



CITY OF  
WESTMINSTER,  
MARYLAND

2019

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**ANNUAL FINANCIAL REPORT**  
**for the FISCAL YEAR ENDED JUNE 30, 2019**

**CITY OF WESTMINSTER**

YEAR ENDED JUNE 30, 2019

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**CITY OF WESTMINSTER**

YEAR ENDED JUNE 30, 2019

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**CITY OF WESTMINSTER**

YEAR ENDED JUNE 30, 2019

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April 9, 2020

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. After receiving an extension, we hereby issue the comprehensive annual financial report for the City of Westminster, Maryland for the fiscal year ended June 30, 2019.

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 Brown Schultz Sheridan & Fritz (BSSF), 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, 2019 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 is now known 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 Councilmembers 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 approximately 160 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 fast growing commercial and industrial sectors, with a strong manufacturing base located in the industrially zoned parcels near the County's only airport.

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 Fallfest, 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.

During FY 2019, Westminster Technology Park Lot 5A was approved for 80,000 square feet of spec warehouse space; Westminster Technology Park is one of the City's two premier business/industrial parks. The estimated construction cost of the Lot 5A spec warehouse space is \$2,600,000.

The non-profit and government sectors of the economy saw growth as well in FY 2019. The Boys and Girls Club received approval to construct a 3,154 square-foot gymnasium addition to its building in the heart of Downtown Westminster; the estimated construction cost of the addition is \$500,000.

Westminster also continues to experience growth in residential construction. The City has seen approximately 50-100 new housing starts annually, since the availability of a new water source in 2015. Most new houses are in the middle range of value from \$400,000 to \$600,000.

In FY 2020, the Westminster Library, located in the heart of Downtown Westminster, is expected to break ground on the *Exploration Commons at 50 East Main Street*. This project entails renovation of approximately 13,600 square feet of unfinished basement area into various community uses, including a commercial kitchen, meeting rooms, a new maker space, and restrooms. In addition, the City will be undertaking renovation of its recently purchased building at 45 West Main Street, a key intersection in Downtown Westminster. Upon completion of the renovation project, the City will

relocate its administrative offices from its present leased space to 45 West Main. The renovation project is estimated to cost \$4,435,000.

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, formerly known as Western Maryland College. This nationally ranked liberal arts college was chartered in 1868.

## **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 2019, the Mayor and Common 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 2019, 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 2019, 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 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 (CIP) is focused on maintaining existing infrastructure, and improving and expanding economic development opportunities. The CIP projects include renovation of the City's future administrative office building located at 45 West Main Street, road improvements, an upgrade to the wastewater treatment plant for enhanced nutrient removal and improved biosolids processing and equipment, sewer main rehabilitation to reduce inflow and infiltration of extraneous water into the system, and continuation of the Gesell Well project to increase the City's available water capacity. Additional projects include replacement of aging technology equipment, water mains, and vehicles and equipment.

### Debt Administration

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 2019-2020 Budget. The budget document details the City's long-term goals and financial policies; describes departmental activities, accomplishments, and initiatives; and provides more detail concerning the City's Capital Improvement Program. The budget document is available on the City of Westminster's website at [www.westminstermd.gov](http://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 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 staff 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, as well as 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. 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.
9. 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 City Code provisions, and charges for utility usage. 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 it 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 identifying a funding source 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 procurement 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 adopted budget for the current fiscal 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. The capitalization threshold used in determining if a given asset qualifies for capitalization is \$10,000 and a useful life of five years.
3. 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 Director of Finance 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 require an independent audit to be performed annually. The audit results are 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 Director of Finance. Responsibility for certain purchasing actions may be delegated to other senior City officials by the Director of Finance.
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 Director of Finance 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 Director of Finance, 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 that could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions.
7. The Director of Finance 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 and State of Maryland requirements.

**Awards and Acknowledgements**

The Government Finance Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Westminster, Maryland, for its comprehensive financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In addition, the City also received the GFOA's Popular Annual Financial Reporting Award for its published Popular Annual Financial Report for fiscal year 2018.

The City also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2018 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 preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff in the Department of Finance and the cooperation of the entire City of Westminster 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 Palmer  
Director of Finance and Administrative Services

# **City of Westminster, Maryland**

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[www.westminstermd.gov](http://www.westminstermd.gov)

## **Mayor**

Mr. Joe Dominick

## **Common Council**

Mr. Gregory Pecoraro, Council President  
Mr. Tony Chiavacci, Councilmember  
Mr. Kevin Dayhoff, Councilmember  
Ms. Ann Gilbert, Councilmember  
Mr. Benjamin Yingling, Councilmember

## **Management Team**

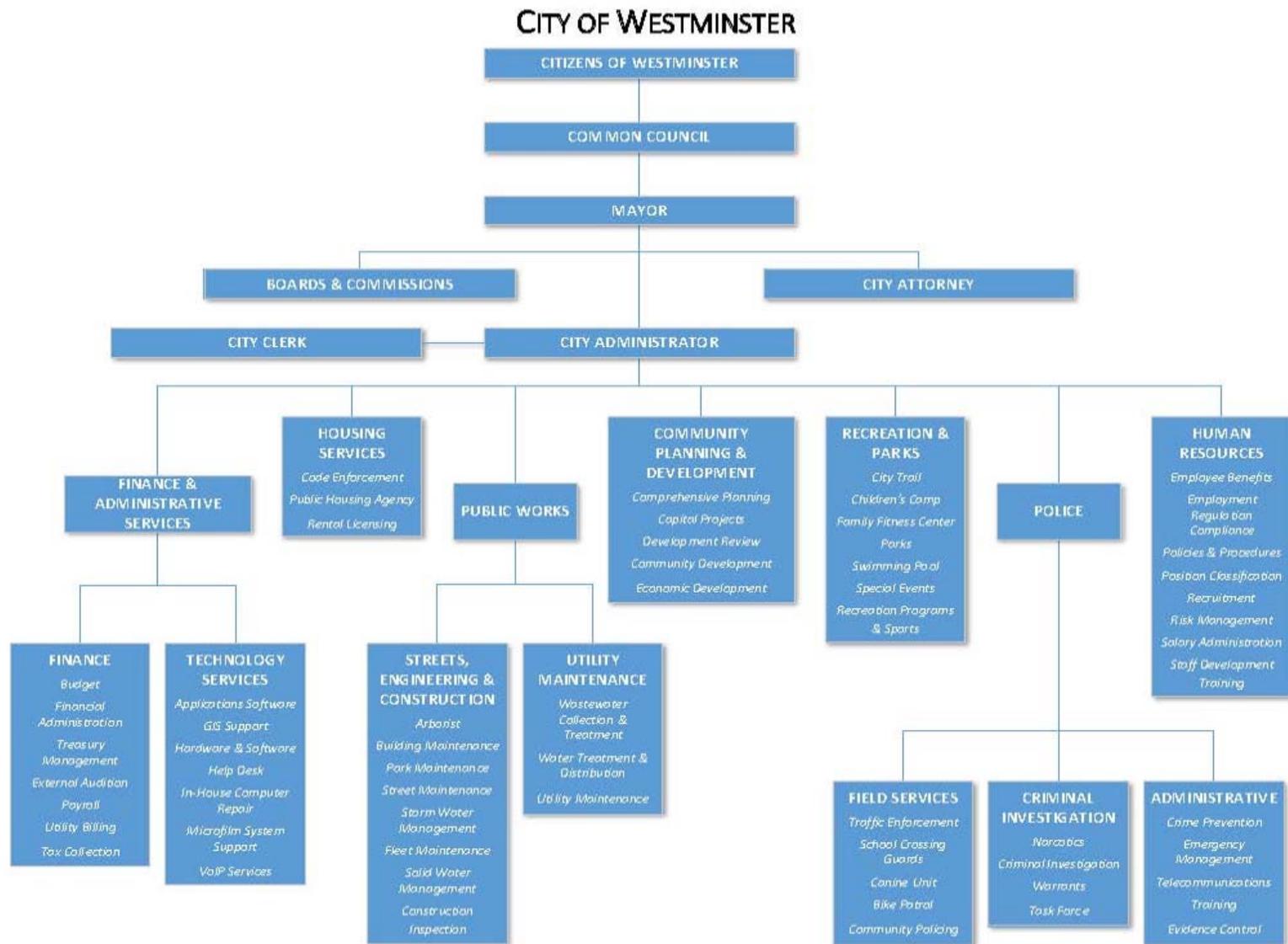
<u>Title</u>	<u>Name</u>
City Administrator	Barbara B. Matthews
Chief of Police	Tom Ledwell
Director of Finance and Administrative Services	Tammy Palmer
Director of Housing and Preservation	Cindy Valenzisi
Director of Planning and Development	Mark Depo
Director of Public Works	Jeff Glass
Director of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

## **Independent Auditor**

Brown Schultz Sheridan & Fritz, CPAs  
Westminster, Maryland

## **Bond Counsel**

Funk & Bolton, P.A.  
Baltimore, Maryland





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Westminster  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morvill*

Executive Director/CEO



## Independent Auditors' Report

Mayor and Common Council  
City of Westminster  
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, 2019 and the related notes to the financial statements, which collectively comprise the City of Westminster's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The City of Westminster's 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.

### **Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, 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, 2019, 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 Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the Total Other Postemployment Benefits Liability and Related Ratios, Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Pension Plan Contributions on pages 17 through 30 and pages 94 through 98 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 inquires 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, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Program Balance Sheet Summary and Program Revenue and Expense summary, as required by the U.S. Department of Housing and Urban Development, 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 and the Program Balance Sheet and Program Revenue and Expense Summary are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the Program Balance Sheet and Program Revenue and Expense summary are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2020 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's internal control over financial reporting and compliance.

### **Correction of Errors**

As described in Note 22 to the financial statements, the beginning General Fund fund balance and governmental activities net position have been restated to correct an error regarding the overstatement of income taxes receivable. Additionally, beginning sewer fund, water fund, fiber fund, governmental activities and business-type activities net position have been restated to correct pension expense from the prior year. Our opinion is not modified with respect to this matter.

*Brown Schultz Steindam & Fritz*

Westminster, Maryland  
April 9, 2020

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019. 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**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$127,769,324 (net position). Of this amount, \$50,024,270 was for governmental activities and \$77,745,054 was for business-type activities. The amount of net position that was unrestricted at year end was \$4,028,818 for governmental activities and \$17,462,528 for business-type activities. The total net investment in capital assets was \$100,047,449 at June 30, 2019 compared to \$94,303,656 at June 30, 2018.
- Total net position increased by \$8,289,774, or 7%, over fiscal year 2018's restated net position. Governmental activities increased by \$1,574,657 while business-type activities increased by \$6,715,117. The increases are attributed to capital grants received for improvement projects.
- As of June 30, 2019, the City's governmental funds reported combined fund balances of \$16,038,737 - an increase of \$800,504 from the prior year. Approximately 44% of the combined fund balance is available to meet the City's current and future needs (unassigned), 8% is restricted or committed for future use, 46% is assigned for items for which the City intends to use the funds and 2% is non-spendable, meaning it is in the form of receivables and inventory.
- At the end of fiscal year 2019, the unassigned fund balance of the general fund was \$7,048,923. This amount is available to meet the City's current and future needs.
- The City's real property tax rate remained unchanged at \$0.56 per \$100 of assessed value. The real property tax base increased by 3.2% from the prior year.
- A compensation and classification study of the City's salary and benefit structure was completed. As warranted, employee salaries were brought up to the minimum of the new pay range for their position's classification based on the study results. In addition, all employees received a 2% across-the-board salary increase. Total salary and benefit adjustments had an associated cost of approximately \$400,000. One full-time employee was added to the Fiber Fund.
- The City purchased real property located at 1117 Old New Windsor Road during fiscal year 2019, at a cost of \$822,000 using Sewer Fund reserves. The property adjoins the current Sewer Treatment Plant and can be utilized for future expansion of the Plant. It is currently being leased by the construction firm completing the ENR/Biosolids Upgrade Project.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

- On June 27, 2019, the City refunded the Taxable General Obligation Bonds, Series 2015 A & B with SunTrust Bank used for construction of the Westminster Fiber Network. The City issued Taxable General Obligation Bonds Series 2019 A-1 & A-2 through the Maryland Department of Housing and Community Development Administration in the amount of \$16,215,000 to refinance the Westminster Fiber Network bonds. Additionally, the City entered into a Note in the amount of \$1,300,000 with the Governor's Office of Rural Broadband for operating expenses of the Fiber Fund. The Note is zero percent and is payable on demand in 30 years. None of the loan funds were disbursed as of June 30, 2019.
- Following completion of a comprehensive rate study, new water and sewer utility rates were set according to Ordinance 893; the ordinance established rates for a five-year period, with fiscal year 2019 being the first year.

**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).

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

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 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.

**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 its recently created fiber services.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

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.

**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 \$127,769,324 at the close of fiscal year 2019. 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 \$6,230,529 represents 5% 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 \$21,491,346 represents 17% of total net position and may be used to meet the government's on-going obligations to citizens and creditors.

At the end of fiscal year 2019, 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, except for the Fiber Fund. The City continues to grow fiber network subscribers through Ting Network, the operator of the Westminster Fiber Network.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

The following condensed presentation of the City's net position and changes in net position includes a restatement as of June 30, 2018 and for the fiscal year then ended. The restatement is based on prior period adjustments to eliminate an estimate related to income tax receivable and revenue in the governmental activities, and to correct the amortization of deferred inflows and outflows related to the pension plans in the governmental and business-type activities.

**City of Westminster, Maryland  
Condensed Statements of Net Position  
June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
<u>Assets:</u>						
Current and Other Assets	\$ 19,112,079	\$ 18,673,263	\$ 30,723,481	\$ 26,343,328	\$ 49,835,560	\$ 45,016,591
Noncurrent Assets	194,583	15,350	32,374	14,850	226,957	30,200
Capital Assets Net	51,135,749	51,412,557	81,021,469	68,569,413	132,157,218	119,981,970
Total Assets	70,442,411	70,101,170	111,777,324	94,927,591	182,219,735	165,028,761
Deferred Outflows of Resources	2,660,507	2,217,155	793,450	594,441	3,453,957	2,811,596
Total Assets and Deferred Outflows of Resources	<b>\$ 73,102,918</b>	<b>\$ 72,318,325</b>	<b>\$ 112,570,774</b>	<b>\$ 95,522,032</b>	<b>\$ 185,673,692</b>	<b>\$ 167,840,357</b>
<u>Liabilities:</u>						
Current Liabilities	\$ 3,824,537	\$ 3,914,364	\$ 6,300,082	\$ 2,583,086	\$ 10,124,619	\$ 6,497,450
Noncurrent Liabilities	18,281,800	19,036,466	28,117,962	21,481,124	46,399,762	40,517,590
Total Liabilities	22,106,337	22,950,830	34,418,044	24,064,210	56,524,381	47,015,040
Deferred Inflows of Resources	972,311	917,882	407,676	427,885	1,379,987	1,345,767
<u>Net Position:</u>						
Net Investment in Capital Assets	44,808,049	43,785,857	55,239,400	50,517,799	100,047,449	94,303,656
Restricted	1,187,403	2,017,150	5,043,126	6,187,745	6,230,529	8,204,895
Unrestricted	4,028,818	2,646,606	17,462,528	14,324,393	21,491,346	16,970,999
Total Net Position	50,024,270	48,449,613	77,745,054	71,029,937	127,769,324	119,479,550
Total Liabilities, Deferred Inflows of Resources and Net Position	<b>\$ 73,102,918</b>	<b>\$ 72,318,325</b>	<b>\$ 112,570,774</b>	<b>\$ 95,522,032</b>	<b>\$ 185,673,692</b>	<b>\$ 167,840,357</b>

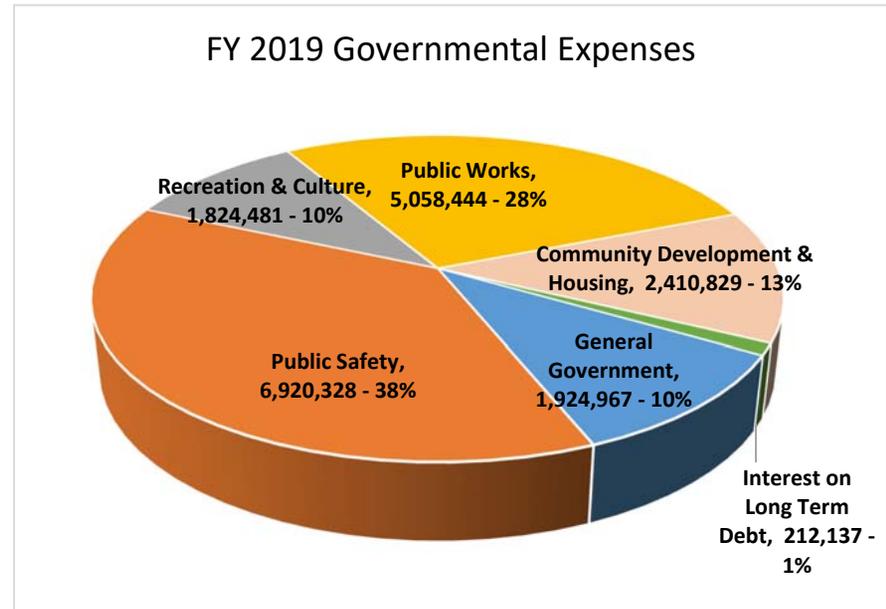
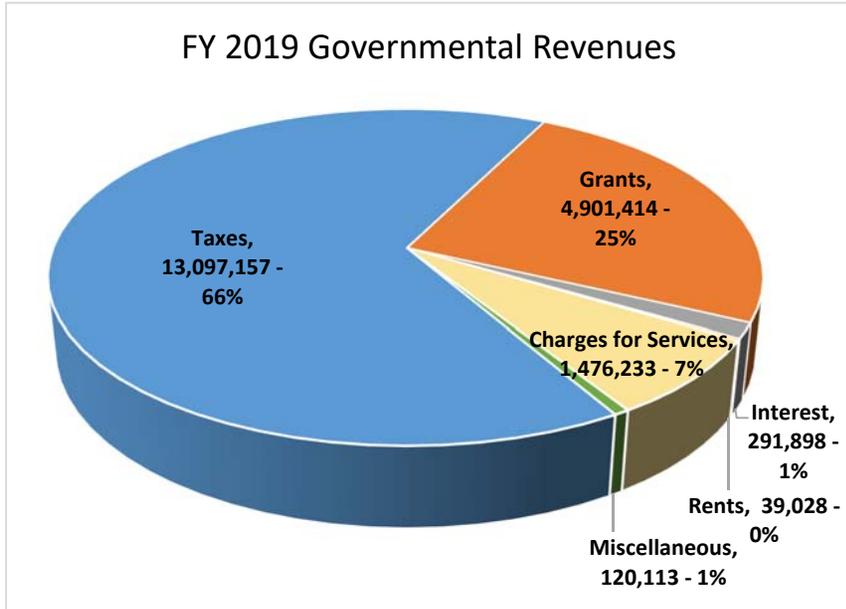
**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

