



CITY OF  
WESTMINSTER,  
MARYLAND

2013

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**BASIC FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION FOR YEAR ENDED  
JUNE 30, 2013**



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## Independent Auditor's Report

To the Mayor and Common Council  
City of Westminster, Maryland

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### 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, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15; schedule of revenues, expenditures, and changes in fund balance – budget to actual – General Fund on page 63; schedule of funding progress – combined state retirement and pension system of Maryland on page 64; and schedules of funding progress and employer contributions – other postemployment benefits plan on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the City'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's internal control over financial reporting and compliance.



Frederick, Maryland  
October 30, 2013

**CITY OF WESTMINSTER, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

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, 2013. 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 \$102,343,722 (net position). Of this amount \$45,363,261 was for governmental activities and \$56,980,461 was for business type activities. The amount of net position that was unrestricted at year end was \$6,640,317 for governmental activities and \$10,953,354 for business type activities.
- Total net position increased by \$3,237,559 over FY2012. Governmental activities increased by \$1,269,452 while business type activities increased by \$1,968,107. The increase in Governmental activities included an inter-fund loan receivable and increases in cash from the excess of revenues over expenditures. Business activities were stimulated by increased revenues and lower than expected expenses.
- At the end of the current fiscal year, the unassigned fund balance of \$7,138,834 was contained only in the General Fund. There were no unassigned funds in the Public Housing Agency Fund.
- The property tax rate was reduced by \$0.01 to \$0.57 per \$100 of assessable real property value. The tax rate for business personal and tangible property was unchanged at \$1.10 per \$100 of personal property value.
- The Director of Parks and Recreation and the Director of Finance resigned their positions in FY2013. This resulted in a savings in salary and benefit expense.
- Capital Improvements included wheelchair lifts at the Longwell Building and the City Pool, renovations to City Hall, road improvements, vehicle replacements, technology equipment and police radios.
- The City refunded the 2002 Series Local Government Infrastructure bond to realize \$184,179 savings. The new bond will be referred to as the 2012 Series B Bond. This bond funded construction of parking garages.
- There were no increases in water and sewer rates in FY 2013.
- Capital Improvements in proprietary funds include the Wakefield Valley Tank painting, Gessell Well development, radon removal, Wastewater treatment plant upgrade and vehicle replacement.
- The City realized the final portion of a 10-year credit provided by the State associated with participation in LEOPS. The City will experience a \$167,052 increase in expenditure in FY2014 as a result of this credit being fully amortized.
- The City recorded a one-time loss of \$49,665 on sale of a rehabilitation property held by the City since 2005 as part of the Affordable Housing Initiative Program.

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

- The City recorded a one-time valuation loss of \$177,609 associated with decline in market value on rehabilitation properties returned to the City. As of June 30, 2013, the City agreed to sell these properties at new market valuation to a third party.

**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 liabilities with the difference between the two 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 (ex. earned but unused annual leave).

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

**CITY OF WESTMINSTER, MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

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. A budgetary comparison statement for the general fund has been provided.

***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.

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 and Water 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.

### **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 exceeded liabilities by \$102,343,722 at the close of the most recent fiscal year. The City's net position is divided into three categories: invested in capital assets (net of related debt), restricted net position and unrestricted net position. The largest portion of the City's investment is 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. These net capital assets represent 72% 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

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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 \$11,195,761 represents 11% 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 \$17,593,671 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 the current year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

