	\$63.0	\$68.6	\$109.4	\$120.0
Deferred Outflows of Resources	\$2.8	\$1.7	\$0.7	\$0.4	\$3.5	\$2.1
Total Assets & Deferred Outflows of Resources	\$67.7	\$72.3	\$88.9	\$95.4	\$156.6	\$167.7
Current Liabilities	\$3.1	\$3.9	\$3.4	\$2.6	\$6.4	\$6.5
Non-current Liabilities	\$14.4	\$19.0	\$16.7	\$21.5	\$31.2	\$40.5
Deferred inflows of Resources	\$1.1	\$0.9	\$0.2	\$0.2	\$1.3	\$1.1
Total Liabilities & Deferred Inflows of Resources	\$18.6	\$23.8	\$20.3	\$24.3	\$38.9	\$48.1
Net Investment in Capital Assets	\$42.5	\$43.8	\$49.0	\$50.5	\$91.5	\$94.3
Restricted	\$2.0	\$2.0	\$5.7	\$6.2	\$7.7	\$8.2
Unrestricted	\$4.6	\$2.7	\$13.9	\$14.4	\$18.5	\$17.1
TOTAL NET POSITION	\$49.1	\$48.5	\$68.6	\$71.1	\$117.7	\$119.6

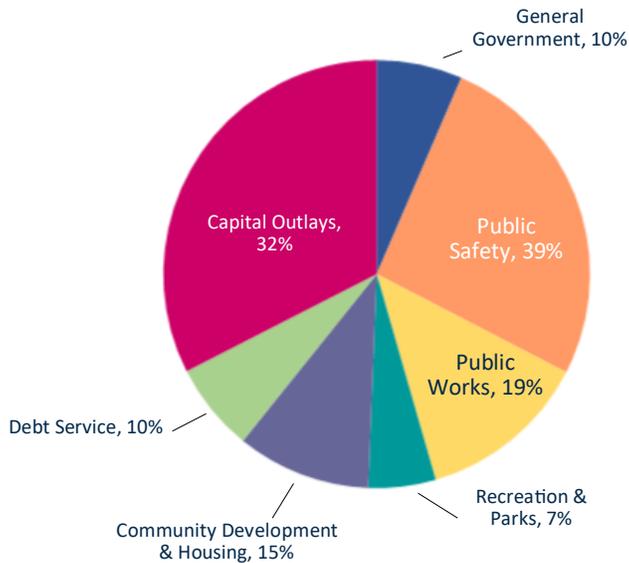


Where the Money Comes From Governmental Revenues \$19.2 million



Revenue Category	FY 2017	FY 2018
Taxes	12,058,463	12,476,877
Licenses & Permits	606,307	892,190
Intergovernmental	4,567,273	4,426,492
Charges for Services	775,162	783,693
Fines & Forfeitures	141,900	160,289
Other Revenues	439,692	464,496
TOTAL (\$)	18,588,797	19,204,037

Where the Money Goes Governmental Expenditures \$24.1 million



Expenditure Category	FY 2017	FY 2018
General Government	1,630,485	1,568,345
Public Safety	6,271,625	6,293,538
Public Works	3,086,761	3,125,355
Recreation & Parks	1,052,026	1,233,145
Community Development & Housing	2,275,841	2,449,752
Debt Service	531,402	1,620,821
Capital Outlays	2,127,162	7,840,040
TOTAL (\$)	16,975,302	24,130,996



GOVERNMENTAL REVENUES

Governmental Funds are used to account for the basic functions of the City, including public safety (police), public works (streets and sanitation), community development and housing, debt service, and non-enterprise capital investments.

The major governmental revenue categories are:

TAXES: Real and personal property taxes, income taxes, and admission and amusement taxes.

LICENSES & PERMITS: Franchise fees charged to cable television providers, benefit assessment fees, parking permit payments, rental licensing fees, and planning and zoning related permits.

INTERGOVERNMENTAL: County/Town payment, HUD housing voucher grant funds, and other federal and state grant revenues.

CHARGES FOR SERVICES: Recreation program revenues, planning and zoning application fees, and parking meter revenues.

FINES & FORFEITURES: Red light camera violations, property maintenance code violations, and federal forfeiture funds.

OTHER REVENUES: Investment income, proceeds from scrap sales and disposal of vehicles and equipment, rental income, and non-recurring revenues.

PROPRIETARY FUNDS

A proprietary fund accounts for activities that involve business-like interactions. The City maintains only one type of proprietary fund -- enterprise funds.

Enterprise funds are used to track the financial activities of the City that are financed and operated in a manner similar to private business enterprises. Costs and expenses, including depreciation, are recovered principally through user charges. The City's three enterprise operations are the Sewer Fund, Water Fund, and Fiber Fund.

The Water Fund accounts for financial activity related to the provision of public drinking water and is funded by service charges.

The Sewer Fund tracks financial activity related to public sewer services and is funded by service charges.

The Fiber Fund accounts for financial activity related to the construction and operation of the Westminster Fiber Network and is financed primarily through lease revenues; under a lease arrangement, a private partner (Ting Internet) installs equipment, lights the network, and provides service to customers.

The chart to the right reflects revenues, expenses, and changes in net position for the City's proprietary funds.