**City of Westminster, Maryland  
Condensed Statements of Activities  
For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
<b>Program Revenues:</b>						
Charges for Services	\$ 1,476,233	\$ 1,263,710	\$ 12,266,531	\$ 12,294,917	\$ 13,742,764	\$ 13,558,627
Operating Grants & Contributions	2,715,367	3,430,500			2,715,367	3,430,500
Capital Grants & Contributions	619,458	968,402	5,439,362	1,173,556	6,058,820	2,141,958
<b>General Revenues:</b>						
Taxes:						
Real Estate Taxes	9,731,588	9,233,258			9,731,588	9,233,258
Personal Property Taxes	844,440	574,156			844,440	574,156
Income Taxes	2,285,989	2,098,975			2,285,989	2,098,975
Admissions and Amusement Taxes	235,140	213,480			235,140	213,480
Grants and Contributions Not						
Restricted to Specific Programs	1,317,454	1,008,409			1,317,454	1,008,409
Franchise Taxes	249,135	254,897			249,135	254,897
Interest and Investment Earnings	291,898	52,048	312,722	101,906	604,620	153,954
Gain on Disposal of Capital Asset	20,213	34,736	10,357	8,710	30,570	43,446
Miscellaneous	138,928		402,773	283,790	541,701	283,790
<b>Total Revenues</b>	<b>19,925,843</b>	<b>19,132,571</b>	<b>18,431,745</b>	<b>13,862,879</b>	<b>38,357,588</b>	<b>32,995,450</b>
<b>Expenses</b>						
Governmental Activities:						
General Government	1,924,967	1,804,080			1,924,967	1,804,080
Public Safety	6,920,328	6,644,535			6,920,328	6,644,535
Public Works	5,058,444	5,070,629			5,058,444	5,070,629
Recreation & Parks	1,824,481	1,620,594			1,824,481	1,620,594
Community Dev. & Housing	2,410,829	2,471,793			2,410,829	2,471,793
Interest on Long-Term Debt	212,137	376,477			212,137	376,477
Business-Type Activities:						
Sewer Services			5,518,913	5,157,060	5,518,913	5,157,060
Water Services			4,793,870	4,829,937	4,793,870	4,829,937
Fiber Services			1,403,845	630,455	1,403,845	630,455
<b>Total Expenses</b>	<b>18,351,186</b>	<b>17,988,108</b>	<b>11,716,628</b>	<b>10,617,452</b>	<b>30,067,814</b>	<b>28,605,560</b>
Excess of Revenues over Expenses	1,574,657	1,144,463	6,715,117	3,245,427	8,289,774	4,389,890
Transfer (Out) In		(110,000)		110,000		-
<b>Change in Net Position</b>	<b>1,574,657</b>	<b>1,034,463</b>	<b>6,715,117</b>	<b>3,355,427</b>	<b>8,289,774</b>	<b>4,389,890</b>
<b>Net Position - Beginning (as restated)</b>	<b>48,449,613</b>	<b>47,415,150</b>	<b>71,029,937</b>	<b>67,674,510</b>	<b>119,479,550</b>	<b>115,089,660</b>
<b>Net Position - Ending</b>	<b>\$ 50,024,270</b>	<b>\$ 48,449,613</b>	<b>\$ 77,745,054</b>	<b>\$ 71,029,937</b>	<b>\$ 127,769,324</b>	<b>\$ 119,479,550</b>

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

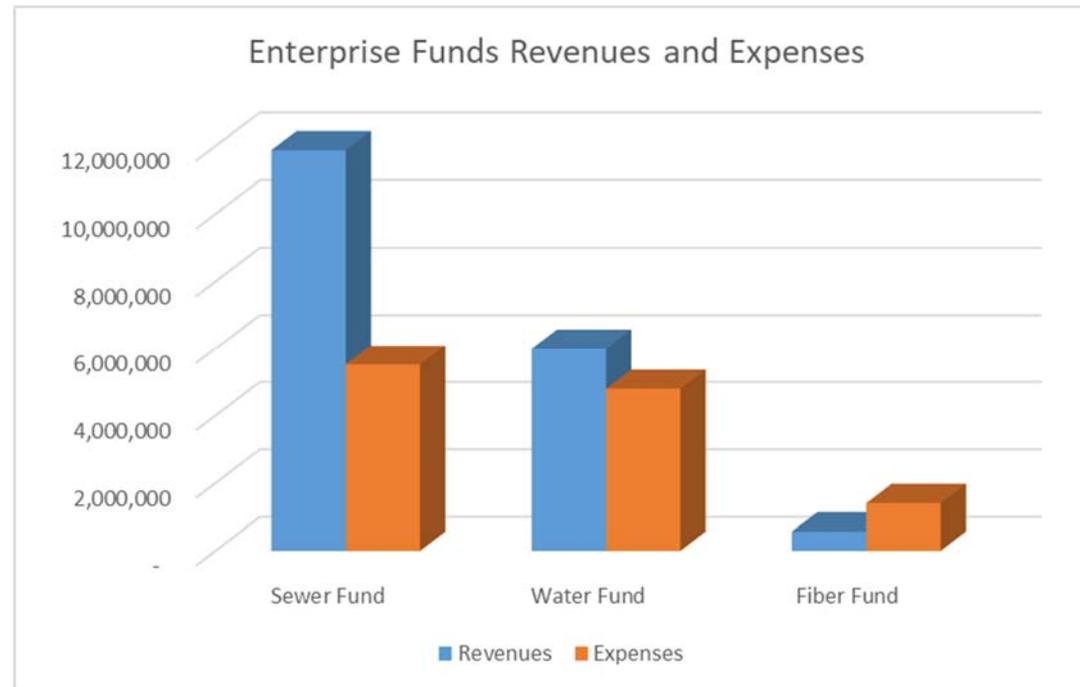
- **Governmental Activities:** A graphic representation of the City's Governmental Activities Revenues and Expenses is shown below. Each component is accompanied by the percentage of the total it represents.



**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

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

**FY 2019 Enterprise Funds**



**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

**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 June 30, 2019, the City's governmental funds reported combined ending fund balance of \$16,038,737. Approximately 2% of the fund balance (\$240,806) is restricted for the Public Housing Agency. An additional 8% has been restricted as follows:

- \$791,806 is restricted for future growth projects funded by benefit assessments; and,
- \$154,791 is restricted for forfeited proceeds awarded to the City by the judicial process.

Approximately 46% of the City's governmental fund balances (\$7,431,384) has been assigned by the City to the following items:

- \$475,953 for community development;
- \$1,467,321 as an emergency reserve, and
- \$5,488,110 to be used to offset fiscal year 2020's budgeted deficit, due largely for renovations at 45 West Main Street.

The total General Fund balance increased \$743,764 during fiscal year 2019, as a result of being under budget in expenditures. The Public Housing Agency fund balance increased \$56,740 due to moderate funding increases from the 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. In the Water and Sewer Funds, there was an overall operating revenue decrease of \$214,207 from fiscal year 2018. This is primarily a result of conservation efforts of Carroll Hospital Center and Carroll Lutheran Village, two of the largest consumers of water. These conservation efforts negatively impacted the operating revenue in both the Water and Sewer Funds despite an increase in rates. Additionally, the sewer fund recognized a bay restoration grant in the amount of \$4,443,590 for construction of the Wastewater Treatment Plant ENR/Biosolids Upgrade Project. The Fiber Fund increased revenue \$248,821 due to more subscribers to the system.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

**General Fund Budgetary Highlights**

The budgetary statement for the General Fund shows actual revenues of \$17,631,950 compared to the budgeted amount of \$18,451,302, an overall shortfall of \$819,352. The major differences between the final budgeted amounts and the actual revenues are summarized below:

- A shortfall in intergovernmental revenues was primarily due to \$820,897 of project grants that have not yet been approved, or have been delayed, thereby reducing the need to seek grant reimbursement.
- A budget revision in the amount of \$628,487 for Insurance Rebates was subsequently found to be unnecessary, as the rebate was posted as a credit against expense.

Actual General Fund expenditures were less than budget by \$5,023,239, primarily driven by:

- \$2,896,680 of Capital Improvement Projects that were either delayed or adjusted downwards in scope. Funding for some of these capital outlay items were re-appropriated during the fiscal year 2020 budget process.
- \$750,000 in grant-related expenses where the grant was not expended or delayed.
- \$488,262 in personnel-related expenses due to vacancies in Public Safety.

**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, 2019, amounted to \$132,157,218 (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.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land & Land Rights	\$ 2,470,906	\$ 1,744,172	\$ 542,455	\$ 190,915	\$ 3,013,361	\$ 1,935,087
Construction in Progress	268,455	2,318,934	11,891,828	16,027,654	12,160,283	18,346,588
Buildings	16,417,136	14,967,771	605,717	121,075	17,022,853	15,088,846
Equipment	4,068,069	3,953,376	4,520,586	4,474,483	8,588,655	8,427,859
Furniture & Fixtures	233,606	221,986	-	6,414	233,606	228,400
Improvements Other than Buildings	10,205,632	10,469,578	-	38,774	10,205,632	10,508,352
Infrastructure	58,272,878	55,865,240	68,208,185	51,814,766	126,481,063	107,680,006
Utility Plant & Equipment	-	-	33,789,917	32,386,182	33,789,917	32,386,182
Vehicles	3,314,836	3,226,409	1,178,688	1,231,244	4,493,524	4,457,653
Water Use Rights	1,400,000	1,400,000	-	-	1,400,000	1,400,000
Less: Accumulated Depreciation	(45,515,769)	(42,754,909)	(39,715,907)	(37,722,094)	(85,231,676)	(80,477,003)
<b>Total Capital Assets</b>	<b>\$ 51,135,749</b>	<b>\$ 51,412,557</b>	<b>\$ 81,021,469</b>	<b>\$ 68,569,413</b>	<b>\$ 132,157,218</b>	<b>\$ 119,981,970</b>

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

Major capital asset activities during fiscal year 2019 included the following:

- Police Department HVAC and floor improvements;
- Replacement of Public Safety and Public Works vehicles;
- The 45 West Main Street Renovation Project;
- Road paving and sidewalk curb replacement;
- Storm water management facilities improvements;
- Improvements to retaining walls;
- Purchase of real property at 1117 Old New Windsor Road;
- Continued construction of the citywide Fiber Optic Network.
- The Wastewater Treatment Plant ENR/Biosolids Upgrade Project;
- Pump station upgrades and
- Continued construction of the Gesell Well and Stream Reconstruction Project.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

The City is committed under the following contracts for projects as of June 30, 2019:

<u>Project</u>	<u>Contract amount</u>	<u>Amount outstanding at June 30, 2019</u>
45 West Main Street renovations - architectural services	\$ 348,470	\$ 76,213
Governmental activities	<u>\$ 348,470</u>	<u>\$ 76,213</u>
Sewer fund:		
Sewer construction and rehabilitation	\$ 1,172,100	\$ 594,187
Enhanced nutrients removal and biosolids upgrade to waste water treatment plant	61,429,842	55,287,707
Water fund:		
Installation of liner and cover for reservoir	91,860	64,302
Design and construction of Little Pipe Creek	<u>475,604</u>	<u>128,730</u>
Business-type activities	<u>\$ 63,169,406</u>	<u>\$ 56,074,926</u>

Under federal court order, the U.S. Environmental Protection Agency was ordered to implement a Chesapeake Bay clean up. The State of Maryland established a storm water management fee program to fund projects to direct nitrogen away from streams that feed into the Chesapeake Bay. This program will be implemented through a National Pollutant Discharge Elimination System (NPDES) permit for Carroll County, Maryland (the "County"). In October 2014, the City along with seven other municipalities entered into a cost-sharing of storm water mitigation project with the County to comply with NPDES requirements. The annual amount for each municipality was calculated based on \$25,000 per impervious acre and on total number of impervious acres required to be restored/mitigated by the permit over the five-year period of this project. For its share of this project, the City is required to pay 20% and the County is covering the remaining 80%. For the year ended June 30, 2019, the City's portion of these costs was \$189,045, which were capitalized as an infrastructure asset. An additional 5% increase will be applied annually to these estimated costs per the agreement. The City made its final committed payment in the amount of \$198,497 under this agreement subsequent to year end.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

See Note 4 in the Notes to Financial Statements section for more detailed information on the City's capital assets.

**Long-Term Debt:** At the end of fiscal year 2019, the City had total bonds outstanding of \$31,108,771, backed by the full faith and credit of the City. Of this amount, \$6,327,700 represents General Fund infrastructure bonds. Water Fund Drinking Water bonds totaled \$6,793,727 while Sewer Fund Water Quality Bonds totaled \$1,772,344. Fiber Fund Infrastructure construction bonds equaled \$16,215,000.

See Note 8 of the Notes to Financial Statements section for more detailed information concerning the debt issuances and debt outstanding of the City.

There are five other types of long-term obligations of the City that do not have mandatory payment terms:

- A non-interest obligation to the Carroll County Commissioners of Maryland related to agreements to provide sewer service totaling \$188,568.
- Compensated absences in the amount of \$672,864. Compensated absences are the total amount of leave liability that the City would owe employees upon their termination.
- Accrued Other Postemployment Benefits (OPEB) totaling \$4,974,664. This is a liability identified per the requirements of GASB 45 for retiree benefits.
- Net Pension Liability totaling \$11,241,148. 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.
- The City owes the Westminster Town Center Corporation \$100,000 once it is re-established.

**Subsequent Events and Economic Factors**

The City of Westminster adopted the fiscal 2020 budget appropriation for the General Fund of approximately \$14.76 million. Real property tax continues to be the main source of fund revenue at 47%, and the tax rate will remain the same at \$0.56 per \$100 of assessed valuation.

The City purchased real property located at 17-25 West Main Street for downtown revitalization purposes. The purchase amount was \$750,000, and the City used reserves.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEARS ENDED JUNE 30, 2019 AND 2018**

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the City's tax base, due to state government-imposed shutdowns of businesses and other results of the illness. While the City expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the City's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, and the impact of the COVID-19 on overall economic trend, all of which are highly uncertain and cannot be predicted.

**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 West Main Street, Suite 1, Westminster, Maryland, 21157.

**CITY OF WESTMINSTER**

**STATEMENT OF NET POSITION**

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Pooled cash and cash equivalents:			
Unrestricted	\$ 14,480,390	\$ 19,161,000	\$ 33,641,390
Restricted	3,150,766	5,200,348	8,351,114
Non-pooled cash and cash equivalents, unrestricted	236,498		236,498
Receivables:			
Accrued interest	62,895	67,396	130,291
Taxes	393,846		393,846
Taxes, restricted	16,362		16,362
Grants	5,605	2,440,057	2,445,662
Loan	1,650		1,650
Accounts:			
Unrestricted, net of allowance for doubtful accounts of \$297,582 and \$0 for the governmental and business-type activities, respectively	223,600	1,661,758	1,885,358
Restricted	19,200	85,801	105,001
Unbilled services		1,486,909	1,486,909
Prepays and other assets	225,524	142,097	367,621
Inventory	117,984	395,214	513,198
Internal balances	68,221	(68,221)	
Due from:			
Other governments	73,431	151,122	224,553
Other governments, restricted	36,107		36,107
Total current assets	19,112,079	30,723,481	49,835,560
Noncurrent assets:			
Capital assets:			
Construction in progress	268,455	11,891,828	12,160,283
Land and land rights	2,470,906	542,455	3,013,361
Buildings and improvements	16,417,136	605,717	17,022,853
Furniture and fixtures	233,606		233,606
Improvements other than buildings	10,205,632		10,205,632
Infrastructure	58,272,878	68,208,185	126,481,063
Machinery and equipment	4,068,069	4,520,586	8,588,655
Utility plant and equipment		33,789,917	33,789,917
Vehicles	3,314,836	1,178,688	4,493,524
Water use rights	1,400,000		1,400,000
Accumulated depreciation	(45,515,769)	(39,715,907)	(85,231,676)
Net capital assets	51,135,749	81,021,469	132,157,218
Non-pooled cash and cash equivalents, restricted	180,883	20,000	200,883
Accounts receivable, unrestricted		12,374	12,374
Loan receivable	13,700		13,700
Total noncurrent assets	51,330,332	81,053,843	132,384,175
Total assets	70,442,411	111,777,324	182,219,735
Deferred outflows of resources:			
For pensions	2,527,903	764,959	3,292,862
For other postemployment benefits	132,604	28,491	161,095
Total deferred outflows of resources	2,660,507	793,450	3,453,957
Total assets and deferred outflows of resources	\$ 73,102,918	\$ 112,570,774	\$ 185,673,692

See notes to financial statements.