**City of Westminster, Maryland  
Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Government-Wide Totals</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Assets:</b>						
Current & Other Assets	\$ 11,180,595	\$ 12,549,553	\$ 18,434,648	\$ 20,450,228	\$ 29,615,243	\$ 32,999,781
Capital Assets, Net	40,268,523	40,225,557	50,947,901	50,586,201	91,216,424	90,811,758
<b>Total Assets</b>	<b>51,449,118</b>	<b>52,775,110</b>	<b>69,382,549</b>	<b>71,036,429</b>	<b>120,831,667</b>	<b>123,811,539</b>
<b>Liabilities:</b>						
Current Liabilities	1,030,940	1,267,396	1,585,059	1,899,465	2,615,999	3,166,861
Long-Term Liabilities	6,324,369	6,144,453	12,785,136	12,156,503	19,109,505	18,300,956
<b>Total Liabilities</b>	<b>7,355,309</b>	<b>7,411,849</b>	<b>14,370,195</b>	<b>14,055,968</b>	<b>21,725,504</b>	<b>21,467,817</b>
<b>Net Position:</b>						
Investment in Capital Assets, Net of Related Debt	34,872,097	35,100,713	38,090,979	38,453,577	72,963,076	73,554,290
Restricted	3,294,850	3,622,231	7,323,872	7,573,530	10,618,722	11,195,761
Unrestricted	5,926,862	6,640,317	9,597,503	10,953,354	15,524,365	17,593,671
<b>Total Net Position</b>	<b>\$ 44,093,809</b>	<b>\$ 45,363,261</b>	<b>\$ 55,012,354</b>	<b>\$ 56,980,461</b>	<b>\$ 99,106,163</b>	<b>\$ 102,343,722</b>