	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				
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

City of Westminster's Capital Improvement Program

The City's Capital Improvements Program (CIP) maps the City's anticipated capital investment over a six-year period. The CIP is both a fiscal and planning device that allows the City to inventory and monitor capital project costs, funding sources, departmental responsibilities, and project schedules. Each year, the CIP is reviewed within the context of the City's financial capacity, planning program and policies at all levels of government, and the City's Comprehensive Plan.

Capital investments normally involve projects or equipment that have long useful lives of more than five years and are generally capitalized as fixed assets with a value of over \$10,000.

The new year of the CIP, along with any unspent appropriations, comprise the capital budget for each project at the beginning of the fiscal year, or July 1. The remaining five years of the CIP serve as a financial plan for the City's future capital investments.



Total Outstanding Bonds (in millions)

	2017	2018
Taxpayer supported debt	\$3.88	\$7.63
Proprietary Funds	Water Fund	\$8.55
	Sewer Fund	\$ -
	Fiber Fund	\$5.38
Total outstanding bonds	\$17.81	\$25.68

Source: FY 2016, 2017, 2018 CAFR Note 7. Totals may not sum due to rounding.

Debt Ratios (Governmental Funds)

	2017	2018
Debt per assessed value	1.06%	1.51%
Debt as a % of Personal Income	2.27%	3.14%
Debt per Capita	\$935	\$1,340

Source: 2018 CAFR Statistical Section, Page 111, Table 10

HOW DOES THE CITY PAY FOR CAPITAL INVESTMENTS?

Capital investments are funded from various sources, including:

- real property tax revenues
- highway user revenues
- benefit assessments
- federal and state grants
- developer contributions
- user charges and fees
- bond proceeds

WHY DOES THE CITY ISSUE BONDS?

The City issues bonds to raise cash to improve/build its infrastructure, and to promote intergenerational equity by spreading the investment costs over time.

General tax revenues pay for bonds used to support non-enterprise projects accounted for in the Capital Projects Fund. Revenues from utility rates and charges pay for bonds associated with water and sewer capital projects. Lease revenues and an operating transfer from the General Fund pay for debt service associated with the City's construction of the Westminster Fiber Network.

IS THERE A LIMIT ON THE AMOUNT OF BONDS THE CITY CAN ISSUE?

Neither Maryland law nor the City Charter set a limit on municipal debt; however, the City ensures that bonding is used responsibly. The Mayor and Common Council approve the issuance of all new debt.



City Of Westminster
56 W Main Street
Westminster, MD 21157

General Information:
Pay Online: www.westminstermd.gov
Billing Inquires: (410) 848-3255

Federal Tax ID : 52-6000811

Messages

Consumer Confidence Reports
www.westminstermd.gov/cranberryCCR

www.westminstermd.gov/wakefieldCCR

For Questions/Concerns regarding water quality please email:
CityofWestminsterWTP@westgov.com

Account Information

Customer Number: 012345+001
Service Location: 123 ANYTOWN RD
Billing Date: 8/31/17
Due Date: 9/30/17
Last Payment Date: 6/27/17
Previous Balance: 156.34
Payments: 156.34
Current Charges: 156.35
Adjustments:
Total Due:

These base charges represent the fixed costs of the City's water and sewer operations, which are unrelated to the customer's consumption. Customers outside the City of Westminster pay a higher base charge.

Term: Net an (includes penal days from this termination. A restoring servi

Condition: If from any cause, the water should temporarily fail, no rebate shall be allowed for any claim of damages resulting from this

PROPERTY OWNER
123 ANYTOWN RD
WESTMINSTER MD 21157-4936

Billing Details

Account #: 41-00055-000 123 ANYTOWN RD
Service from 6/1/2017 to 8/31/2017

Water	
Base City Water.....	23.09
Water Consumption - City.....	35.19
Sewer	
Base City Sewer.....	26.16
Sewer Consumption - City.....	56.91
Brf Bay Restoration Fee Residential.....	15.00
Total Current Charges.....	156.35

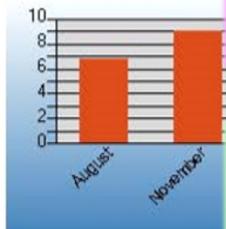
Meter Information

Meter #: 17906963
Prev Read CCF: 597
Prev Read Date: 5/1/17
Usage: 8977 Gallons
Curr Read Date: 7/31/17

The Chesapeake Bay Restoration fee is mandated by the State of Maryland.

This charge is consumption-based and varies based on the size of the water meter and property location. Customers outside the City of Westminster pay a higher rate.

Your average water use for this



This charge is consumption-based and reflects each 1,000 gallons used. Customers outside the City of Westminster pay a higher rate.

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT. MAKE CHECK PAYABLE TO: CITY OF WESTMINSTER

Account Number: 41-00055-000
Service Location: 123 ANYTOWN RD
Billing Date: 8/31/17
Due Date: 9/30/17

AMOUNT DUE 156.35
Gross amount due after: 9/30/17
Gross amount: 164.17

City of Westminster
Water/Sewer Dept.
56 W Main Street
Westminster, MD 21157



PROPERTY OWNER
123 ANYTOWN RD
WESTMINSTER MD 21157

Water and Sewer Utility Rates

For a complete listing of water rates by tier and meter size, please visit the City's website and search "water and sewer rates."