**CITY OF WESTMINSTER**

**STATEMENT OF NET POSITION**

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 336,776	\$ 4,731,235	\$ 5,068,011
<b>Accrued:</b>			
Interest	48,267	48,553	96,820
Payroll	89,395	47,025	136,420
Compensated absences	6,114		6,114
Unearned revenue	322,464	13,660	336,124
Due to other governments		1,247	1,247
Current portion of general obligation bonds	564,800	1,215,339	1,780,139
<b>Payable from restricted assets:</b>			
Accounts payable	1,118,799		1,118,799
Deposits and escrows	1,216,864		1,216,864
Due to other governments	21,058	243,023	264,081
Loan payable	100,000		100,000
	<u>3,824,537</u>	<u>6,300,082</u>	<u>10,124,619</u>
<b>Total current liabilities</b>			
<b>Long-term liabilities:</b>			
Due to other governments		188,568	188,568
General obligation bonds	5,762,900	23,565,732	29,328,632
Total other postemployment benefits liability	3,304,670	1,669,994	4,974,664
Accrued compensated absences	408,876	257,874	666,750
Net pension liability	8,805,354	2,435,794	11,241,148
	<u>18,281,800</u>	<u>28,117,962</u>	<u>46,399,762</u>
<b>Total long-term liabilities</b>			
<b>Total liabilities</b>			
	<u>22,106,337</u>	<u>34,418,044</u>	<u>56,524,381</u>
<b>Deferred inflows of resources:</b>			
For bond refunding	8,340		8,340
For pensions	772,911	311,126	1,084,037
For other postemployment benefits	191,060	96,550	287,610
	<u>972,311</u>	<u>407,676</u>	<u>1,379,987</u>
<b>Total deferred inflows of resources</b>			
<b>Net position:</b>			
Net investment in capital assets	44,808,049	55,239,400	100,047,449
Restricted	1,187,403	5,043,126	6,230,529
Unrestricted	4,028,818	17,462,528	21,491,346
	<u>50,024,270</u>	<u>77,745,054</u>	<u>127,769,324</u>
<b>Total net position</b>			
<b>Total liabilities, deferred inflows of resources and net position</b>			
	<u>\$ 73,102,918</u>	<u>\$ 112,570,774</u>	<u>\$ 185,673,692</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2019**

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	Proprietary Funds	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,924,967	\$ 306,132			\$ (1,618,835)		\$ (1,618,835)
Public safety	6,920,328	113,120	\$ 381,032		(6,426,176)		(6,426,176)
Culture and recreation	1,824,481	800,435	7,500	\$ 3,885	(1,012,661)		(1,012,661)
Public works	5,058,444	222,048	12,655	615,573	(4,208,168)		(4,208,168)
Community development and public housing	2,410,829	34,498	2,314,180		(62,151)		(62,151)
Interest on long-term debt	212,137				(212,137)		(212,137)
<b>Total governmental activities</b>	<b>18,351,186</b>	<b>1,476,233</b>	<b>2,715,367</b>	<b>619,458</b>	<b>(13,540,128)</b>		<b>(13,540,128)</b>
<b>Business-type activities:</b>							
Sewer operations	5,518,913	6,507,853		5,066,080	\$ 6,055,020		6,055,020
Water operation	4,793,870	5,200,788		373,282	780,200		780,200
Fiber operations	1,403,845	557,890			(845,955)		(845,955)
<b>Total business-type activities</b>	<b>11,716,628</b>	<b>12,266,531</b>		<b>5,439,362</b>	<b>5,989,265</b>		<b>5,989,265</b>
<b>Total primary government</b>	<b>\$ 30,067,814</b>	<b>\$ 13,742,764</b>	<b>\$ 2,715,367</b>	<b>\$ 6,058,820</b>	<b>(13,540,128)</b>	<b>5,989,265</b>	<b>(7,550,863)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Income					2,285,989		2,285,989
Real estate					9,731,588		9,731,588
Personal property					844,440		844,440
Other					235,140		235,140
Grants, contributions and franchise fees not restricted to specific programs					1,566,589		1,566,589
Interest earnings					291,898	312,722	604,620
Rents					39,028	309,906	348,934
Miscellaneous revenues					120,113	103,224	223,337
<b>Total general revenues</b>					<b>15,114,785</b>	<b>725,852</b>	<b>15,840,637</b>
<b>Changes in net position</b>					<b>1,574,657</b>	<b>6,715,117</b>	<b>8,289,774</b>
<b>Net position:</b>							
July 1, 2018, as restated					<u>48,449,613</u>	<u>71,029,937</u>	<u>119,479,550</u>
June 30, 2019					<u>\$ 50,024,270</u>	<u>\$ 77,745,054</u>	<u>\$ 127,769,324</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2019

ASSETS

	General Fund	Public Housing Agency Fund	Total governmental funds
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents:			
Pooled cash and cash equivalents:			
Unrestricted	\$ 14,480,390		\$ 14,480,390
Restricted	3,150,766		3,150,766
Non-pooled cash and cash equivalents:			
Unrestricted	3,300	\$ 233,198	236,498
Restricted	177,199	3,684	180,883
Receivables:			
Taxes	393,846		393,846
Taxes, restricted	16,362		16,362
Grants	5,605		5,605
Accrued Interest	62,895		62,895
Loans:			
Short-term	1,650		1,650
Long-term	13,700		13,700
Accounts, net of allowance for doubtful accounts of \$55,988 and \$241,594 for the general and public housing agency funds, respectively	180,965	42,635	223,600
Accounts, restricted	19,200		19,200
Inventory	117,984		117,984
Prepaid expenses	219,319	6,205	225,524
Due from other:			
Governments	73,431		73,431
Governments, restricted	36,107		36,107
Funds	74,304	8,901	83,205
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 19,027,023</u>	<u>\$ 294,623</u>	<u>\$ 19,321,646</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Total governmental funds</u>
<b>Liabilities:</b>			
Accounts payable	\$ 335,483	\$ 1,293	\$ 336,776
<b>Accrued:</b>			
Payroll	89,395		89,395
Compensated absences	6,114		6,114
<b>Payable from restricted assets:</b>			
Accounts payable	1,118,799		1,118,799
Due to other governments	21,058		21,058
Deposits and escrows	1,213,180	3,684	1,216,864
Loan payable	100,000		100,000
Unearned revenue	322,464		322,464
Due to other funds	14,984		14,984
	<u>3,221,477</u>	<u>4,977</u>	<u>3,226,454</u>
<b>Total liabilities</b>			
<b>Deferred inflows of resources:</b>			
Fines and penalties receivables	13,820		13,820
Housing assistance reimbursement receivable		42,635	42,635
	<u>13,820</u>	<u>42,635</u>	<u>56,455</u>
<b>Total deferred inflows of resources</b>			
<b>Fund balances:</b>			
Nonspendable	352,653	6,205	358,858
Restricted	946,597	240,806	1,187,403
Committed	12,169		12,169
Assigned	7,431,384		7,431,384
Unassigned	7,048,923		7,048,923
	<u>15,791,726</u>	<u>247,011</u>	<u>16,038,737</u>
<b>Total fund balances</b>			
<b>Total liabilities, deferred inflows of resources and fund balances</b>			
	<u>\$ 19,027,023</u>	<u>\$ 294,623</u>	<u>\$ 19,321,646</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION**

YEAR ENDED JUNE 30, 2019

Total fund balance, governmental funds	\$ 16,038,737
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,135,749
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred inflows of resources related to these receivables.	56,455
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	(7,050,362)
Total other postemployment benefits liability and related deferred amounts are not payable in the current period and, therefore, are reported as employee benefits in the period during which the benefit occurs in the fund financial statements.	(3,363,126)
Accrued compensated absences are not payable in the current period and, therefore, are reported as wages in the period during which the absence occurs in the fund financial statements.	(408,876)
Bond issue costs incurred by governmental activities are not available financial resources, and therefore, are not reported in the fund financial statements.	(8,340)
Long-term liabilities, including both current and noncurrent portions of bonds and interest payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(6,375,967)</u>
Net position, governmental activities	<u>\$ 50,024,270</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Total governmental funds</u>
Revenues:			
Taxes	\$ 13,130,399		\$ 13,130,399
Licenses and permits	579,466		579,466
Fines and forfeitures	119,990		119,990
Interest	291,898		291,898
Rent	39,028		39,028
Intergovernmental revenues	2,061,617	\$ 2,314,180	4,375,797
Charges for services	1,266,176		1,266,176
Miscellaneous revenues	123,163	34,122	157,285
	<u>17,611,737</u>	<u>2,348,302</u>	<u>19,960,039</u>
Expenditures:			
General government	1,730,553		1,730,553
Public safety	6,514,185		6,514,185
Culture and recreation	1,432,241		1,432,241
Public works	2,892,154		2,892,154
Community development and public housing	19,582	2,366,562	2,386,144
Capital outlay	2,712,569		2,712,569
Debt service:			
Principal	1,299,000		1,299,000
Interest	212,902		212,902
	<u>16,813,186</u>	<u>2,366,562</u>	<u>19,179,748</u>
Revenues over (under) expenditures	<u>798,551</u>	<u>(18,260)</u>	<u>780,291</u>

(continued)

**CITY OF WESTMINSTER**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Total governmental funds</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	\$ 20,213		\$ 20,213
Interfund transfers	<u>(75,000)</u>	<u>\$ 75,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(54,787)</u>	<u>75,000</u>	<u>20,213</u>
Net changes in fund balances	743,764	56,740	800,504
Fund balances:			
July 1, 2018, as restated (general fund)	<u>15,047,962</u>	<u>190,271</u>	<u>15,238,233</u>
June 30, 2019	<u><u>\$ 15,791,726</u></u>	<u><u>\$ 247,011</u></u>	<u><u>\$ 16,038,737</u></u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019

Net change in fund balances, governmental funds		\$ 800,504
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation in the period is as follows:		
Capital outlays	\$ 2,712,569	
Depreciation expense	<u>(2,988,929)</u>	(276,360)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.		(448)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(34,196)
The change in the deferred outflows and inflows of the net pension and total other postemployment benefits liabilities is not reported in governmental funds.		397,264
Principal payments on long-term debt is reported as expense on fund financial statements, but not included on the statement of activities.		1,299,000
Amortization of bond issue costs.		(8,340)
The change in accrued interest expense is not reported in the governmental funds.		6,295
The change in the net pension and total other postemployment liabilities is not reported in governmental funds.		(594,203)
The increase in the accrued compensated absence liability is not reflected as an expense in the fund statements, but is included in the statement of activities.		<u>(14,859)</u>
Change in net position of governmental activities		<u>\$ 1,574,657</u>

See notes to financial statements.

**CITY OF WESTMINSTER**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**

JUNE 30, 2019

	ASSETS			Total Proprietary Funds
	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
Current assets:				
Pooled cash and cash equivalents:				
Unrestricted	\$ 10,388,387	\$ 7,944,870	\$ 827,743	\$ 19,161,000
Restricted	5,200,348			5,200,348
Accounts receivable:				
Unrestricted	823,743	723,114	114,901	1,661,758
Restricted	85,801			85,801
Accrued Interest Receivable	43,401	22,005	1,990	67,396
Grants receivable	2,440,057			2,440,057
Inventory	91,956	63,473	239,785	395,214
Unbilled services	794,722	692,187		1,486,909
Due from other:				
Governments	151,122			151,122
Funds			7,323	7,323
Prepaid expenses	72,186	66,525	3,386	142,097
Total current assets	20,091,723	9,512,174	1,195,128	30,799,025
Noncurrent assets:				
Capital assets:				
Land and land rights	405,742	136,713		542,455
Buildings and improvements	503,946	101,771		605,717
Machinery and equipment	3,416,026	1,104,560		4,520,586
Furniture and fixtures				-
Vehicles	551,398	627,290		1,178,688
Construction in progress	11,492,846	398,982		11,891,828
Infrastructure	20,518,235	30,528,380	17,161,570	68,208,185
Utility plant and equipment	16,576,380	17,213,537		33,789,917
Accumulated depreciation	(23,639,173)	(15,316,540)	(760,194)	(39,715,907)
Net capital assets	29,825,400	34,794,693	16,401,376	81,021,469
Non-pooled cash and cash equivalents, restricted			20,000	20,000
Accounts receivable, unrestricted	6,187	6,187		12,374
Total noncurrent assets	29,831,587	34,800,880	16,421,376	81,053,843
Total assets	49,923,310	44,313,054	17,616,504	111,852,868
Deferred outflows of resources:				
For pensions	379,473	354,697	30,789	764,959
For other postemployment benefits	11,582	16,909		28,491
Total deferred outflows of resources	391,055	371,606	30,789	793,450
Total assets and deferred outflows of resources	\$ 50,314,365	\$ 44,684,660	\$ 17,647,293	\$ 112,646,318

See notes to financial statements.

**CITY OF WESTMINSTER**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2019

LIABILITIES AND NET POSITION

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
Liabilities:				
Current liabilities:				
Accounts payable	\$ 3,703,730	\$ 236,052	\$ 791,453	\$ 4,731,235
Accrued:				
Payroll	21,644	22,942	2,439	47,025
Interest		48,553		48,553
Due to other:				
Governments		1,247		1,247
Governments, restricted	243,023			243,023
Funds	39,528	36,016		75,544
Unearned revenue		13,660		13,660
Current portion of general obligation bonds		900,339	315,000	1,215,339
	4,007,925	1,258,809	1,108,892	6,375,626
Total current liabilities				
Long-term liabilities:				
Due to other governments	188,568			188,568
Total OPEB liability	785,499	884,495		1,669,994
Accrued compensated absences	123,917	124,230	9,727	257,874
General obligation bonds	1,772,344	5,893,388	15,900,000	23,565,732
Net pension liability	1,268,796	1,156,550	10,448	2,435,794
	4,139,124	8,058,663	15,920,175	28,117,962
Total long-term liabilities				
Total liabilities	8,147,049	9,317,472	17,029,067	34,493,588
Deferred inflows of resources:				
For pensions	154,830	144,733	11,563	311,126
For other postemployment benefits	45,413	51,137		96,550
	200,243	195,870	11,563	407,676
Total deferred inflows of resources				
Net position:				
Net investment in capital assets	27,820,571	27,975,607	(556,778)	55,239,400
Restricted	5,043,126			5,043,126
Unrestricted	9,103,376	7,195,711	1,163,441	17,462,528
	41,967,073	35,171,318	606,663	77,745,054
Total net position				
Total liabilities, deferred inflows of resources and net position	\$ 50,314,365	\$ 44,684,660	\$ 17,647,293	\$ 112,646,318

See notes to financial statements.

**CITY OF WESTMINSTER**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
Operating revenues, billings	\$ 6,507,853	\$ 5,200,788	\$ 557,890	\$ 12,266,531
Operating expenses:				
Administrative and general	1,338,808	1,314,021		2,652,829
Fiber			299,437	299,437
Transmission and distribution	971,013	719,232		1,690,245
Treatment and pumping	2,340,159	1,532,693		3,872,852
Depreciation	876,310	1,078,993	222,065	2,177,368
Total operating expenses	5,526,290	4,644,939	521,502	10,692,731
Operating income	981,563	555,849	36,388	1,573,800
Nonoperating revenues (expenses):				
Intergovernmental revenues	4,443,590			4,443,590
Rental income	32,500	277,406		309,906
Miscellaneous	59,319	42,016	1,889	103,224
Interest expense and fiscal charges		(151,911)	(882,343)	(1,034,254)
Interest income	201,384	102,103	9,235	312,722
Gain on asset disposal	7,377	2,980		10,357
Total nonoperating revenues (expenses)	4,744,170	272,594	(871,219)	4,145,545
Income (loss) before capital contributions	5,725,733	828,443	(834,831)	5,719,345
Capital contributions	622,490	373,282		995,772
Change in net position	6,348,223	1,201,725	(834,831)	6,715,117
Net position:				
July 1, 2018, as restated	35,618,850	33,969,593	1,441,494	71,029,937
June 30, 2019	\$ 41,967,073	\$ 35,171,318	\$ 606,663	\$ 77,745,054

See notes to financial statements.

**CITY OF WESTMINSTER**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2019

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
Cash flows from operating activities:				
Inflows:				
Cash received from customers	\$ 6,719,446	\$ 5,259,948	\$ 538,368	\$ 12,517,762
Rental income received	32,500	277,406		309,906
	<u>6,751,946</u>	<u>5,537,354</u>	<u>538,368</u>	<u>12,827,668</u>
Outflows:				
Cash paid to:				
Suppliers	3,038,053	2,058,345	389,405	5,485,803
Employees	1,540,523	1,475,627	115,897	3,132,047
	<u>4,578,576</u>	<u>3,533,972</u>	<u>505,302</u>	<u>8,617,850</u>
Net cash provided by operating activities	<u>2,173,370</u>	<u>2,003,382</u>	<u>33,066</u>	<u>4,209,818</u>
Cash flows from non-capital financing activities:				
Inflows, cash received from other funds	393,947	443,490		837,437
Outflows, cash paid to other funds			7,323	7,323
Net cash provided (used) by non-capital financing activities	<u>393,947</u>	<u>443,490</u>	<u>(7,323)</u>	<u>830,114</u>
Cash flows from capital and related financing activities:				
Inflows:				
Cash received from capital contributions and grants	2,626,023	373,282		2,999,305
Proceeds from sales of capital assets	7,377	2,980		10,357
Bond issuance proceeds	1,772,344		6,340,622	8,112,966
	<u>4,405,744</u>	<u>376,262</u>	<u>6,340,622</u>	<u>11,122,628</u>
Outflows:				
Cash paid for:				
Acquisition of capital assets	5,534,915	442,168	5,295,280	11,272,363
Interest		161,621	908,559	1,070,180
Payments on long-term debt	37,918	888,624		926,542
	<u>5,572,833</u>	<u>1,492,413</u>	<u>6,203,839</u>	<u>13,269,085</u>
Net cash provided (used) by capital and related financing activities	<u>(1,167,089)</u>	<u>(1,116,151)</u>	<u>136,783</u>	<u>(2,146,457)</u>
Cash flows provided by investing activities, inflows, interest received	<u>157,983</u>	<u>80,098</u>	<u>7,245</u>	<u>245,326</u>
Net increase in cash and cash equivalents	1,558,211	1,410,819	169,771	3,138,801
Cash and cash equivalents:				
Beginning of year	14,030,524	6,534,051	677,972	21,242,547
End of year	<u>\$ 15,588,735</u>	<u>\$ 7,944,870</u>	<u>\$ 847,743</u>	<u>\$ 24,381,348</u>

(continued)

**CITY OF WESTMINSTER**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)**

YEAR ENDED JUNE 30, 2019

	Sewer Fund	Water Fund	Fiber Fund	Total Proprietary Funds
Reconciliation of cash and cash equivalents to the statement of net position:				
Current assets:				
Pooled cash and cash equivalents:				
Unrestricted	\$ 10,388,387	\$ 7,944,870	\$ 827,743	\$ 19,161,000
Restricted	5,200,348			5,200,348
Total current assets	15,588,735	7,944,870	827,743	24,361,348
Noncurrent assets, non-pooled cash and cash equivalents, restricted			20,000	20,000
Cash and cash equivalents, end of year	<u>\$ 15,588,735</u>	<u>\$ 7,944,870</u>	<u>\$ 847,743</u>	<u>\$ 24,381,348</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 981,563	\$ 555,849	\$ 36,388	\$ 1,573,800
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	876,310	1,078,993	222,065	2,177,368
Rental income	32,500	277,406		309,906
Miscellaneous income	59,319	42,016	1,889	103,224
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	190,197	(22,477)	(21,411)	146,309
Inventory	(4,444)	(2,713)	(239,785)	(246,942)
Unbilled services	127,170	47,120		174,290
Due from other governments	(151,122)			(151,122)
Prepaid expenses	1,189	1,007	(2,940)	(744)
Deferred amounts from:				
Pensions	(92,562)	(86,496)	(9,251)	(188,309)
Other postemployment benefits	(3,213)	(7,486)		(10,699)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	28,584	(10,757)	27,452	45,279
Accrued:				
Payroll	21,644	22,942	2,439	47,025
Compensated absences	1,578	4,083	6,238	11,899
Due to other governments	(13,971)			(13,971)
Unearned revenue		(7,499)		(7,499)
Total OPEB liability	7,076	7,969		15,045
Net pension liability	121,325	113,395		234,720
Deferred amounts from:				
Pensions	(5,410)	(5,057)	10,448	(19)
Other postemployment benefits	(4,363)	(4,913)	(466)	(9,742)
Net cash provided by operating activities	<u>\$ 2,173,370</u>	<u>\$ 2,003,382</u>	<u>\$ 33,066</u>	<u>\$ 4,209,818</u>

See notes to financial statements.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations 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 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, culture and recreation, community development and public housing, water, sewer and fiber 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), culture and recreation and community development and public housing services are classified as governmental activities. The City's water, sewer and fiber services are classified as business-type activities.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations and summary of significant accounting policies (continued):**

#### *Basic financial statements - government-wide financial statements:*

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, receivables and deferred outflows of resources, as well as long-term debt and obligations and deferred inflows of resources. 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.), which are otherwise being supported by general government revenues. 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. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

The net costs (by function or program) are normally covered by general revenue (property and income taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

This government-wide focus is 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.