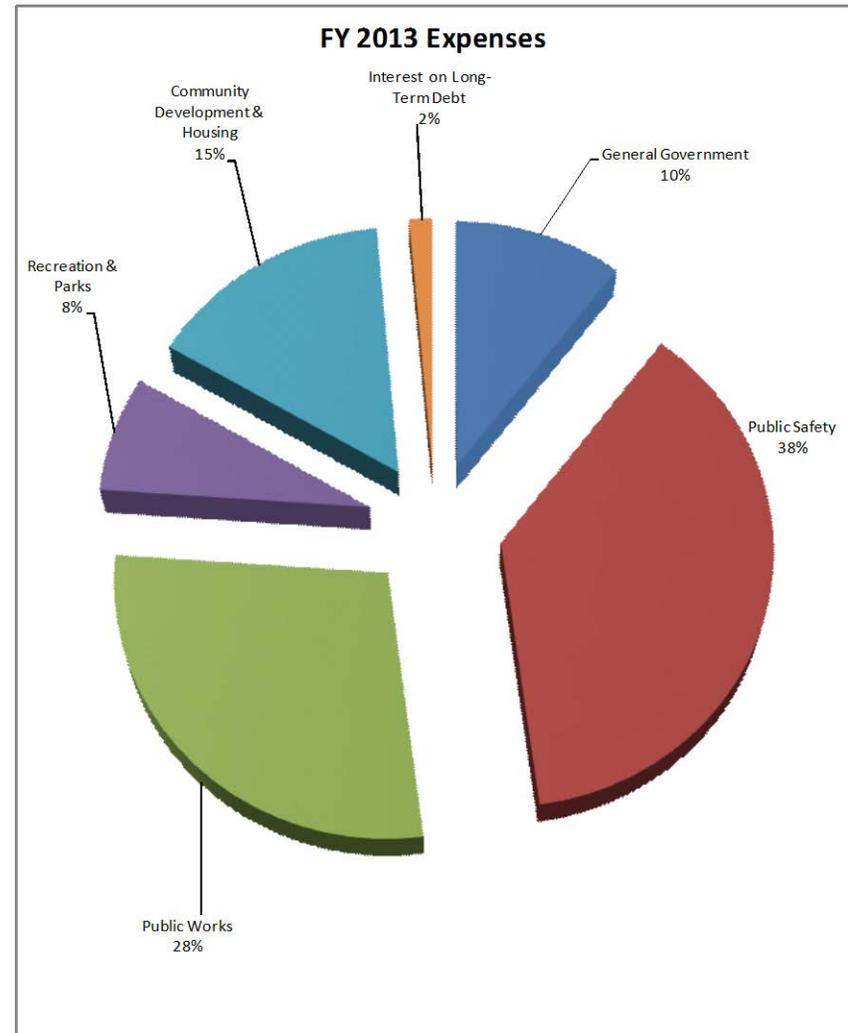
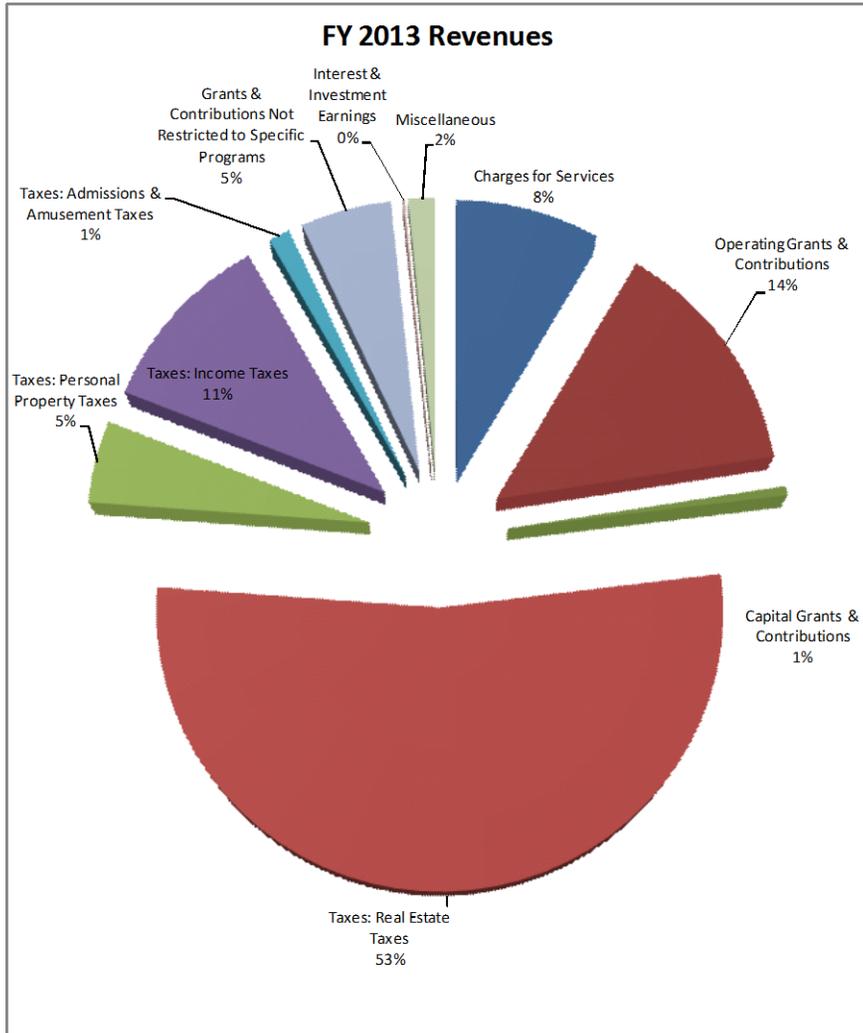
**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**City of Westminster, Maryland  
Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Government-Wide Totals</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for Services	\$ 1,443,285	\$ 1,420,942	\$ 10,756,362	\$ 10,620,457	\$ 12,199,647	\$ 12,041,399
Operating Grants & Contributions	2,807,492	2,380,294	12,286	12,076	2,819,778	2,392,370
Capital Grants & Contributions	943,412	89,434	983,559	468,331	1,926,971	557,765
<u>General Revenues:</u>						
Taxes:						
Real Estate Taxes	10,514,072	8,950,262	-	-	10,514,072	8,950,262
Personal Property Taxes	740,724	809,810	-	-	740,724	809,810
Income Taxes	1,637,528	1,825,099	-	-	1,637,528	1,825,099
Admissions & Amusement Taxes	242,019	210,009	-	-	242,019	210,009
Grants & Contributions Not Restricted to Specific Programs	892,529	894,540	-	-	892,529	894,540
Interest & Investment Earnings	34,368	19,900	16,730	17,379	51,098	37,279
Miscellaneous	145,750	259,471	60,182	29,399	205,932	288,870
<b>Total Revenues</b>	<b>19,401,179</b>	<b>16,859,761</b>	<b>11,829,119</b>	<b>11,147,642</b>	<b>31,230,298</b>	<b>28,007,403</b>
<b>Expenses:</b>						
<u>Governmental Activities:</u>						
General Government	1,658,564	1,619,659	-	-	1,658,564	1,619,659
Public Safety	5,537,316	5,849,529	-	-	5,537,316	5,849,529
Public Works	4,176,521	4,395,239	-	-	4,176,521	4,395,239
Recreation & Parks	1,231,756	1,142,296	-	-	1,231,756	1,142,296
Community Development & Housing	2,510,928	2,364,831	-	-	2,510,928	2,364,831
Interest on Long-Term Debt	245,602	218,755	-	-	245,602	218,755
<u>Business-type Activities</u>						
Sewer Services	-	-	4,990,870	4,762,370	4,990,870	4,762,370
Water Services	-	-	4,164,706	4,417,165	4,164,706	4,417,165
<b>Total Expenses</b>	<b>15,360,687</b>	<b>15,590,309</b>	<b>9,155,576</b>	<b>9,179,535</b>	<b>24,516,263</b>	<b>24,769,844</b>
<b>Increase in Net Position</b>	<b>4,040,492</b>	<b>1,269,452</b>	<b>2,673,543</b>	<b>1,968,107</b>	<b>6,714,035</b>	<b>3,237,559</b>
<b>Net Position - Beginning</b>	<b>40,053,317</b>	<b>44,093,809</b>	<b>52,338,811</b>	<b>55,012,354</b>	<b>92,392,128</b>	<b>99,106,163</b>
<b>Net Position - Ending</b>	<b>\$44,093,809</b>	<b>\$45,363,261</b>	<b>\$55,012,354</b>	<b>\$56,980,461</b>	<b>\$99,106,163</b>	<b>\$ 102,343,722</b>

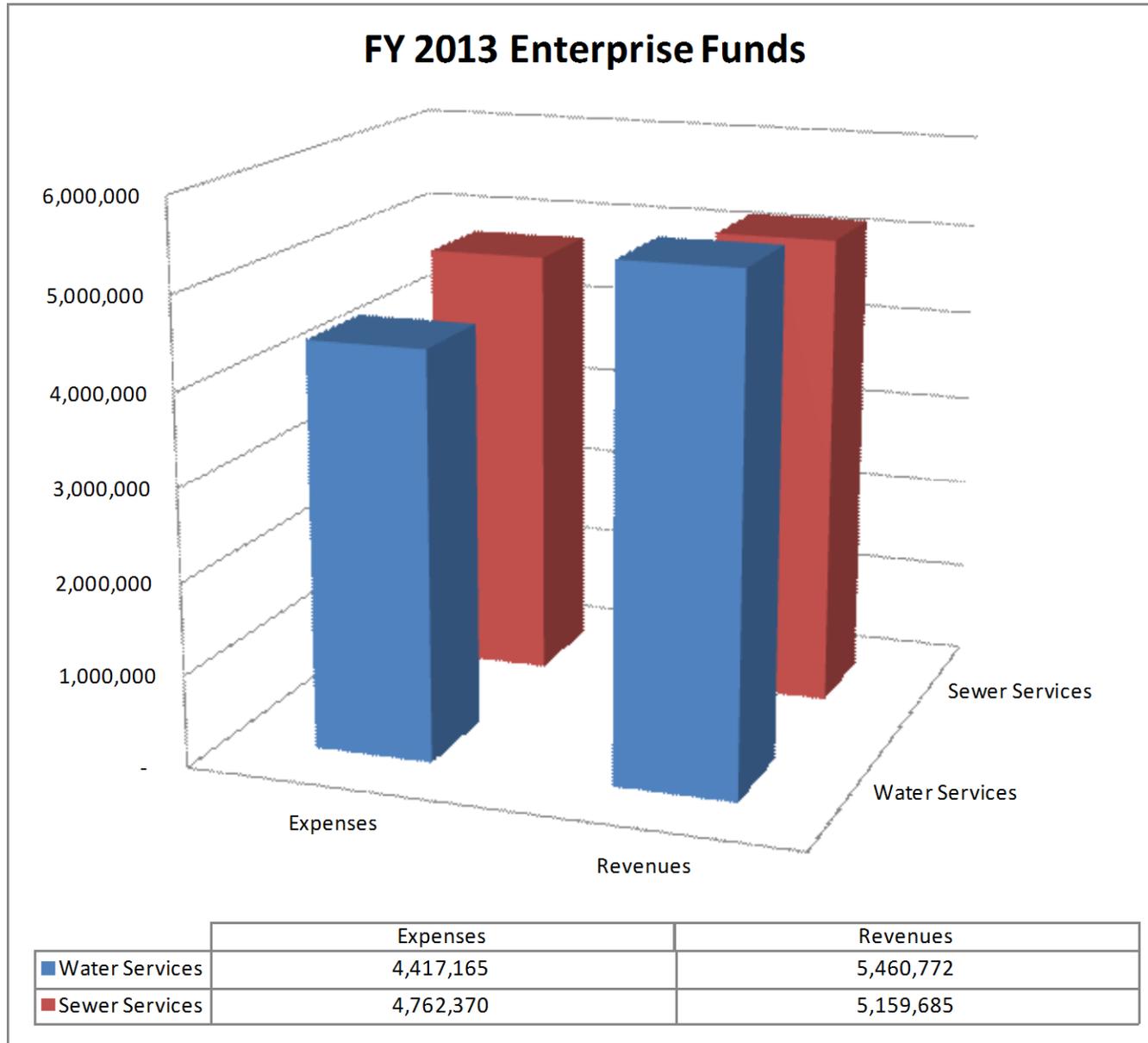
**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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