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 comprise its assets, liabilities, deferred inflows and outflows of resources, fund balance, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations and summary of significant accounting policies (continued):**

*Basic financial statements - fund financial statements:*

#### 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, liabilities and deferred inflows of resources 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 administrative and general, fiber optic cable maintenance, water and sewer transmission and distribution costs, source of supply, water and sewer treatment and pumping costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 1. Nature of operations and summary of significant accounting policies (continued):

*Basic financial statements - fund financial statements:*

Proprietary funds:

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:

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.

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.

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.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations and summary of significant accounting policies (continued):**

#### *Basis of accounting:*

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 60 days after the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are 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 as revenues when received. The City maintains restricted receivables associated with Bay Restoration Fees billed and eventually collected, on behalf of the State, as well as taxes and other receivables restricted for use for capital projects.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**1. Nature of operations and summary of significant accounting policies (continued):**

*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, 2019 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.

*Inventory:*

Inventories of materials are maintained in the General, Water, Sewer and Fiber 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 in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**1. Nature of operations and summary of significant accounting policies (continued):**

*Capital assets:*

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:

Buildings and improvements	7-40 years
Furniture and fixtures	5 years
Improvements other than buildings	7-40 years
Infrastructure	10-100 years
Machinery and equipment	5-40 years
Utility plant and equipment	5-40 years
Vehicles	5-10 years
Water use rights	40 years

Government-wide financial statements:

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 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.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations and summary of significant accounting policies (continued):**

#### *Long-term obligations:*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Changes in premiums and discounts are reported as part of long-term debt. Bond issuance costs are generally expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as revenues or expenditures during the current period.

#### *Deferred outflows and inflows of resources:*

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to future periods and will not be recognized as an outflow (expense/expenditure) or inflow (revenue) of resources until that time. Deferrals related to pension and other postemployment benefits are disclosed in their respective notes below.

#### *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.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 1. Nature of operations and summary of significant accounting policies (continued):

#### *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.

#### *Unearned revenue:*

The City has a number of agreements with homeowners' associations in the City for future maintenance of stormwater facilities. The fees are generally paid up front by the developers and revenue is recognized over the life of the agreement.

Memberships and deposits received for parks and rec services and events are reported as deferred revenue until the revenue is earned by the City.

Revenues received under reimbursable grant agreements are recognized in the period in which the qualified expenditures are incurred. Any unexpended funds are reported as unearned revenue.

#### *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.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 1. Nature of operations and summary of significant accounting policies (continued):

#### *Net position:*

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.

#### *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, 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 fund balance of the General Fund, which has not been classified within the other above mentioned categories.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **1. Nature of operations and summary of significant accounting policies (continued):**

#### *Fund balance:*

When an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

#### *Budgets and budgetary analysis:*

The City prepares an annual operating budget for all 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 several budget revisions approved by the Mayor and Common Council during the year ended June 30, 2019. Both original and final budgets of the General Fund and Public Housing Agency Fund have been included in the presentation of the City's required supplementary information.

#### *Pensions:*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (the "System"), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### *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, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 1. Nature of operations and summary of significant accounting policies (continued):

#### *New accounting pronouncements adopted:*

The following summarizes GASB Statements implemented by the City during the year ended June 30, 2019 and the relating effects on the financial statements presentation and disclosure, as applicable:

GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this Statement is to address 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. The provisions of this Statement were effective for periods beginning after June 15, 2018, and were implemented by the City as of July 1, 2018, with no effect on financial statement presentation and disclosure.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this Statement is to improve financial statement disclosures related to debt, including direct borrowings and direct placements, and it clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement were effective for periods beginning after June 15, 2018, and were implemented by the City as of July 1, 2018, with minimal effect on financial statement presentation and disclosure.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to be expensed in the period incurred and not capitalized as historical cost of the project. The provisions of this Statement are effective for periods beginning after December 15, 2019, and were early implemented by the City as of July 1, 2018, with minimal effect on financial statement presentation and disclosure.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 1. Nature of operations and summary of significant accounting policies (continued):

#### *New GASB pronouncements:*

The GASB issued several pronouncements prior to the year ended June 30, 2019 that have effective dates that may impact future financial statement presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

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. 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 the 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.

GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, will be effective for the City beginning with the fiscal year ending June 30, 2020. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with the fiscal year ending June 30, 2022. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangement associated with conduit debt obligations and 3) related note disclosures.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**2. Deposits and investments:**

The deposits and investments held as of June 30, 2019 are as follows:

Type	Rating/ interest rate (unaudited)	Maturities (unaudited)	Carrying value
Deposits:			
Cash on hand	N/A	N/A	\$ 3,300
Held with escrow agent	N/A	N/A	20,000
Demand deposits	0.00% - 1.00%	N/A	20,036,776
Certificate of deposits	1.49% - 2.60%	7/2019 - 2/2020	15,655,990
Investments:			
Maryland local government investment pool	AAAm/2.22%	N/A	<u>6,713,819</u>
Total deposits and investments			<u><u>\$ 42,429,885</u></u>

The reconciliation to the statement of net position as of June 30, 2019 is as follows:

Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 236,498
Restricted	<u>200,883</u>
Total cash and cash equivalents	<u>437,381</u>
Equity in pooled cash and cash equivalents:	
Unrestricted	33,641,390
Restricted	<u>8,351,114</u>
Total equity in pooled cash and cash equivalents	<u>41,992,504</u>
Total current assets	<u><u>\$ 42,429,885</u></u>

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **2. Deposits and investments (continued):**

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, 2019, all pool holdings were in cash and cash equivalents with a weighted average maturity of 38 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.mlqip.com](http://www.mlqip.com). As of June 30, 2019, the City had total investments in MLGIP of \$6,713,819, which have been reflected as equity in pooled cash and cash equivalents.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**2. Deposits and investments (continued):**

Restricted cash and cash equivalents at June 30, 2019 consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Bay Restoration Fee		\$ 157,222
Capital improvements projects	\$ 1,066,332	
City program commitments	1,110,613	
Debt service reserve fund		20,000
Developer deposits	190,170	
Employee flexible spending accounts	5,846	
Future infrastructure growth	772,606	5,043,126
Housing voucher program	3,684	
Judicial mandates	175,848	
Other escrows	6,550	
	<u>                    </u>	<u>                    </u>
Total restricted cash and cash equivalents	<u>\$ 3,331,649</u>	<u>\$ 5,220,348</u>

The City's formal investment policy follows the Maryland State Finance and Procurement Code Ann. § 6-222 (the "Code"). The Code authorizes the City to invest in obligations of the United States and related agencies, repurchase agreements of United States obligations, certain bankers' acceptances, bonds and commercial paper with the highest letter and numerical rating by at least one nationally recognized statistical rating organization, money market mutual funds operated in accordance with Rule 2A-7 of the ICA of 1940 and any investment portfolio created under the MLGIP.

*Custodial credit risk:*

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$36,414,015 at June 30, 2019, of which \$11,612,700 was covered by federal depository insurance. The remaining amount of \$24,801,315 was fully collateralized by securities pledged and held by financial institution's trust department or agent, not in the City's name, as of June 30, 2019.

# **CITY OF WESTMINSTER**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

### **2. Deposits and investments (continued):**

#### *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, 2019 are disclosed under deposits and investments.

#### *Credit risk:*

The City's formal investment policy follows the Code. The Code authorizes the City to invest in obligations of the United States and related agencies, repurchase agreements of United States obligations, certain bankers' acceptances, bonds and commercial paper with the highest letter and numerical rating by at least one nationally recognized statistical rating organization, money market mutual funds operated in accordance with Rule 2A-7 of the ICA of 1940 and any investment portfolio created under the MLGIP.

#### *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, 2019, the City had no concentration of credit risk.

### **3. 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, 2019, \$15,350 remains outstanding on the loan, \$1,650 of which has been classified as a current asset.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**4. Capital assets:**

A summary of governmental activities follows:

	Balance July 1	Increases	Decreases	Transferred to active status	Balance June 30
Capital assets not being depreciated:					
Land and land rights *	\$ 2,184,171			\$ 286,735	\$ 2,470,906
Construction in progress	2,318,934	\$ 2,205,594		(4,256,073)	268,455
Total capital assets, not being depreciated	4,503,105	2,205,594		(3,969,338)	2,739,361
Capital assets, being depreciated:					
Buildings	14,967,771	15,549	\$ 3,800	1,437,616	16,417,136
Equipment	3,953,376	13,349		101,344	4,068,069
Furniture and fixtures	221,986	11,620			233,606
Improvements other than buildings *	10,029,579	52,876		123,177	10,205,632
Infrastructure	55,865,240	100,437		2,307,201	58,272,878
Vehicles	3,226,409	319,290	230,863		3,314,836
Water use rights	1,400,000				1,400,000
Total capital assets, being depreciated	89,664,361	513,121	234,663	3,969,338	93,912,157
Less accumulated depreciation for:					
Buildings	6,030,799	438,578			6,469,377
Equipment	3,065,847	205,270			3,271,117
Furniture and fixtures	148,520	18,983			167,503
Improvements other than buildings	5,521,137	363,746			5,884,883
Infrastructure	25,598,860	1,672,540			27,271,400
Vehicles	2,305,163	254,812	228,069		2,331,906
Water use rights	84,583	35,000			119,583
Total accumulated depreciation	42,754,909	2,988,929	228,069		45,515,769
Total capital assets, being depreciated, net	46,909,452	(2,475,808)	6,594	3,969,338	48,396,388
Total capital assets, net	\$ 51,412,557	\$ (270,214)	\$ 6,594	\$ -	\$ 51,135,749

\* The July 1 balances include a reclassification of \$439,999 moving costs from improvements other than buildings to land and land rights.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**4. Capital assets (continued):**

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

Accumulated costs attributable to projects included in construction in progress under governmental activities at June 30, 2019 are as follows:

Governmental activities:	
45 West Main Street renovations	\$ 209,216
Records room improvements	<u>59,239</u>
Total construction in progress	<u><u>\$ 268,455</u></u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 219,754
Public safety	197,949
Culture and recreation	381,835
Highways and streets	2,170,644
Community development and public housing	<u>18,747</u>
Total depreciation expense	<u><u>\$ 2,988,929</u></u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**4. Capital assets (continued):**

A summary of business-type activities follows:

	Balance July 1	Increases	Decreases	Transferred to active status	Balance June 30
Capital assets not being depreciated:					
Land and land rights	\$ 190,915	\$ 351,540			\$ 542,455
Construction in progress	16,027,654	12,749,217		\$ (16,885,043)	11,891,828
Total capital assets, not being depreciated	<u>16,218,569</u>	<u>13,100,757</u>		<u>(16,885,043)</u>	<u>12,434,283</u>
Capital assets, being depreciated:					
Buildings	121,075	484,642			605,717
Equipment	4,474,483	93,333	\$ 47,230		4,520,586
Furniture and fixtures	6,414		6,414		-
Infrastructure	51,814,766	785,914		15,607,505	68,208,185
Utility plant and equipment	32,386,182	133,039		1,277,538	33,789,917
Improvements other than buildings	38,774		38,774		-
Vehicles	1,231,244	71,342	123,898		1,178,688
Total capital assets, being depreciated	<u>90,072,938</u>	<u>1,568,270</u>	<u>223,158</u>	<u>16,885,043</u>	<u>108,303,093</u>
Less accumulated depreciation for:					
Buildings	25,783	8,070			33,853
Equipment	3,486,662	181,084	49,792		3,617,954
Furniture and fixtures	6,414		6,414		-
Infrastructure	18,203,839	1,145,169			19,349,008
Utility plant and equipment	15,265,663	747,863	7,840		16,005,686
Vehicles	733,733	95,182	119,509		709,406
Total accumulated depreciation	<u>37,722,094</u>	<u>2,177,368</u>	<u>183,555</u>		<u>39,715,907</u>
Total capital assets, being depreciated, net	<u>52,350,844</u>	<u>(609,098)</u>	<u>39,603</u>	<u>16,885,043</u>	<u>68,587,186</u>
Total capital assets, net	<u>\$ 68,569,413</u>	<u>\$ 12,491,659</u>	<u>\$ 39,603</u>	<u>\$ -</u>	<u>\$ 81,021,469</u>

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

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**4. Capital assets (continued):**

Accumulated costs attributable to projects included in construction in progress under business-type activities at June 30, 2019 are as follows:

Sewer Fund:

Enhanced nutrient removal and biosolids upgrade to waste water treatment plant	<u>\$ 11,492,846</u>
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Water Fund:

Gessell Well / Little Pipe Creek	328,674
Reservoir improvements	27,558
Storage tank mixing project	<u>42,750</u>

Total Water Fund	<u>398,982</u>
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Total construction in progress	<u><u>\$ 11,891,828</u></u>
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Depreciation expense for the year ended June 30, 2019 was charged to business-type activities as follows:

Sewer Fund	\$ 876,310
Water Fund	1,078,993
Fiber Fund	<u>222,065</u>

Total depreciation expense	-	<u><u>\$ 2,177,368</u></u>
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**5. 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, 2019, the loan remains outstanding and will be paid upon the reestablishment of the Corporation and approval by City Council.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**6. 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 sewer 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. The City has assessed increased special benefit assessment charges for permits issued in these areas, of which the increased portions are to be used for repayment of the loans; therefore, the loans have been classified as noncurrent obligations of the City. As of June 30, 2019, \$39,531 and \$149,037 are outstanding on the County Airport and County Avondale obligations, respectively.

**7. Deposits and escrows:**

In May 2017, the City entered into agreements with various entities for improvements along MD 97, a State owned road. Under these agreements, the City is collecting funds from other entities and holding them in escrow until they are remitted to the State as they submit allowable costs for reimbursement. Under the agreements, \$500,000 of the escrow balance will be held by the City until the completion of construction. As of June 30, 2019, \$924,615 is held in escrow related to this project.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**8. Long-term debt:**

General Obligation Bonds outstanding as of June 30, 2019 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 \$199,300-\$232,500 plus interest paid semi-annually at rates of 4.20%-4.45%. The bond matures on May 1, 2025.	\$ 1,211,300
\$1,541,400 Infrastructure Bonds - 2012 Series B due in annual principal payments of \$158,500-\$165,500 plus interest paid semi-annually at rates of 1.96%-2.53%. The bond matures on May 1, 2022.	486,400
\$5,000,000 Infrastructure Bonds - 2017 Series A-1 and Series A-2 due in annual principal payments of \$207,000-\$329,500 plus interest paid semi-annually at rates of 2.9%-3.30%. The bonds mature on April 1, 2037.	<u>4,630,000</u>
Total governmental activities general obligation bonds payable	<u>6,327,700</u>
Business-type activities general obligation bonds payable:	
Water Fund:	
\$1,269,858 Drinking Water Bonds - Series 2000 due in annual principal payments of \$78,115-\$80,145 plus interest paid semi-annually at a rate of 2.6%. The bond matures on February 1, 2021.	158,260
\$9,850,906 Drinking Water Bonds - Series 2007 due in annual principal payments of \$586,321-\$622,392 plus interest paid semi-annually at a rate of 1.0%. The bond matures on February 1, 2027.	4,296,680
\$4,415,138 Drinking Water Bonds - Series 2008 due in annual principal payments of \$235,903-\$285,190 plus interest paid semi-annually at a rate of 2.4%. The bond matures on February 1, 2028.	2,338,787
Sewer Fund:	
\$27,606,475 Water Quality Bonds - Series 2019A of which \$272,344 is drawn. Due in annual principal payments of \$805,680-\$1,044,736 plus interest paid semi-annually at a rate of 0.9%. The bond matures on February 1, 2052.	272,344
\$1,500,000 Water Quality Bonds - Series 2019B accrues interest at a rate of 0.0%. The bonds will be forgiven on March 28, 2029 as long as the City is in compliance with the loan agreement.	1,500,000
Fiber Fund:	
\$16,215,000 Infrastructure Bonds - 2019 Series A-1 and Series A-2 due in annual principal payments of \$315,000-\$890,000 plus interest paid semi-annually at rates of 3.3%-4.0%. The bonds matures on April 1, 2049.	<u>16,215,000</u>
Total business-type activities general obligation bonds payable	<u>24,781,071</u>
Total general obligation bonds payable	<u>\$ 31,108,771</u>

## CITY OF WESTMINSTER

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### 8. Long-term debt (continued):

The City signed an agreement dated June 27, 2019 for a \$1,300,000 loan from the Maryland Department of Housing and Community Development, none of which has been disbursed at June 30, 2019. The loan will be disbursed over the next three years to provide for operating expenses for the Fiber Fund based on budgeted amounts. The loan accrues interest at 0% and repayment is due June 1, 2049. If the City sells, assigns or transfers more than 25% of the fiber assets, the total principal is payable immediately. If the City defaults on the loan by not paying the principal balance when due, the interest rate will change as of that date to the prime rate. The loan is subject to certain covenants requiring insurance coverage, current payment of taxes and financial reporting.