**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

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



**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**Financial Analysis of the Government's Funds:**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,347,051. Approximately 3% of the fund balance, \$396,967, is restricted for the Public Housing Agency. An additional 29% has been restricted as follows:

- \$1,899,612 restricted for Capital Improvement Projects
- \$985,652 restricted for Infrastructure Growth
- \$55,205 restricted for an Employee FSA plan and Forfeited Proceeds awarded to the City by Judicial process
- \$340,000 for Tax Revenue Commitments

The total General Fund balance increased \$1,514,026 during FY2013, due to revenues exceeding budgeted levels, coupled with lower expenditures. Public Housing Agency Fund balance decreased \$157,076 due to funding reductions from U.S. Department of Housing and Urban Development (HUD) in an effort to reduce Housing Assistance Payments (HAP) and Administration (Admin) equity reserves.

**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 Fund and the Water Fund are the two enterprise operations for the City and net cash from their operating activities totaled \$3,879,511. Although revenues exceeded expenses for FY2013, the surplus was not at a sufficient enough level to fund either the Operating Reserve or the 3R Reserve. The total amount of unrestricted net position for the Sewer and Water Funds were \$5,095,915 and \$5,857,439, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights:**

The budgetary statement of the General Fund show actual revenues of \$15,029,692 compared to budgeted amount of \$14,385,348, an overall surplus of \$644,344. The major differences between the final budgeted amounts and the actual revenues are as follows:

- Better tax collection activity
- Increased revenues from charges for services and licenses & permit issuance
- Reduced intergovernmental funding

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

Actual General Fund expenditures were less than budget by \$1,766,542 primarily driven by capital outlay expenditures not purchased during the fiscal year just ended and reduced operating expenditures. The capital outlay items were reappropriated during the FY2014 Budget process.

**General Fund Revenues  
Budget vs. Actual  
FY 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>% of Budget</u>
	<u>Original</u>	<u>Final</u>			
<b><u>General Fund Revenues</u></b>					
Taxes	\$ 11,312,094	\$ 11,312,094	\$ 11,823,982	\$ 511,888	105%
Licenses & Permits	410,500	410,500	495,625	85,125	121%
Intergovernmental	1,683,364	1,728,037	1,516,551	(211,486)	88%
Charges for Services	861,053	600,250	732,550	132,300	122%
Fines & Forfeitures	212,650	212,650	177,913	(34,737)	84%
Interest & Investment Earnings	48,500	48,500	12,898	(35,602)	27%
Rental Income	5,000	5,000	5,080	80	102%
Miscellaneous	65,000	68,317	265,093	196,776	388%
<b>Total Revenues</b>	<b>\$ 14,598,161</b>	<b>\$ 14,385,348</b>	<b>\$ 15,029,692</b>	<b>\$ 644,344</b>	<b>104%</b>