In March 2019, the City issued \$29,106,475 in water quality bonds titled Series 2019A and 2019B for the purpose of financing the planning, design and construction of Enhanced Nutrient Removal and Biosolids Upgrades at the Westminster Wastewater Treatment Plant.

In June 2019, the City issued \$16,215,000 in refunding bonds, titled 2019 Series A-1 and A-2, to currently refund \$15,784,652 of the outstanding 2015A Series and 2015B Series bonds to achieve economic savings, as well as to fix the interest rate on the debt, as the refunded bonds accrued interest at variable rates. The current refunding increased total debt service payments over the next 30 years by \$1,233,586. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$387,160.

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Beginning of year	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds payable	\$ 7,626,700		\$ 1,299,000	\$ 6,327,700	\$ 564,800
Other long-term liabilities, compensated absences	424,186	\$ 20,973	30,169	414,990	6,114
Total governmental activities	<u>\$ 8,050,886</u>	<u>\$ 20,973</u>	<u>\$ 1,329,169</u>	<u>\$ 6,742,690</u>	<u>\$ 570,914</u>
Business-type activities:					
General obligation bonds payable	\$ 18,051,614	\$ 17,987,344	\$ 11,257,887	\$ 24,781,071	\$ 1,215,339
Other long-term liabilities, compensated absences	245,976	13,400	1,502	257,874	
Due to other governments	226,486		37,918	188,568	
Total business-type activities	<u>\$ 18,524,076</u>	<u>\$ 18,000,744</u>	<u>\$ 11,297,307</u>	<u>\$ 25,227,513</u>	<u>\$ 1,215,339</u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**8. Long-term debt (continued):**

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

The 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 and the loan from the Maryland Department of Housing and Community Development.

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
2020	\$ 564,800	\$ 199,729	\$ 1,215,339	\$ 698,572
2021	580,900	184,083	1,258,895	720,170
2022	597,000	167,340	1,195,469	694,583
2023	445,000	148,954	1,489,731	673,734
2024	456,500	134,420	1,239,507	651,686
2025-2029	1,333,500	505,970	4,397,130	2,858,303
2030-2034	1,394,500	306,151	2,325,000	2,290,390
2035-2039	955,500	69,139	2,770,000	1,838,600
2040-2044			3,335,000	1,255,540
2045-2049			5,555,000	538,370
	<u>\$ 6,327,700</u>	<u>\$ 1,715,786</u>	<u>\$ 24,781,071</u>	<u>\$ 12,219,948</u>

Interest costs incurred and charged to expense for the year ended June 30, 2019 for governmental activities and business-type activities were \$212,902 and \$1,034,254, respectively.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**9. 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, 2019, there were various series of Economic Development Revenue Bonds and Educational Facilities Revenue Bonds outstanding, with an aggregate principal amount payable of \$142,815,000.

**10. Interfund transactions:**

Interfund receivable and payable balances at June 30, 2019 consisted of the following:

Due to	Due from			Total
	Governmental funds	Enterprise funds		
	General Fund	Sewer Fund	Water Fund	
Governmental funds:				
General fund		\$ 39,528	\$ 34,776	\$ 74,304
Public housing agency fund	\$ 8,901			8,901
	8,901	39,528	34,776	83,205
Enterprise funds:				
Fiber Fund	6,083		1,240	7,323
Total	<u>\$ 14,984</u>	<u>\$ 39,528</u>	<u>\$ 36,016</u>	<u>\$ 90,528</u>

All 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

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**10. Interfund transactions (continued):**

- 3) Payments between funds are made, and are expected to be repaid within the following year.

Significant interfund transfers for the year ended June 30, 2019 include a transfer of \$75,000 from the General Fund to the Public Housing Agency Fund to support the Public Housing Agency Fund's activities.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**11. Fund balances and net position:**

The governmental fund balances at June 30, 2019, are summarized as follows:

	General Fund	Public Housing Agency Fund	Total
Nonspendable, not in spendable form:			
Prepaid expenditures	\$ 219,319	\$ 6,205	\$ 225,524
Inventory	117,984		117,984
Loans receivable	15,350		15,350
	352,653	6,205	358,858
Restricted:			
Benefit assessments	791,806		791,806
Housing voucher program		240,806	240,806
Police non-budgeted	154,791		154,791
	946,597	240,806	1,187,403
Committed to police discretionary use	12,169		12,169
Assigned:			
Community development	475,953		475,953
Emergency reserve	1,467,321		1,467,321
Fiscal year 2020 budget	5,488,110		5,488,110
	7,431,384		7,431,384
Unassigned	7,048,923		7,048,923
Total fund balance	\$ 15,791,726	\$ 247,011	\$ 16,038,737

Restricted net assets in business-type activities are limited to \$5,043,126 restricted in the Sewer Fund for future infrastructure growth from benefit assessment revenue.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**12. 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 in 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 1 in the year such tax is levied. The tax rate for the year ended June 30, 2019 was \$0.56 per \$100 of assessed property value.

Personal property taxes are levied annually and are due within 30 days of billing, which occurs as assessment information is received by the state. Assessed values are established by the Maryland State Department of Assessments and Taxation. For tangible business and personal property, the rate per \$100 of assessed value was \$1.10 in fiscal year 2019. For tangible utility property, the rate per \$100 of assessed value was \$1.40 in fiscal year 2019.

**13. Rental income agreements:**

The City has entered into lease agreements for real estate at market rates with various unrelated parties. Additionally, the City leases two pieces of real estate to unrelated parties at a rate of \$1 per year. Rental income for the year ended June 30, 2019 was \$39,028. Future minimum annual rental receipts for the General Fund for the years ended June 30 is as follows:

2020	\$	13,202
2021		13,202
2022		4,202
2023		4,202
2024		4,202
2025-2029		<u>5,963</u>
	\$	<u><u>44,973</u></u>

The cost of the leased properties presented in building and improvements was \$812,446 with accumulated depreciation of \$410,754 as of June 30, 2019.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**13. Rental income agreements (continued):**

On February 5, 2019, the City entered into a purchase contract with the lessee for one of the real estate properties leased to an unrelated party for \$1 per year. The property is at 7 Schoolhouse Avenue, Westminster, and the sales price is \$430,000. Settlement on the sale (closing) will occur no later than 18 months after February 5, 2019, except that the deadline for closing may be extended by three additional 180 day periods. As of April 9, 2020, the property sale was not completed.

In December 2018 the City entered into a lease agreement with the construction company who is building the new sewer facility for the property located next to the facility. The intention is that the construction company will be able to use the property during construction. The lease agreement expires in June 2022. Rental income for the year ended June 30, 2019 was \$32,500. According to the lease agreement, future minimum rental revenue for the sewer fund consist of \$36,869 for the years ended June 30, 2020 and 2021 and \$30,566 for the year ended June 30, 2022. The cost of the leased property, presented in building and improvements and land and land rights, was \$813,989 with accumulated depreciation of \$1,927 as of June 30, 2019.

The City has entered into communication tower lease agreements with various unrelated parties. All lease agreements have renewable terms for successive five-year periods at the lessees' discretion. Rental income for the year ended June 30, 2019 was \$277,406. Future minimum annual rental income for the Water Fund for the years ended June 30 is as follows:

2020	\$ 253,390
2021	262,227
2022	163,830
2023	<u>37,210</u>
	<u>\$ 716,657</u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**14. Fiber network infrastructure lease:**

Effective February 9, 2015, the City entered into a ten-year lease agreement with an unrelated party, Ting Fiber, Inc., for the leasing of the City's fiber network infrastructure. The agreement offers an option to renew for two consecutive ten-year extensions. On a monthly basis, the lessee is charged by the City per subscriber to the internet and per possible subscriber (i.e., the fiber network infrastructure is in place on the street where the possible subscriber is located). The agreement also includes a debt service guarantee if the revenue generated by the City through this agreement does not cover the debt service. Any debt payments received from the lessee will be returned to the lessee if the revenue generated by the City through this agreement covers in excess of the debt service in future periods.

For the year ended June 30, 2019, the City generated revenue of \$557,890 from this agreement. The income is recognized as operating income because the purpose of the Fiber Fund is to provide a high-speed fiber optic network to residential and commercial users in the City.

**15. Operating leases:**

Effective August 1, 2018, the City entered into a one-year lease agreement with an unrelated party for the leasing of office space, with the option to renew for an additional three-to twelve-month period. The monthly minimum lease payment is \$14,000, which increases to \$14,300 during the renewal period.

In addition, the City has various operating leases with unrelated parties for copiers and office equipment through July 2024.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**15. Operating leases (continued):**

The following is a schedule of future minimum rental payments required under the operating leases as of June 30, 2019:

<u>Years ending June 30,</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2020	\$ 66,608	\$ 124,639
2021	7,781	9,971
2022	5,596	7,880
2023	3,409	3,505
2024	1,794	
	<u>\$ 85,188</u>	<u>\$ 145,995</u>

Rent expense for governmental and business-type activities for the year ended June 30, 2019 was \$65,617 and \$122,839, respectively.

**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. Employees are fully vested in both plans immediately upon becoming eligible to participate in the plans. The 457(b) and 401(a) plans have 11 and 104 active participants, respectively, as of June 30, 2019.

The 457(b) plan permits employees to defer a portion of their salary until future years. 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. The City contributed \$3,837 to the 457(b) plan for the year ended June 30, 2019.

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **16. Defined contribution plans (continued):**

The 401(a) plan permits the City to contribute 2% 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 \$83,027 to the 401(a) plan for the year ended June 30, 2019.

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.

#### **17. Pension plans:**

The City is a participating employer in the Maryland State Retirement and Pension System (the "System") - Employees' Pension System and the Maryland State Retirement and Pension System - Law Enforcement Officers' Pension System. Both are defined benefit pension plans.

*General information about the pension plans:*

##### Employees' pension system:

*Plan description* - City employees that work a minimum of 500 regular hours, excluding overtime, are provided with pensions through the Maryland State Retirement and Pension System, a cost-sharing multiple-employer defined benefit pension plan administered by the State Retirement Agency (the "Agency"). Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: [https://sra.maryland.gov/sites/main/files/file-attachments/srps-cafr\\_2018-web.pdf](https://sra.maryland.gov/sites/main/files/file-attachments/srps-cafr_2018-web.pdf)

*Benefits provided* - The employees' plan provides retirement allowances and other benefits to participants and their beneficiaries. All employees' plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. The employees' plan provides retirement, disability and death benefits.

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **17. Pension plans (continued):**

*General information about the pension plans:*

Employees' pension system:

For individuals who are members of the pension systems on or before June 30, 2011, retirement benefits equal 1.2% of average final compensation (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued prior to July 1, 1998 plus 1.8% of the (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 1998. Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances: 1) age 62, and five years of eligibility service; 2) age 63, and four years of eligibility service; 3) age 64, and three years of eligibility service or 4) age 65 or older, and two years of eligibility service. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility of 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 is 42%.

For individuals who are members of the pension systems on or after July 1, 2011, retirement benefits equal 1.5% of (AFC) for the five highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 2011. Members are eligible for full service pension allowances when their combined age and eligibility service equals at least 90 years or they attain age 65 after 10 years of eligibility service. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility of 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 is 30%.

All plan employees are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability benefits are equal to the sum of an annuity determined as the actuarial value of the members' accumulated contributions and  $\frac{2}{3}$  (66.7%) of their AFC. Five years of service is required for ordinary disability benefits. Ordinary disability benefits are equal to the full service pension allowance if the member is at least age 62 on the date of retirement. Otherwise, the benefit is equal to the full service pension benefit computed as though the member had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

# CITY OF WESTMINSTER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

### 17. Pension plans (continued):

*General information about the pension plans:*

#### Employees' pension system:

To be eligible for death benefits, the member must have either accumulated one year of eligibility service prior to the date of death or died in the line of duty. Death benefits equal the member's annual earnable compensation on the date of death plus accumulated contributions and interest. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment or a monthly allowance.

*Contributions* - Members are required to contribute 7% of their wages under the employees' plan. The City is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The City's required contribution rate for the year ended June 30, 2019 was 9% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the employees' pension plan from the City were \$485,324 for the year ended June 30, 2019.

#### Law Enforcement Officers' Pension System (LEOPS):

*Plan description* - Law enforcement officers are provided with pensions through the Maryland State Retirement and Pension System municipal pool, a cost-sharing multiple-employer defined benefit pension plan administered by the Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: [https://sra.maryland.gov/sites/main/files/file-attachments/srps-cafr\\_2018-web.pdf](https://sra.maryland.gov/sites/main/files/file-attachments/srps-cafr_2018-web.pdf)

*Benefits provided* - The LEOPS plan provides retirement, disability and death benefits. Retirement benefits equal 2.3% of average final compensation (AFC) for the first 30 years of creditable service, plus 1.0% of AFC for each additional year. Full service pension allowances equal 2.0% of AFC for the five highest consecutive years as an employee, up to a maximum benefit of 65% of AFC (32.5 years of credit). LEOPS plan members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service regardless of age. 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. LEOPS plan members are not eligible for early service retirement allowances.

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **17. Pension plans (continued):**

*General information about the pension plans:*

##### Law Enforcement Officers' Pension System (LEOPS):

LEOPS plan members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service. Ordinary disability retirement allowances for LEOPS plan members subject to retirement plan provisions equal the greater of the normal service retirement allowance or 25% of AFC. Ordinary disability retirement allowances for LEOPS plan members subject to pension plan provisions equal the full service pension allowance if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances computed as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

LEOPS plan members are eligible for accidental disability benefits regardless of length of service as long as the accident occurred in the course of their job performance. Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and  $\frac{2}{3}$  (66.7%) of AFC. Allowances may not exceed the members' AFC.

LEOPS plan members accumulating at least one, but less than two, years of eligibility service are eligible for ordinary death benefits equaling the members' annual earnable compensation at the time of death plus accumulated contributions. To be eligible for special death benefits, LEOPS plan members in service must have accumulated at least two years of eligibility service prior to the date of death or died in the line of duty. The special death benefit provided upon death for LEOPS plan members in service equals 50% of the applicable ordinary disability allowance.

*Contributions* - LEOPS plan members are required to contribute 7.00% of their wages under the plan. The City is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The City's required contribution rate for the year ended June 30, 2019 was 31.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$640,120 for the year ended June 30, 2019.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**17. Pension plans (continued):**

*Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:*

At June 30, 2019, the City reported a liability of \$11,241,148 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 the City's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.0536%, which was an increase of 0.0053% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,521,459. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Change of assumptions	\$ 296,613	
Change in proportionate share	1,511,291	\$ 236,746
Contributions subsequent to the measurement date	1,125,444	
Difference between expected and actual experience		847,291
Net difference between projected and actual earnings on pension plan investments	<u>359,514</u>	
	<u>\$ 3,292,862</u>	<u>\$ 1,084,037</u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**17. Pension plans (continued):**

*Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:*

\$1,125,444 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2020	\$ 595,066
2021	362,368
2022	(48,761)
2023	52,240
2024	<u>122,468</u>
	<u>\$ 1,083,381</u>

*Actuarial assumptions* - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including wage inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 (two-dimensional) mortality improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study of the System for the period 2010-2014 after the completion of the June 30, 2014 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2015. New economic assumptions were adopted by the Board for the June 30, 2018 valuation.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**17. Pension plans (continued):**

The long-term expected rate of return on 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocations</u>	<u>Long-term expected real rate of return</u>
Public equity	37 %	5.8 %
Private equity	13	6.7
Rate sensitive	19	1.1
Credit opportunity	9	3.6
Real assets	14	4.8
Absolute return	8	3.2
	100 %	

*Discount Rate* - A single discount rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this 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 these assumptions, the pension plan's fiduciary net 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. The discount rate used for the June 30, 2017 valuation was 7.50%.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**17. Pension plans (continued):**

*Sensitivity of the net pension liability to changes in the discount rate* - Regarding sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.45%, as well as what the plan's net pension liability would be in it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
The city's proportionate share of net pension liability	\$ 16,191,118	\$ 11,241,148	\$ 7,133,038

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Agency financial report.

**18. Other postemployment benefits (OPEB) plan:**

*General information about the OPEB plan:*

*Plan description* - The Mayor and Common Council of the City of Westminster, Maryland established the City of Westminster OPEB Plan (the "Plan"). The Plan provides postemployment healthcare benefits for active employees and other postemployment benefits for eligible retirees, their spouses and dependents. The Plan is administered under two City policies, the Retiree Insurance Policy (employees retiring prior to July 1, 2008) and the Retirement Medical Insurance Policy (employees hired prior to July 1, 2008 and retiring after July 1, 2008). The City Charter grants the authority to establish and amend the benefit terms and financing requirements to the Common Council and the Mayor.

*Benefits provided* - The 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.

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **18. Other postemployment benefits (OPEB) plan (continued):**

*General information about the OPEB plan:*

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 100%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 100% 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. 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 75%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for a 100% 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.

Common Council and the Mayor have the authority to establish or amend benefits provided. Employees hired after July 1, 2008 are ineligible for any subsidy from the City for health coverage in retirement.

Membership of the Plan consisted of 85 participants, 58 of which are active Plan members, 25 are retirees receiving benefits, and 2 are inactive employees entitled to but not yet receiving benefits as of June 30, 2019.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**18. Other postemployment benefits (OPEB) plan (continued):**

*General information about the OPEB plan:*

The Plan is unfunded, with retirees' premium payments being made by the City on a pay-as-you-go basis. For the year ended June 30, 2019, the City paid premium costs of \$156,165 related to retirees. There are no employee contributions to the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Total OPEB liability:*

The City's total OPEB liability of \$4,974,664 was measured at June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions and other inputs - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.4%
Salary increases	6.2% per annum for general employees 7.2% per annum for law enforcement officers
Healthcare cost trend rates	5.40% for 2017, ranging from 5.10% to 9.20% for years 2018 and later

The discount rate of 3.62% for the June 30, 2018 roll forward was based on the municipal bond index as of June 30, 2018.

Mortality rates were based on the RP-2014 Mortality, Fully Generational with Scale MP-2014 Tables.

The actuarial assumptions used in the July 1, 2017 valuation were based on past experience under the Plan and reasonable future expectation which represents the best estimate of anticipated experience under the Plan. A recent actuarial experience study was not performed. Actuarial assumptions are approved by the Mayor and Common Council based on recommendations from the consulting actuaries.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**18. Other postemployment benefits (OPEB) plan (continued):**

*Changes in the total OPEB liability:*

	<u>Total OPEB liability</u>
Balance at June 30, 2018	<u>\$ 4,929,845</u>
Changes for the year:	
Service cost	81,676
Interest	173,077
Experience gains	(44,604)
Changes in assumptions	(19,372)
Benefit payments	<u>(145,958)</u>
Net changes for the year	<u>44,819</u>
Balance at June 30, 2019	<u><u>\$ 4,974,664</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% for June 30, 2018 to 3.62% for June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate:

1% decrease to 2.62%	Current discount rate (3.62%)	1% increase to 4.62%
<u>\$ 5,489,265</u>	<u>\$ 4,974,664</u>	<u>\$ 4,519,817</u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**18. Other postemployment benefits (OPEB) plan (continued):**

*Changes in the total OPEB liability:*

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (see actuarial assumptions and other inputs for healthcare cost trend rates):

1% decrease to 2.9%	Current healthcare cost trend rates (3.90%)	1% increase to 4.9%
\$ 4,398,024	\$ 4,974,664	\$ 5,648,587

*OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB:*

For the year ended June 30, 2019, the City recognized OPEB expense of \$70,190. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 35,683
Change of assumptions		251,927
Contributions subsequent to the measurement date	\$ 161,095	
	\$ 161,095	\$ 287,610

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**18. Other postemployment benefits (OPEB) plan (continued):**

*OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB:*

\$161,095 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as reductions in OPEB expense as follows for the years ending June 30:

2020	\$ 91,605
2021	91,605
2022	91,604
2023	<u>12,796</u>
	<u>\$ 287,610</u>

**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, 2019, 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**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**19. Commitments and contingencies (continued):**

The City is committed under the following contracts for projects as of June 30, 2019:

<u>Project</u>	<u>Contract amount</u>	<u>Amount outstanding at June 30, 2019</u>
45 West Main Street renovations - architectural services	<u>\$ 348,470</u>	<u>\$ 76,213</u>
Governmental activities	<u>\$ 348,470</u>	<u>\$ 76,213</u>
Sewer fund:		
Sewer construction and rehabilitation	\$ 1,172,100	\$ 594,187
Enhanced nutrients removal and biosolids upgrade to wastewater treatment plant	61,429,842	55,287,707
Water fund:		
Installation of liner and cover for reservoir	91,860	64,302
Design and construction of Little Pipe Creek	<u>475,604</u>	<u>128,730</u>
Business-type activities	<u>\$ 63,169,406</u>	<u>\$ 56,074,926</u>

## **CITY OF WESTMINSTER**

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

#### **19. Commitments and contingencies (continued):**

Under federal court order, the U.S. Environmental Protection Agency was ordered to implement a Chesapeake Bay clean up. The State of Maryland established a storm water management fee program to fund projects to direct nitrogen away from streams that feed into the Chesapeake Bay. This program will be implemented through a National Pollutant Discharge Elimination System (NPDES) permit for Carroll County, Maryland (the "County"). In October 2014, the City along with seven other municipalities entered into a cost-sharing of storm water mitigation project with the County to comply with NPDES requirements. The annual amount for each municipality was calculated based on \$25,000 per impervious acre and on total number of impervious acres required to be restored/mitigated by the permit over the five-year period of this project. For its share of this project, the City is required to pay 20% and the County is covering the remaining 80%. For the year ended June 30, 2019, the City's portion of these costs was \$189,045, which were capitalized as an infrastructure asset. An additional 5% increase will be applied annually to these estimated costs per the agreement. The City made its final committed payment in the amount of \$198,497 under this agreement subsequent to year end.

The City is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the City's management and counsel, the ultimate disposition of these matters will not have a material adverse effect on the City's net position or changes therein.

#### **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), a public-entity risk pool, 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. 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.

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**21. 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.

Substantially all revenues and receivables in the Fiber Fund are from Ting Fiber, Inc.

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 changes in the economy.

**22. Prior period adjustment:**

In the financial statements for the year ended June 30, 2018, an amount was recorded as due from other governments for the Maryland local reserve allocation which should not have been recognized because the allocation is based on significant estimates instead of actual income tax return data; and therefore, does not meet the requirements to be recognized based on the revenue recognition criteria discussed in Note 1. The fund balance for the general fund and net position of governmental activities as of June 30, 2018 have been restated to reflect this correction. Additionally, net position of governmental activities, business-type activities, water, sewer and fiber funds have been restated to correct errors in the amortization of deferred inflows and outflows related to the pension as of June 30, 2018. The following represents the related restatement changes to the fund balance/net position of the governmental activities and business-type activities:

	Governmental funds	Proprietary Funds			Government-wide	
	General Fund	Sewer Fund	Water Fund	Fiber Fund	Governmental activities	Business-type activities
Beginning net position/fund balance, as originally stated	\$ 15,180,634	\$ 35,630,171	\$ 33,976,629	\$ 1,431,986	\$ 48,479,868	\$ 71,038,786
Restatement for local reserve allocation	(132,672)				(512,705)	
Restatement for pension		(11,321)	(7,036)	9,508	482,450	(8,849)
Beginning net position/fund balance, as restated	<u>\$ 15,047,962</u>	<u>\$ 35,618,850</u>	<u>\$ 33,969,593</u>	<u>\$ 1,441,494</u>	<u>\$ 48,449,613</u>	<u>\$ 71,029,937</u>

**CITY OF WESTMINSTER**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**22. Prior period adjustment (continued):**

A portion of the prior period adjustments relates to years prior to June 30, 2018. The following represents the related restatement changes to the change in fund balance/net position of the governmental activities and business-type activities for the year ended June 30, 2018:

	Governmental funds	Proprietary funds			Government-wide	
	General Fund	Sewer Fund	Water Fund	Fiber Fund	Governmental activities	Business-type activities
Prior year change in net position/fund balance, as originally stated	\$ (207)	\$ 2,442,166	\$ 1,157,611	\$ (132,571)	\$ 1,438,467	\$ 3,467,206
Restatement for local reserve allocation	(99,094)				(99,094)	
Restatement for pension		(48,065)	(50,524)	(13,190)	(304,910)	(111,779)
Prior year change in net position/fund balance, as restated	<u>\$ (99,301)</u>	<u>\$ 2,394,101</u>	<u>\$ 1,107,087</u>	<u>\$ (145,761)</u>	<u>\$ 1,034,463</u>	<u>\$ 3,355,427</u>

**23. Subsequent events:**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 9, 2020, the date the financial statements were available to be issued.

In December 2019, the City purchased a commercial building at 17 West Main Street for \$750,000 for future economic development.

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the City’s tax base, due to state government-imposed shutdowns of businesses and other results of the illness. While the City expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the City’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall economic trend, all of which are highly uncertain and cannot be predicted.

**CITY OF WESTMINSTER**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED JUNE 30, 2019

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Taxes	\$ 12,941,511	\$ 12,941,511	\$ 13,130,399	\$ 188,888
Licenses and permits	581,600	581,600	579,466	(2,134)
Fines and forfeitures	122,000	122,000	119,990	(2,010)
Interest	40,000	40,000	291,898	251,898
Rent	25,000	37,800	39,028	1,228
Intergovernmental revenues	2,181,748	2,880,141	2,061,617	(818,524)
Charges for services	866,316	1,064,650	1,266,176	201,526
Miscellaneous revenues	45,000	763,600	123,163	(640,437)
	<u>16,803,175</u>	<u>18,431,302</u>	<u>17,611,737</u>	<u>(819,565)</u>
Expenditures:				
General government	1,990,819	2,827,519	1,730,553	1,096,966
Public safety	7,040,555	7,141,916	6,514,185	627,731
Culture and recreation	1,347,281	1,485,317	1,432,241	53,076
Highways and streets	3,177,763	3,207,430	2,892,154	315,276
Community development and public housing	37,422	37,422	19,582	17,840
Capital outlay	5,555,445	5,609,249	2,712,569	2,896,680
Debt service:				
Principal	1,264,000	1,299,000	1,299,000	-
Interest	228,572	228,572	212,902	15,670
	<u>20,641,857</u>	<u>21,836,425</u>	<u>16,813,186</u>	<u>5,023,239</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	20,000	20,000	20,213	213
Interfund transfers	(431,978)	(431,978)	(75,000)	356,978
	<u>(411,978)</u>	<u>(411,978)</u>	<u>(54,787)</u>	<u>357,191</u>
Net changes in fund balances	<u>\$ (4,250,660)</u>	<u>\$ (3,817,101)</u>	743,764	<u>\$ 4,560,865</u>
Fund balances:				
July 1, 2018, as restated			<u>15,047,962</u>	
June 30, 2019			<u>\$ 15,791,726</u>	

**CITY OF WESTMINSTER**

**BUDGETARY COMPARISON SCHEDULE – PUBLIC HOUSING AGENCY FUND**  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED JUNE 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Intergovernmental	\$ 2,050,706	\$ 2,340,206	\$ 2,314,180	\$ (26,026)
Miscellaneous	16,000	16,000	34,122	18,122
	<u>2,066,706</u>	<u>2,356,206</u>	<u>2,348,302</u>	<u>(7,904)</u>
Expenditures, community development and public housing	2,141,706	2,434,787	2,366,562	68,225
Other financing sources (uses), interfund transfers	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	
Net changes in fund balances	<u>\$ -</u>	<u>\$ (3,581)</u>	\$ 56,740	<u>\$ 60,321</u>
July 1, 2018			<u>190,271</u>	
June 30, 2019			<u>\$ 247,011</u>	

**CITY OF WESTMINSTER**

SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
AND RELATED RATIOS

LAST TWO FISCAL YEARS\*

(Required supplementary information)  
(unaudited)

	2019	2018
Total OPEB liability:		
Service cost	\$ 81,676	\$ 91,537
Interest	173,077	147,458
Experience gains	(44,604)	
Changes of assumptions	(19,372)	(394,049)
Benefit payments	(145,958)	(178,101)
Net change in total OPEB liability	44,819	(333,155)
Total OPEB liability:		
Beginning of year	4,929,845	5,263,000
End of year	\$ 4,974,664	\$ 4,929,845
Covered employee payroll	\$ 3,020,987	\$ 3,161,863
Total OPEB liability as a percentage of the covered employee payroll	164.67%	155.92%

\*The amounts presented were determined as of the end of the prior fiscal year.  
This schedule will eventually cover the ten most-recent fiscal years; however,  
this is the information available as of the implementation year of GASB No. 75.

Notes to Schedule:

*Changes of Assumptions* - Changes of assumptions and other inputs reflect the effects of changes in the discount rate in each period. The following are the discount rates used in each period:

2019	3.62%
2018	3.58%
2017	2.85%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay future OPEB obligations.

**CITY OF WESTMINSTER**

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST FIVE FISCAL YEARS\*

(Required supplementary information)  
(unaudited)

	2019	2018	2017	2016	2015
City's proportionate share (%) of collective net pension liability	0.0535762%	0.0482413%	0.0487798%	0.0468928%	0.0447090%
City's proportionate share (\$) of collective net pension liability	\$ 11,241,148	\$ 10,431,551	\$ 11,509,127	\$ 9,745,109	\$ 7,892,118
City's covered payroll	\$ 7,083,850	\$ 6,584,160	\$ 6,272,473	\$ 6,304,421	\$ 6,255,414
City's proportionate share of collective net pension liability as a percentage of its covered payroll	158.69%	158.43%	183.49%	154.58%	126.16%
Pension plan's fiduciary net position as a percentage of the total pension liability	71.18%	69.38%	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.

Notes to schedule:

Changes of Assumptions - In addition to the significant assumptions and noted changes listed below, in 2016 adjustments were also made to COLA, withdrawal and disability rates and rates of salary increases.

	2019	2018	2017	2016	2015
Mortality table	RP-2014	RP-2014	RP-2014	RP-2014	RP-2010
Investment return	7.45%	7.50%	7.55%	7.55%	7.65%
Inflation	2.60%	2.65%	2.70%	2.70%	2.90%

**CITY OF WESTMINSTER**

**SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS**

**LAST TEN FISCAL YEARS**

(Required supplementary information)  
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,125,444	\$ 1,055,351	\$ 984,874	\$ 950,272	\$ 988,374	\$ 1,036,331	\$ 769,674	\$ 934,238	\$ 1,000,560	\$ 856,573
Contribution in relation to the contractually required contribution	1,125,444	1,055,351	984,874	950,272	988,374	1,036,331	769,674	934,238	1,000,560	856,573
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 7,429,146	\$ 7,083,850	\$ 6,584,160	\$ 6,272,473	\$ 6,304,421	\$ 6,255,414	\$ 6,268,030	\$ 6,088,635	\$ 6,441,749	\$ 7,011,132
Contribution as a percentage of covered payroll	15.15%	14.90%	14.96%	15.15%	15.68%	16.57%	12.28%	15.34%	15.53%	12.22%

**CITY OF WESTMINSTER**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Federal expenditures</u>	<u>Amount passed through to subrecipients</u>
<b>Department of Housing and Urban Development:</b>				
Direct Funding:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 2,262,143	
Passed through Baltimore County:				
Section 8 Housing Choice Vouchers	14.871	Portability	10,481	
Passed through Carroll County Government:				
Section 8 Housing Choice Vouchers	14.871	Portability	<u>41,557</u>	
Total Section 8 Housing Choice Vouchers			<u>2,314,181</u>	
<b>Total Department of Housing and Urban Development</b>			<b><u>2,314,181</u></b>	
<b>Department of Justice:</b>				
Passed Through Governor's Office of Crime Control and Prevention:				
Violence Against Women Formula Grants:				
		VAWA-2013-1154		
	16.588	VAWA-2014-1154	7,160	
Direct Funding:				
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,321</u>	
<b>Total Department of Justice</b>			<b><u>10,481</u></b>	

(continued)

**CITY OF WESTMINSTER**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2019

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Federal expenditures</u>	<u>Amount passed through to subrecipients</u>
<b>Department of Transportation:</b>				
Passed Through Maryland Highway Safety Office: State and Community Highway Safety:		LE 19-093, 19-038,		
	20.600	18-120,18-119	\$ 785	
National Priority Safety Programs	20.616	LE 19-094	<u>1,053</u>	
Total Highway Safety Cluster			<u>1,838</u>	
<b>Total Department of Transportation</b>			<u><b>1,838</b></u>	
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><b>\$ 2,326,500</b></u>	

## **CITY OF WESTMINSTER**

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2019. 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 assets or cash flows of the City.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Federal 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 reimbursement.

#### **Note 3. Indirect Cost Rate**

The City did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



Independent Auditors' 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

Mayor and Common Council  
City of Westminster  
Westminster, Maryland

We have audited, 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, 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, 2019 and the related notes to the financial statements, which collectively comprise the City of Westminster's basic financial statements, and have issued our report thereon dated April 9, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Westminster'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Westminster's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2019-001 to 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Westminster'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*.

### **City of Westminster's Responses to Findings**

The City of Westminster's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Westminster's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Brown Schultz Steidan & Fritz*

Westminster, Maryland  
April 9, 2020



Independent Auditors' Report on Compliance  
for each Major Program; Report on  
Internal Control Over Compliance in Accordance  
with the Uniform Guidance

Mayor and Common Council  
City of Westminster  
Westminster, Maryland

**Report on Compliance for Each Major Federal Program**

We have audited the City of Westminster's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Westminster's major federal program for the year ended June 30, 2019. The City of Westminster's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance of the City of Westminster's major federal program 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 (CFR) 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about City of Westminster'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 the major federal program. However, our audit does not provide a legal determination of the City of Westminster's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Westminster complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-007 and 2019-008. Our opinion on the major federal program is not modified with respect to these matters.

The City of Westminster's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Westminster's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### ***Report on Internal Control over Compliance***

Management of the City of Westminster 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's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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'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; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-006 and 2019-007, that we consider to be significant deficiencies. We identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-008, that we consider to be a material weakness.

The City of Westminster's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The City of Westminster's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

*Brown Schultz Steindler & Fritz*

Westminster, Maryland  
April 9, 2020

**CITY OF WESTMINSTER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial statements

Type of auditors' report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weaknesses identified?

  X   Yes        No

Significant deficiencies identified that are not considered to be material weaknesses?

  X   Yes        No

Noncompliance material to financial statements noted?

       Yes   X   No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

  X   Yes        No

Significant deficiencies identified that are not considered to be material weaknesses?

  X   Yes        No

Type of auditors' report issued on compliance for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported under Section 200.516 of the Uniform Guidance?

  X   Yes        No

Identification of major programs tested:

CFDA Numbers  
14.871

Name of Federal Program or Cluster  
Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

       Yes   X   No

(continued)

**CITY OF WESTMINSTER**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

**II. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Finding reference: 2019-001**

**Material weakness in internal control over financial reporting—prior period adjustments**

*Condition:* Prior period adjustments were necessary to correct income tax receivables and deferred outflows related to pensions.

*Criteria:* 1) Income tax revenue should be reported when all eligibility criteria have been met; 2) deferred outflows of resources for the change in proportionate share of the City's net pension obligation should be recognized in pension expense over the expected remaining service lives of all employees provided pensions through the plan.