**General Fund Expenses  
Budget vs. Actual  
FY 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>% of Budget</u>
	<u>Original</u>	<u>Final</u>			
<b><u>General Fund Expenditures</u></b>					
General Government	\$ 1,862,653	\$ 1,862,653	\$ 1,434,760	\$ (427,893)	77%
Public Safety	5,932,385	5,932,385	5,565,297	(367,088)	94%
Public Works	3,172,374	3,172,374	2,895,110	(277,264)	91%
Recreation & Parks	1,081,808	1,081,808	900,955	(180,853)	83%
Community Development & Housing	136,742	148,992	125,350	(23,642)	84%
Debt Service	539,268	539,268	539,222	(46)	100%
Capital Outlays	2,207,831	2,384,041	1,894,285	(489,756)	79%
<b>Total Expenditures</b>	<b>\$ 14,933,061</b>	<b>\$ 15,121,521</b>	<b>\$ 13,354,979</b>	<b>\$ (1,766,542)</b>	<b>88%</b>

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**Capital Asset and Debt Administration:**

**Capital Assets:** The City of Westminster, Maryland has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments that requires the retroactive reporting of major general infrastructure assets. The information for the assets other than infrastructure assets was based on historical costs. The costs for the major infrastructure assets were developed by the Planning Department based on a combination of historical costs, where available and were otherwise developed based on the present value of those infrastructure assets, discounted to the year of acquisition. All of the infrastructure assets that were paid with City's funds have been included in these financial statements. For its business-type activities, the City has always reported all capital assets as required for proprietary funds.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to \$90,811,758 (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.

**City of Westminster, Maryland  
Capital Assets (Net of Depreciation)  
June 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land & Land Rights	\$ 319,172	\$ 190,915	\$ 510,087
Construction in Progress	13,600	1,663,290	1,676,890
Buildings	7,889,106	19,038	7,908,144
Equipment	1,470,084	1,219,030	2,689,114
Improvements Other than Buildings	4,630,827	-	4,630,827
Infrastructure	25,254,823	31,490,615	56,745,438
Utility Plant & Equipment	-	15,701,254	15,701,254
Vehicles	647,945	302,059	950,004
<b>Total Net Capital Assets</b>	<b>\$ 40,225,557</b>	<b>\$ 50,586,201</b>	<b>\$ 90,811,758</b>

**CITY OF WESTMINSTER, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

***Commitments:***

The City is committed under the following contracts for construction and related projects as of June 30, 2013:

Project	Contract Amount	Amount Outstanding at June 30, 2013
Well # 8 (Radon Removal/Nitrate Storage)	\$ 237,823	\$ 37,097
Gessell Well	128,651	32,292
ENR & Biosolids Upgrade WWTP	2,078,318	1,715,111
ADA Sidewalk Ramps	318,875	318,875
Sawgrass Water Tank Repainting	395,814	160,214
Longwell & City Hall Window Replacement	237,450	237,450

***Long-term Debt:***

At the end of FY2013, the City had total bond and loan principal outstanding of \$17,049,418, which is debt backed by the full faith and credit of the City. Of that amount \$5,125,110 is General Fund infrastructure bonds and \$11,924,308 is Water Fund Drinking Water bonds. In addition, there are capital lease obligations for other equipment in the amount of \$322,450.

There are three other types of long-term obligations of the City that do not have mandatory payment terms. The first is a non-interest obligation to the Carroll County Commissioners of Maryland related to agreements to provide water service totaling \$233,828. The second is for compensated absences in the amount of \$574,036. Compensated absences are the total amount of leave liability that the City would owe employees upon their termination. The third are accrued Other Post-Employment Benefits (OPEB) totaling \$1,362,000. This is a liability identified per the requirements of GASB 45 for retiree benefits. When considering these additions, total long-term debt at June 30, 2013 is \$19,541,732 and at June 30, 2012 was \$20,277,670.

- **Annual Debt Service:** During FY 2013 principal, interest and administrative fee payments of \$1,632,373 were made on all bonds and leases. During FY 2014, \$1,651,898 is expected to be paid for debt service obligations of principal, interest and administrative fees.

**Request for Information:**

This financial report is designed to provide a general overview of the City of Westminster, Maryland's finances for all those with an interest in the government'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, Westminster, Maryland, 21157.