*Context:* 1) The June 30, 2018 financial statements included the local reserve allocation from the Comptroller of Maryland as a receivable as of June 30, 2018; however, the receivable did not meet the criteria for recognition; 2) Deferred outflows relating to the change in proportionate share of the net pension liability were expensed in full during the year ended June 30, 2018.

*Effect or Potential Effect:* See Note 22.

*Cause:* Improper guidance from prior auditors and management oversight.

*Recommendation:* We recommend the City 1) only record receivables which meet the criteria for revenue recognition, 2) amortize deferred outflows related to the change in proportionate share of the net pension liability over the expected remaining service lives of all employees provided pensions through the plan.

*Views of Responsible Official(s) and Planned Corrective Actions:* See corrective action plan.

**Finding reference: 2019-002**

**Material weakness in internal control over financial reporting—fiscal year-end reporting**

*Condition:* Many adjustments were required to the City's accounts after turned over by the City to the external auditors.

*Criteria:* The City's fiscal year-end account balances should include all significant transactions from the reporting period and should be reconciled at fiscal year end.

## **CITY OF WESTMINSTER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

#### **II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

##### **Finding reference: 2019-002 (continued)**

*Context:* While management informed us that adjustments would be required after the trial balance was provided to us for audit, many of the subsequent adjustments provided by management were the result of our questions and findings. These adjustments included cash and equity restrictions, interest income accruals, accounts receivable, inventory, capital assets, accounts payable retainage payable and housing revenues.

*Effect or Potential Effect:* The City's account balances were materially misstated at and for the year ended June 30, 2019 prior to adjustments being made to correct material misstatements. Because of this, there is concern that the monthly reports submitted to the City Council for review contained inaccurate information due to the number of journal entries required. It is important that accurate financial reports are provided to City Council throughout the year so that they have accurate information to base their decisions on.

*Cause:* Internal personnel turnover causing there to be a lack of internal review of account balances prior to audit.

*Recommendation:* We recommend that the City reviews their current internal control processes and procedures over financial reporting to ensure that all material transactions are recorded in the City's financial statements, and that their balances are materially correct at fiscal year end and throughout the fiscal year. Finance should work to ensure that the financial reports are as accurate as possible and that any material adjustments are made before providing to Council.

*Views of Responsible Official(s) and Planned Corrective Actions:* See corrective action plan.

## **CITY OF WESTMINSTER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

#### **II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

##### **Finding reference: 2019-003**

##### **Material weakness in internal control over financial reporting—capital assets**

*Condition:* Significant reconciliations were necessary between the fiscal year 2018 financial statements, the City's fixed assets system, and the City's general ledger system because all three did not align with the totals of the capital asset categories. There were assets sold in fiscal year 2018 that were not disposed of in the fixed assets system until fiscal year 2019. The proceeds from the sales were recognized in fiscal year 2018, but the fixed assets were still listed on the fiscal year 2018 financial statements. On the fiscal year 2018 financial statements, there were several construction in progress projects that were completed and should have been placed in service during fiscal year 2018 or earlier. Also, there was a project that was completed in fiscal year 2019 that was not put into service. In the fixed assets system, there were multiple assets that had in service dates of June 30, 2019 instead of when they were actually acquired during the year. The City does not have formal procedures in place to determine the impairment of long-lived assets.

*Criteria:* Capital assets should be capitalized at their historical cost or estimated acquisition value and depreciated based on the date the asset is placed in service. Construction in progress projects should be evaluated annually to determine if they should be placed in service and depreciated. Assets that are no longer in service should be removed from the capital asset schedules. Long-lived assets should be evaluated annually for impairment.

## **CITY OF WESTMINSTER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

#### **II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

##### **Finding reference: 2019-003 (continued)**

*Context:* Some reconciliations between the 2018 fiscal year financial statements, the City's fixed assets system, and the City's general ledger were material, including a variance of \$1,556,114 for the Water Fund Utility Plant & Equipment category. Assets were properly removed from the general ledger in a prior year, but the assets were not removed from the fixed asset system. The reconciliations were completed after we received the trial balance for the audit. This caused significant delays in the completion of the audit. Assets sold in fiscal year 2018, but not disposed until 2019 caused variances of \$66,845 for Water Fund and \$90,888 for governmental activities. Also, a police car that was totaled in fiscal year 2019 was not disposed of, causing an error of \$26,420. In addition, some proceeds from the sale of assets were not recorded to the fund that was carrying the capital asset. For instance, two Water Fund assets were sold, but the proceeds were split in half and recorded in the Water Fund and the Sewer Fund. Overall, there were material misstatements caused by assets not being properly disposed of. Construction in progress projects completed in 2018, but not placed in service when they should have been totaled \$1,899,763 for governmental activities and \$1,517,237 for the Water Fund. There were multiple assets that had in service dates of June 30, 2019 instead of when they were actually acquired during the year causing depreciation expense to be calculated incorrectly. Also, functions for governmental activities assets were not coded properly for multiple assets tested during audit procedure which impacts which function the depreciation is booked to (for instance, a police vehicle being coded to public works instead of public safety).

*Effect or Potential Effect:* As described in Note 4, a reclassification of \$439,999 was made to the governmental activities to correct the asset category in which assets were recorded. The culmination of the other errors described above were corrected in the current year financial statements.

*Cause:* Unidentified errors from software setup and general ledger integration.

## **CITY OF WESTMINSTER**

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

## **II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

### **Finding reference: 2019-003 (continued)**

*Recommendation:* Now that the audited financial statements, the City's fixed assets system and the City's general ledger system reconcile, we recommend that the City continues to maintain reconciliations of these three areas to ensure that the trial balance is not misstated and depreciation expense is calculated properly. We recommend that sales proceeds and insurance proceeds are reviewed annually as a check to ensure that all assets are properly disposed of in the fixed assets system and general ledger. We also recommend that sales proceeds are reviewed to ensure that the correct fund is being credited for the sale of the asset. We recommend that project managers are contacted and completion dates of the projects are discussed to determine when the projects need to be put into service to avoid future misstatement. We recommend that the in service dates and the functions assigned to acquired assets be reviewed prior to posting depreciation expense to ensure that the depreciation expense will be recorded properly. The City should take a physical inventory of its fixed assets on a regular basis (such as every two to three years) to ensure that only active, in-service property and equipment is included on the City's financial statements. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing. We recommend that the City establishes procedures for evaluating impairment of long-lived assets on a regular basis. This will ensure that impaired assets are treated properly on the financial statements.

*Views of Responsible Official(s) and Planned Corrective Actions:* See corrective action plan.

### **Finding reference: 2019-004**

#### **Significant deficiency in internal control over financial reporting—inventory**

*Condition:* A physical observation of inventory is performed annually at fiscal year end. The spreadsheet calculating the inventory valuation at June 30, 2019 contained a number of errors, which resulted in misstatements in the inventory balance recorded.

*Criteria:* Materials and supplies on hand at the reporting date should be recorded as an inventory asset, based on the first-in, first-out (FIFO) method, according to the City's accounting policies. Periodic physical inventories provide a basis for updating inventory balances and aid in detecting significant inventory shortages.

*Context:* The Fiber Fund inventory was not properly valued based on the chosen inventory valuation of first-in, first-out (FIFO), which caused an overstatement in inventory of \$31,959. We noted that there were numerous clerical errors in the final priced inventory listing, causing a misstatement in the amount recorded in the trial balance for inventory. Fiber inventory is abundant and is of high value, therefore, it is prone to potential theft. No physical inventory observation of the fiber is performed other than at fiscal year end.

## **CITY OF WESTMINSTER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

#### **II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

##### **Finding reference: 2019-004 (continued)**

*Effect or Potential Effect:* Numerous adjustments were necessary to properly state inventories at fiscal year end. Fiber inventory could potentially be stolen due to the lack of tracking, causing a loss for the City.

*Cause:* Management oversight and lack of procedures in place.

*Recommendation:* We recommend that inventory be valued based on the price per unit from the most recent invoice before year end. If that invoice does not have enough units purchased to account for all the items in inventory at year end, the invoice received before that invoice should be used to value the remaining inventory units, and so on. We recommend that someone not involved in the inventory count or initial compilation, check for clerical errors by re-footing and re-extending the inventory items on a test basis. We recommend that quarterly counts of the fiber inventory are completed because of the high value and high volume of the inventory on hand as of June 30, 2019. These additional inventory counts will help ensure that usage appears reasonable, theft is not occurring and will aid in the timely detection of errors and correction of causes.

*Views of Responsible Official(s) and Planned Corrective Actions:* See corrective action plan.

##### **Finding reference: 2019-005**

##### **Significant deficiency in internal control over financial reporting—Community Foundation**

*Condition:* Activity related to funds held by the Community Foundation of Carroll County for the benefit of the City of Westminster was not recorded on the City's financial statements.

*Criteria:* All deposits of the City, including external investment pools, should be reported as assets of the City.

*Context:* During the 2019 fiscal year, it came to the current senior management's attention that for several years three separate accounts were held by the Community Foundation of Carroll County with funds solicited by City employees and from City-sponsored events. It appears that several employees of the City maintained these funds without the knowledge of the current City Council or senior management. These same employees maintained complete control over the spending of the funds and determined which funding sources would be deposited into these funds. Additionally, one of these employees paid a portion of another employee's salary out of the funds at the Community Foundation. This was done in an effort to avoid the requirement of adding the employee to the City's pension plan based on the hours the employee was actually working.

## CITY OF WESTMINSTER

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

#### II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

**Finding reference: 2019-005 (continued)**

*Effect or Potential Effect:* While the activity in these accounts at the Community Foundation during the 2019 fiscal year was immaterial to the City's general fund and the City's financial statements as a whole, the employees with control of the funds were able to bypass the controls in place by the City resulting in no review or approval of the spending or recording of the activity in the City's financial records. The employees could potentially use the funds to pay for non-City related items. Additionally, the portion of the employee's payroll which was paid out of the Community Foundation's funds were not appropriately recorded in the employee's wages reported on their W-2. However, they did receive a Form 1099 from the Community Foundation. With these additional hours worked, the employee should have been a participant in the Maryland State Retirement and Pension System. The City and the employee also did not pay any payroll taxes related to these wages.

*Cause:* Several employees bypassing the City's controls and maintaining funds with the Community Foundation without council or management's knowledge.

*Recommendation:* We understand the City has closed, or is in the process of closing, these accounts subsequent to year end. Our recommendation is to communicate to the Community Foundation that it is the intention of management and council that all activity that relates to the City should flow through the City's internal policies and procedures; and therefore, there is no need for future accounts to be created and maintained through the Community Foundation. Any donations received for City activities by the Community Foundation should be forwarded directly to the City.

*Views of Responsible Official(s) and Planned Corrective Actions:* See corrective action plan.

#### III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Finding reference: 2019-006**

Federal Agency: Department of Housing and Urban Development  
Federal Program: 14.871 Housing Choice Vouchers  
Grant Period: 07/01/18 – 06/30/19  
Requirement: Allowable Costs and Cost Principles  
Type of Finding: Significant Deficiency

*Condition:* Administrative costs were charged to the Public Housing Agency using allocations that were not documented, were not consistent and were not reviewed.

**CITY OF WESTMINSTER**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Finding reference: 2019-006 (continued)**

*Criteria:* Administrative costs should be allocated to the Public Housing Agency consistently. These allocations should be reviewed annually to determine if changes are necessary. All invoices require a signature of approval.

*Cause:* Management does not have procedures in place to review allocations being utilized for the Public Housing Agency fund. Procedures are in place to put an authorizing signature on each invoice, but due to oversight, several were missed.

*Effect:* Administrative costs could be charged to the program at an improper allocation rate or could be charged to the program when they shouldn't be.

*Context:* A sample of 20 transactions posted to non-payroll administrative accounts in the Public Housing Agency fund were tested. Of the 20 transactions tested, three invoices did not have support for the allocation utilized. Eight transactions utilized allocations that had not been updated for several years and it was unclear if the allocations were reasonable during the period under audit. Three invoices allocated to the Public Housing Agency fund did not have an authorizing signature present.

*Recommendation:* The City of Westminster should perform an analysis of administrative costs allocated across the funds to determine proper allocations for each type of cost. Once approved, these allocations should be distributed to the Finance Department and employees responsible for authorizing invoices. Authorizing signatures should be verified during the check signing or ACH process.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan

**Finding reference: 2019-007**

Federal Agency: Department of Housing and Urban Development  
Federal Program: 14.871 Housing Choice Vouchers  
Grant Period: 07/01/18 – 06/30/19  
Requirement: Special Tests and Provisions  
Type of Finding: Significant Deficiency; Noncompliance

*Condition:* The depository agreement was out of date and Public Housing Agency funds were not held in an interest-bearing account.

**CITY OF WESTMINSTER**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Finding reference: 2019-007 (continued)**

*Criteria:* Public Housing Agencies are required to enter into a depository agreement with their financial institution in the form required by HUD and comply with the stated terms. Terms of the agreement state all monies deposited by the Public Housing Agency with the depository should be credited to a separate interest-bearing account.

*Cause:* Management was unaware that the depository agreement was out of date and that funds were required to be held in an interest-bearing account.

*Effect:* An expired agreement could put the safeguards around federal funds in jeopardy.

*Context:* The depository agreement in place was dated October 12, 2011 and was completed with HUD Form 51999. This Form expired on September 30, 2013. Funds were maintained in a non-interest bearing account at the depository.

*Recommendation:* The City of Westminster should contact the Depository to execute an HUD form and transfer the funds to an interest-bearing account. We commend management for addressing this finding as soon as it was brought to their attention.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan

**Finding reference: 2019-008**

Federal Agency: Department of Housing and Urban Development  
Federal Program: 14.871 Housing Choice Vouchers  
Grant Period: 07/01/18 – 06/30/19  
Requirement: Reporting  
Type of Finding: Material Weakness; Noncompliance

*Condition:* Monthly Voucher Management System (VMS) reports were filed with inaccurate balances and were not corrected timely.

*Criteria:* The Public Housing Agency is required to complete monthly reporting in the HUD VMS online system. Prior month corrections are to be made timely and not at the end of the reporting year.

## **CITY OF WESTMINSTER**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2019**

#### **III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)**

**Finding reference: 2019-008 (continued)**

*Cause:* The Housing Director completed the VMS submissions timely (22 days after month end). For any required corrections that happened during the year, the Housing Director updated the HAPPY software without entering a prior month correction in VMS. Monthly submissions to VMS were never reviewed for accuracy.

*Effect:* HUD utilizes the monthly submissions to VMS to adjust funding amounts provided to the Public Housing Agency. The failure to update incorrect amounts timely could result in incorrect funding.

*Context:* Out of eight months tested, four months had variances related to HAP vouchers and six months had variances related to portability vouchers that could not be explained by management. A full reconciliation was completed six months after year end to determine that four months tested were incorrect and a prior month correction was needed in the VMS system.

*Recommendation:* Each month, a reconciliation needs performed between the finance and housing department figures utilized for VMS reporting. If a reconciling item exists, it should be documented accordingly. Supporting documentation should be maintained for each filing submitted through VMS. If a correction occurs in a subsequent month after filing is complete, a prior month correction should be entered immediately into VMS. Since VMS requires corrections to be made in the month the voucher applies to and finance records are maintained on cash basis, there will be reconciling items from time to time. At the end of the reporting year, a reconciliation should be performed to determine if any corrections were missed.

*Views of Responsible Officials and Planned Corrective Actions:* See corrective action plan

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CITY OF WESTMINSTER  
56 West Main Street  
Westminster, Maryland 21157

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

January 29, 2020

U.S. Department of Housing and Urban Development

City of Westminster respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Name and address of independent accounting firm:

Brown Schultz Sheridan & Fritz  
205 E Main Street  
Westminster, MD 21157

Please see below for the findings noted in the audit for the year ended June 30, 2018.

If you require additional information or have concerns, please contact Tammy Palmer, Director of Finance and Administrative Services (410-848-3274 or email: [TPalmer@westgov.org](mailto:TPalmer@westgov.org)).

Sincerely,

A handwritten signature in blue ink, appearing to read "Tammy Palmer", is written over a light blue horizontal line.

Tammy Palmer  
Director of Finance and Administrative Services

## PRIOR YEAR FINDINGS

### Finding number 2018-001

**Condition:** During the audit, certain audit adjustments were required to adjust the recording of capital assets, pension, other postemployment benefits (OPEB), and fund balance/net position within the working trial balance after the City's year-end close of the accounting records.

**Current Status:** The City disagreed with this finding noted by the prior auditor. All journal entries are recorded in the proper fiscal year.

### Finding number 2018-002

Housing Voucher Program, CFDA 14.871

Federal Agency: U.S. Department of Housing and Urban Development

**Condition:** As a result of our testing we noted the City did not submit their GAAP-based unaudited and audited financial information electronically to HUD.

**Current Status:** The written procedures for filing the City's financial reports were updated to include REAC requirements. Unaudited and audited filings for the year ended June 30, 2018 were submitted on November 8, 2018 and April 9, 2019, respectively. The unaudited filing for the year ended June 30, 2019 was submitted August 26, 2019, before the filing deadline. The Director of Finance will ensure the audited filing is submitted when the audit is final.

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## CORRECTIVE ACTION PLAN

Date: April 9, 2020

Department of Housing and Urban Development

The City of Westminster, Maryland respectively submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent accounting firm:

Brown Schultz Sheridan & Fritz  
205 E. Main Street  
Westminster, MD 21157

Audit Period: July 1, 2018 to June 30, 2019

The findings from the schedule of questioned costs for the year ended June 30, 2019 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## **FINDINGS – FINANCIAL STATEMENT AUDIT**

Finding reference: 2019-001 – Material Weakness – Prior Period Adjustments

*Recommendation:* We recommend the City 1) only record receivables which meet the criteria for revenue recognition, 2) amortize deferred outflows related to the change in proportionate share of the net pension liability over the expected remaining service lives of all employees provided pensions through the plan.

*Action taken:* The Finance department will review the June 30, 2020 balances to ensure all receivables will be recognized in the correct period, and deferred outflows related to the change in proportionate share of the net pension liability will be amortized over the expected remaining service lives of all employees provided pensions through the plan. The Finance Department staff will receive training regarding pensions and amortizations by June 30, 2020.