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# *Basic Financial Statements*





**City of Westminster, Maryland**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents			
Unrestricted	\$ 6,010,120	\$ 8,901,603	\$ 14,911,723
Restricted	4,103,079	667,092	4,770,171
Pooled Cash & Cash Equivalents: Restricted	1,582,932	7,573,530	9,156,462
Taxes Receivable	336,204	-	336,204
Accounts Receivable, Net of Allowance for Uncollectibles of \$226,491 and \$0, respectively			
Unrestricted	242,442	1,220,762	1,463,204
Restricted	-	91,224	91,224
Unbilled Services	-	1,315,751	1,315,751
Special Assessments Receivable	-	42,960	42,960
Grants Receivable	29,508	-	29,508
Loan Receivable	1,650	-	1,650
Prepaid Items and Deposits	148,613	77,713	226,326
Internal Balances	(248,959)	248,959	-
Due from Other Governments	54,301	28,289	82,590
Inventory	59,314	175,013	234,327
Assets Held for Resale	85,000	-	85,000
<b>TOTAL CURRENT ASSETS</b>	<b>12,404,204</b>	<b>20,342,896</b>	<b>32,747,100</b>
<b>NON-CURRENT ASSETS</b>			
Cash & Cash Equivalents: Restricted	13,999	-	13,999
Accounts Receivable	-	100,682	100,682
Loan Receivable	23,600	-	23,600
Bond Issue Cost, Net of Accumulated Amortization of \$40,260 and \$44,510, respectively	107,750	6,650	114,400
Property and Equipment			
Land & Land Rights	319,172	190,915	510,087
Construction in Progress	13,600	1,663,290	1,676,890
Buildings	12,127,620	19,526	12,147,146
Equipment	3,909,828	3,832,605	7,742,433
Furniture & Fixtures	128,041	6,414	134,455
Improvements Other than Buildings	8,587,674	-	8,587,674
Infrastructure	43,888,798	45,403,122	89,291,920
Utility Plant & Equipment	-	27,876,908	27,876,908
Vehicles	2,736,642	800,552	3,537,194
	71,711,375	79,793,332	151,504,707
Less: Accumulated Depreciation	31,485,818	29,207,131	60,692,949
Net Property and Equipment	40,225,557	50,586,201	90,811,758
<b>TOTAL NON-CURRENT ASSETS</b>	<b>40,370,906</b>	<b>50,693,533</b>	<b>91,064,439</b>
<b>TOTAL ASSETS</b>	<b>52,775,110</b>	<b>71,036,429</b>	<b>123,811,539</b>