Finding reference: 2019-002 – Material Weakness – Fiscal Year-End Reporting

*Recommendation:* We recommend that the City reviews their current internal control processes and procedures over financial reporting to ensure that all material transactions are recorded in the City's financial statements, and that their balances are materially correct at fiscal year-end and throughout the fiscal year. Finance should work to ensure that the financial reports are as accurate as possible and that any material adjustments are made before providing to Mayor and Common Council.

*Action taken:* Staff turnover created weaknesses in year-end reporting. New staff will be trained for year-end reporting by June 30, 2020.

Finding reference: 2019-003 – Material Weakness – Capital Assets

*Recommendation:* Now that the audited financial statements, the City's fixed assets system, and the City's general ledger system reconcile, we recommend that the City continues to maintain reconciliation of these three areas to ensure that the trial balance is not misstated and depreciation expense is calculated properly. We recommend that sales proceeds and insurance proceeds are reviewed annually as a check to ensure that all assets are properly disposed of in the fixed assets system and general ledger. We also recommend that sales proceeds are reviewed to ensure that the correct fund is being credited for the sale of the asset. We recommend that project managers are contacted and completion dates of the projects are discussed to determine when the projects need to be put into service to avoid future misstatement. We recommend that the in-service dates and the functions assigned to acquired assets be reviewed prior to posting depreciation expense to ensure that the depreciation expense will be recorded properly. The City should take a physical inventory of its fixed assets on a regular basis (such as every two to three years) to ensure that only active, in-service property and equipment is included on the City's financial statements. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing. We recommend that the City establishes procedures for evaluating impairment of long-lived assets on a regular basis. This will ensure that impaired assets are treated properly on the financial statements.

*Action taken: The Finance Department staff will collect all capital invoices for equipment and enter into fixed assets prior to year-end. The Director of Public Works will provide a written report of which capital construction projects were complete at year-end. All completed projects will be entered into fixed assets from the Work in Progress schedule. All incomplete projects will be added to the Work in Progress schedule. All assets will be entered with the in-service date to ensure proper depreciation.*

Finding reference: 2019-004 – Significant Deficiency - Inventory

*Recommendation: We recommend that inventory be valued based on the price per unit from the most recent invoice before year-end. If that invoice does not have enough units purchased to account for all the items in inventory at year-end, the invoice received before that invoice should be used to value the remaining inventory units, and so on. We recommend that someone not involved in the inventory count or initial compilation check for clerical errors by re-footing and re-extending the inventory items on a test basis. We recommend that quarterly counts of the fiber inventory are completed because of the high value and high volume of the inventory on hand as of June 30, 2019. These additional inventory counts will help ensure that usage appears reasonable, theft is not occurring, and will aid in the timely detection of errors and correction of causes.*

*Action taken: Fiber inventory was acquired from the contractor during construction and was not counted as it was put into inventory and checked against the invoice. Counts were not accurate to what was billed. No further inventory is expected to be provided by a City contractor. All inventory will be checked by the acquiring department as it arrives from the manufacturer and Finance will use most current pricing from most current invoices to value inventory. All inventory counts will be performed at year end.*

Finding reference: 2019-005 – Significant Deficiency – Community Foundation of Carroll County

*Recommendation: We understand the City has closed, or is in the process of closing, these accounts subsequent to year-end. Our recommendation is to communicate to the Community Foundation that it is the intention of management and the Mayor and Common Council that all activity that relates to the City should flow through the City's internal policies and procedures, and therefore there is no need for future accounts to be created and maintained through the Community Foundation. Any donations received for City activities by the Community Foundation should be forwarded directly to the City.*

*Action taken: Accounts have been closed; no new accounts will be set up without specific authorization by the Mayor and Common Council.*

## **FINDINGS – FEDERAL AWARD PROGRAM AUDIT**

Finding reference: 2019-006 – 14.871 Housing Choice Vouchers – Significant Deficiency

*Recommendation: The City of Westminster should perform an analysis of administrative costs allocated across the funds to determine proper allocations for each type of cost. Once approved, these allocations should be distributed to the Finance Department and employees responsible for*

authorizing invoices. Authorizing signatures should be verified during the check signing or ACH process.

**Action Taken:** The Finance Department will perform an analysis of administrative costs to determine proper allocations between funds by the end of the fiscal year. Amounts charged to the Housing fund before the final analysis is performed will be assessed for reasonableness and any corrections that are required will be performed by June 30, 2020. Effective immediately, the Finance Department will ensure all invoices have authorizing signatures before they go to the check signers or the ACH transaction is completed.

Finding reference: 2019-007 – 14.871 Housing Choice Vouchers – Significant Deficiency; Noncompliance

*Recommendation:* The City of Westminster should contact the Depository to execute an HUD form and transfer the funds to an interest bearing account. We commend management for addressing this finding as soon as it was brought to their attention.

*Action taken:* HUD -51999, General Depository Agreement, was executed on January 17, 2020, and funds put in an interest bearing account at that time.

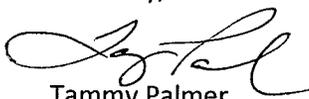
Finding reference: 2019-008 – 14.871 Housing Choice Vouchers – Material Weakness; Noncompliance

*Recommendation:* Each month, a reconciliation needs to be performed between the finance and housing department figures utilized for VMS reporting. If a reconciling item exists, it should be documented accordingly. Supporting documentation should be maintained for each filing submitted through VMS. If a correction occurs in a subsequent month after filing is complete, a prior month correction should be entered immediately into VMS. Since VMS requires corrections to be made in the month the voucher applies to, and finance records are maintained on cash basis, there will be reconciling items from time to time. At the end of the reporting year, a reconciliation should be performed to determine if any corrections were missed.

*Action taken:* Finance provides Housing with administrative costs at each month-end, and Housing will enter these costs into VMS. Starting with the March 2020 filing, housing will reconcile VMS to Finance reports monthly. Housing will maintain documentation for reconciling items in a Reconciling Items file for audit purposes. VMS filings previously completed for fiscal year 19-20 will be reconciled by the Housing Department and have supporting documentation produced.

If the Department of Housing and Urban Development has any questions regarding this response, please call Tammy Palmer, Direct of Finance and Administrative Services at 410-848-3274.

Sincerely,



Tammy Palmer

Director of Finance and Administrative Services

**CITY OF WESTMINSTER**

**PROGRAM BALANCE SHEET SUMMARY**

JUNE 30, 2019

Submission Type: Audited/Uniform Guidance

Fiscal year end: June 30, 2019

	14.871 Housing	
	Choice Vouchers	Total
111 Cash, unrestricted	\$ -	\$ -
112 Cash, restricted, modernization and development	\$ -	\$ -
113 Cash, other restricted	\$ 233,198	\$ 233,198
114 Cash, tenant security deposits	\$ -	\$ -
115 Cash, restricted for payment of current liabilities	\$ 3,684	\$ 3,684
100 Total cash	\$ 236,882	\$ 236,882
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 and mortgages receivable, current	\$ -	\$ -
128 Fraud recovery	\$ 284,229	\$ 284,229
128.1 Allowance for doubtful accounts, fraud	\$ (241,594)	\$ (241,594)
129 Accrued interest receivable	\$ -	\$ -
120 Total receivables, net of allowances for doubtful accounts	\$ 42,635	\$ 42,635
131 Investments, unrestricted	\$ -	\$ -
132 Investments, restricted	\$ -	\$ -
135 Investments, restricted for payment of current liability	\$ -	\$ -
142 Prepaid expenses and other assets	\$ 6,205	\$ 6,205
143 Inventories	\$ -	\$ -
143.1 Allowance for obsolete inventories	\$ -	\$ -
144 Inter program due from	\$ -	\$ -
145 Assets held for sale	\$ -	\$ -
150 Total current assets	\$ 285,722	\$ 285,722
161 Land	\$ -	\$ -
162 Buildings	\$ -	\$ -
163 Furniture, equipment and machinery; dwellings	\$ -	\$ -
164 Furniture, equipment and machinery; administration	\$ -	\$ -
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, noncurrent	\$ -	\$ -
172 Notes, loans and mortgages receivable, noncurrent, past	\$ -	\$ -
173 Grants receivable, noncurrent	\$ -	\$ -
174 Other assets	\$ -	\$ -
176 Investments in joint ventures	\$ -	\$ -
180 Total noncurrent assets	\$ -	\$ -

(continued)

**CITY OF WESTMINSTER**

PROGRAM BALANCE SHEET SUMMARY (CONTINUED)

JUNE 30, 2019

Submission Type: Audited/Uniform Guidance	Fiscal year end:	June 30, 2019
	14.871 Housing	
	Choice Vouchers	Total
200 Deferred outflow of resources	\$ -	\$ -
290 Total assets and deferred outflow of resources	\$ 285,722	\$ 285,722
311 Bank overdraft	\$ -	\$ -
312 Accounts payable <= 90 days	\$ -	\$ -
313 Accounts payable <= 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	\$ 1,293	\$ 1,293
332 Accounts payable, PHA projects	\$ -	\$ -
333 Accounts payable, other Government	\$ -	\$ -
341 Tenant security deposits	\$ -	\$ -
342 Unearned revenue	\$ -	\$ -
343 Current portion of long-term debt, capital	\$ -	\$ -
344 Current portion of long-term debt, operating borrowings	\$ -	\$ -
345 Other current liabilities	\$ 3,684	\$ 3,684
346 Accrued liabilities, other	\$ -	\$ -
347 Inter program, due to	\$ -	\$ -
348 Loan liability, current	\$ -	\$ -
310 Total current liabilities	\$ 4,977	\$ 4,977
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 liabilities	\$ -	\$ -
357 Accrued pension and OPEB liabilities	\$ -	\$ -
350 Total non-current liabilities	\$ -	\$ -
300 Total liabilities	\$ 4,977	\$ 4,977
400 Deferred inflow of resources	0	\$ -
508.3 Nonspendable fund balance	\$ 6,205	\$ 6,205
509.3 Restricted fund balance	\$ 240,805	\$ 240,805
510.3 Committed fund balance	\$ -	\$ -
511.3 Assigned fund balance	\$ -	\$ -
512.3 Unassigned fund balance	\$ -	\$ -
513 Total equity, net assets/position	\$ 247,010	\$ 247,010
600 Total liabilities, deferred inflows of resources and equity	\$ 251,987	\$ 251,987

**CITY OF WESTMINSTER**

**PROGRAM REVENUE AND EXPENSE SUMMARY**

YEAR ENDED JUNE 30, 2019

Submission Type: Audited/Uniform Guidance	Fiscal year end: June 30, 2019	
	14.871 Housing	
	Choice Vouchers	Total
70300 Net tenant rental revenue	\$ -	\$ -
70400 Tenant revenue, other	\$ -	\$ -
70500 Total tenant revenue	\$ -	\$ -
70600 HUD PHA operating grants	\$ 2,314,180	\$ 2,314,180
70610 Capital grants	\$ -	\$ -
70710 Management fee	\$ -	\$ -
70720 Asset management fee	\$ -	\$ -
70730 Bookkeeping fee	\$ -	\$ -
70740 Front line service fee	\$ -	\$ -
70750 Other fees	\$ -	\$ -
70700 Total fee revenue	\$ 2,314,180	\$ 2,314,180
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	\$ 32,758	\$ 32,758
71500 Other revenue	\$ 1,364	\$ 1,364
71600 Gain or loss of sale of capital assets	\$ -	\$ -
72000 Investment income, restricted	\$ -	\$ -
70000 Total revenue	\$ 2,348,302	\$ 2,348,302
91100 Administrative salaries	\$ 132,785	\$ 132,785
91200 Auditing fees	\$ 6,703	\$ 6,703
91300 Management fee	\$ -	\$ -
91310 Bookkeeping fee	\$ -	\$ -
91400 Advertising and marketing	\$ -	\$ -
91500 Employee benefit contributions, administrative	\$ 47,154	\$ 47,154
91600 Office expense	\$ 19,430	\$ 19,430
91700 Legal expense	\$ 46	\$ 46
91800 Travel	\$ -	\$ -
91810 Allocated overhead	\$ 41,862	\$ 41,862
91900 Other	\$ -	\$ -
91000 Total operating, administrative	\$ 247,980	\$ 247,980
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	\$ -	\$ -

(continued)

**CITY OF WESTMINSTER**

PROGRAM REVENUE AND EXPENSE SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2019

Submission Type: Audited/Uniform Guidance	Fiscal year end:	June 30, 2019
	14.871 Housing	
	Choice Vouchers	Total
93100 Water	\$ -	\$ -
93200 Electricity	\$ 1,721	\$ 1,721
93300 Gas	\$ 137	\$ 137
93400 Fuel	\$ -	\$ -
93500 Labor	\$ -	\$ -
93600 Sewer	\$ -	\$ -
93700 Employee benefit contributions, utilities	\$ -	\$ -
93800 Other utilities expense	\$ -	\$ -
93000 Total utilities	\$ 1,858	\$ 1,858
94100 Ordinary maintenance and operations, labor	\$ -	\$ -
94200 Ordinary maintenance and operations, materials and	\$ -	\$ -
94300 Ordinary maintenance and operations contracts	\$ 655	\$ 655
94500 Employee benefit contributions, ordinary maintenance	\$ -	\$ -
94000 Total maintenance	\$ 655	\$ 655
95100 Protective services, labor	\$ -	\$ -
95200 Protective services, other contract costs	\$ -	\$ -
95300 Protective services, other	\$ -	\$ -
95500 Employee benefit contributions, protective services	\$ -	\$ -
95000 Total protective services	\$ -	\$ -
96110 Property insurance	\$ -	\$ -
96120 Liability insurance	\$ -	\$ -
96130 Workmen's compensation	\$ 4,422	\$ 4,422
96140 All other insurance	\$ -	\$ -
96100 Total insurance premiums	\$ 4,422	\$ 4,422
96200 Other general expenses	\$ -	\$ -
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 of bond issue costs	\$ -	\$ -
96700 Total interest expense and amortization cost	\$ -	\$ -
96900 Total operating expenses	\$ 254,915	\$ 254,915
97000 Excess of operating revenue over operating expenses	\$ 2,093,387	\$ 2,093,387

(continued)

**CITY OF WESTMINSTER**

PROGRAM REVENUE AND EXPENSE SUMMARY (CONTINUED)

YEAR ENDED JUNE 30, 2019

Submission Type: Audited/Uniform Guidance	Fiscal year end:	June 30, 2019
	14.871 Housing	
	Choice Vouchers	Total
97100 Extraordinary maintenance	\$ -	\$ -
97200 Casualty losses, noncapitalized	\$ -	\$ -
97300 Housing assistance payments	\$ 2,062,906	\$ 2,062,906
97350 HAP portability, in	\$ 48,741	\$ 48,741
97400 Depreciation expense	\$ -	\$ -
97500 Fraud losses	\$ -	\$ -
97600 Capital outlays, governmental funds	\$ -	\$ -
97700 Debt principal payment, governmental funds	\$ -	\$ -
97800 Dwelling units rent expense	\$ -	\$ -
90000 Total expenses	\$ 2,366,562	\$ 2,366,562
10010 Operating transfer in	\$ -	\$ -
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 over (under) total	\$ 56,740	\$ 56,740
11020 Required annual debt principal payments	\$ -	\$ -
11030 Beginning equity	\$ -	\$ -
11040 Prior period 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, dwelling	\$ -	\$ -
11100 Changes in allowance for doubtful accounts, other	\$ -	\$ -
11170 Administrative fee equity	\$ 197,498	\$ 197,498
11180 Housing assistance payments equity	\$ 49,512	\$ 49,512
11190 Unit months available	\$ -	\$ -
11210 Number of unit months leased	\$ -	\$ -
11270 Excess cash	\$ -	\$ -
11610 Land purchases	\$ -	\$ -
11620 Building purchases	\$ -	\$ -
11630 Furniture and equipment, dwelling purchases	\$ -	\$ -
11640 Furniture and equipment, administrative purchases	\$ -	\$ -
11650 Leasehold improvements purchases	\$ -	\$ -
11660 Infrastructure purchases	\$ -	\$ -
13510 CFFP debt service payments	\$ -	\$ -
13901 Replacement housing factor funds	\$ -	\$ -

**CITY OF WESTMINSTER**

HAP AND ADMIN EQUITY CALCULATIONS

YEAR ENDED JUNE 30, 2019

HAP excess/deficit calculation

<u>GL#</u>	<u>GL Description</u>	<u>Amount</u>
110.492102	Annual contributions earned	\$ 2,046,589
110.492103	Repayments, HAP	16,379
110.494305	FSS forfeitures	1,364
110.494201	Interest, operating	-
110.911105	Interest, HAP	-
	Subsidy from admin	-
	Total HAP revenue	<u>2,064,332</u>
110.65.100.5791	HAP, homeownerships	-
110.65.100.5792	HAP, family unification	28,116
110.65.100.5793	HAP, tenant protection	-
110.65.100.5795	HAP, all other	1,960,543
110.65.100.5796	HAP, FSS escrow	2,911
110.65.100.5797	HAP, port-out	68,130
	Total HAP expense	<u>2,059,700</u>
	Net HAP	4,632
<u>HAP equity</u>		
Beginning of year		<u>44,880</u>
End of year		<u>\$ 49,512</u>

(continued)

**CITY OF WESTMINSTER**

HAP AND ADMIN EQUITY CALCULATIONS (CONTINUED)

YEAR ENDED JUNE 30, 2019

Admin equity calculation

<u>GL#</u>	<u>GL Description</u>	<u>Amount</u>
110.492104	HUD admin fee distribution	\$ 215,554
110.494302	Port-in, HAP	49,330
110.494303	Port-in, admin fee receipts	2,707
110.494301	Repayment, admin	16,379
110.953100	Contributions/subsidy	<u>75,000</u>
	Total admin revenue	<u>358,970</u>
	Total PHA expenses	2,366,562
	Less, HAP related expenses	(2,059,700)
	Less, subsidy to HAP	<u>          </u>
	Total admin expenses	<u>306,862</u>
	Net admin	52,108
<u>Admin equity</u>		
Beginning of year		<u>145,390</u>
End of year		<u>\$ 197,498</u>
Total ending equity		<u>\$ 247,010</u>