See Notes to Basic Financial Statements

**Statement of Net Position** continued  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	331,937	469,018	800,955
Accrued Liabilities	227,322	205,369	432,691
Compensated Absences	16,677	-	16,677
Unearned Revenue	43,821	80,264	124,085
Loan Payable	100,000	-	100,000
Capital Lease Obligations	31,560	63,120	94,680
General Obligation Bonds Payable	305,500	823,919	1,129,419
Payable from Restricted Assets			-
Unearned Revenue	16,560	-	16,560
Deposits & Escrows	194,019	-	194,019
Due to Other Governments	-	257,775	257,775
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>1,267,396</b></u>	<u><b>1,899,465</b></u>	<u><b>3,166,861</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Compensated Absences	344,341	213,018	557,359
Accrued Other Postemployment Benefits	904,578	457,422	1,362,000
Due to Other Governments	-	233,828	233,828
Capital Lease Obligations	75,924	151,846	227,770
General Obligation Bonds Payable	4,819,610	11,100,389	15,919,999
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u><b>6,144,453</b></u>	<u><b>12,156,503</b></u>	<u><b>18,300,956</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>7,411,849</b></u>	<u><b>14,055,968</b></u>	<u><b>21,467,817</b></u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	35,100,713	38,453,577	73,554,290
Restricted for:			
Future Infrastructure Growth	985,652	7,573,530	8,559,182
Capital Improvement Projects	1,899,612	-	1,899,612
Public Housing Vouchers	396,967	-	396,967
Tax Revenue Commitments	340,000	-	340,000
Unrestricted	6,640,317	10,953,354	17,593,671
<b>TOTAL NET POSITION</b>	<u><b>\$45,363,261</b></u>	<u><b>\$56,980,461</b></u>	<u><b>\$102,343,722</b></u>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General Government	\$ 1,619,659	\$ 420,820	\$ -	\$ -	\$ (1,198,839)	\$ -	\$ (1,198,839)
Public Safety	5,849,529	164,063	328,694	25,000	(5,331,772)	-	(5,331,772)
Public Works	4,395,239	357,457	190,436	64,434	(3,782,912)	-	(3,782,912)
Recreation and Culture	1,142,296	459,368	-	-	(682,928)	-	(682,928)
Community Development & Housing	2,364,831	19,234	1,861,164	-	(484,433)	-	(484,433)
Interest on Long-Term Debt	218,755	-	-	-	(218,755)	-	(218,755)
<b>Total Governmental Activities</b>	<u>15,590,309</u>	<u>1,420,942</u>	<u>2,380,294</u>	<u>89,434</u>	<u>(11,699,639)</u>	<u>-</u>	<u>(11,699,639)</u>
<b>Business-Type Activities</b>							
Sewer Services	4,762,370	5,159,685	6,038	263,815	-	667,168	667,168
Water Services	4,417,165	5,460,772	6,038	204,516	-	1,254,161	1,254,161
<b>Total Business-Type Activities</b>	<u>9,179,535</u>	<u>10,620,457</u>	<u>12,076</u>	<u>468,331</u>	<u>-</u>	<u>1,921,329</u>	<u>1,921,329</u>
<b>TOTAL GOVERNMENT</b>	<u>\$ 24,769,844</u>	<u>\$ 12,041,399</u>	<u>\$ 2,392,370</u>	<u>\$ 557,765</u>	<u>(11,699,639)</u>	<u>1,921,329</u>	<u>(9,778,310)</u>
<b>GENERAL REVENUES</b>							
Taxes							
					8,950,262	-	8,950,262
					809,810	-	809,810
					1,825,099	-	1,825,099
					210,009	-	210,009
					894,540	-	894,540
					19,900	17,379	37,279
					259,471	29,399	288,870
<b>TOTAL GENERAL REVENUES</b>					<u>12,969,091</u>	<u>46,778</u>	<u>13,015,869</u>
<b>CHANGES IN NET POSITION</b>							
					1,269,452	1,968,107	3,237,559
					44,093,809	55,012,354	99,106,163
<b>NET POSITION - ENDING</b>					<u>\$ 45,363,261</u>	<u>\$ 56,980,461</u>	<u>\$ 102,343,722</u>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Balance Sheet of Governmental Funds**  
**June 30, 2013**

	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash & Cash Equivalents			
Unrestricted	\$ 6,010,120	\$ -	\$ 6,010,120
Restricted	3,691,303	425,775	4,117,078
Pooled Cash & Cash Equivalents: Restricted	1,582,932	-	1,582,932
Taxes Receivable	336,204	-	336,204
Accounts Receivable, Net of Allowance for Uncollectibles of \$68,340 and \$158,151, respectively	137,008	105,434	242,442
Grants Receivable	29,508	-	29,508
Loan Receivable	25,250	-	25,250
Prepaid Items and Deposits	143,150	5,463	148,613
Interfund Receivables	8,837	-	8,837
Due from Other Governments	54,301	-	54,301
Inventory	59,314	-	59,314
Assets Held for Resale	85,000	-	85,000
<b>TOTAL ASSETS</b>	<b><u>\$ 12,162,927</u></b>	<b><u>\$ 536,672</u></b>	<b><u>\$ 12,699,599</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 331,134	\$ 802	\$ 331,936
Accrued Liabilities	192,579	4,511	197,090
Compensated Absences	16,677	-	16,677
Deferred Revenue	133,036	105,434	238,470
Loan Payable	100,000	-	100,000
Interfund Payables	248,300	9,496	257,796
Payable from Restricted Assets			
Deferred Revenue	16,560	-	16,560
Deposits & Escrows	180,020	13,999	194,019
<b>TOTAL LIABILITIES</b>	<b><u>1,218,306</u></b>	<b><u>134,242</u></b>	<b><u>1,352,548</u></b>
<b>FUND BALANCES</b>			
Non-spendable	311,064	5,463	316,527
Restricted	3,280,469	396,967	3,677,436
Committed	209,468	-	209,468
Assigned	4,786	-	4,786
Unassigned	7,138,834	-	7,138,834
<b>TOTAL FUND BALANCES</b>	<b><u>10,944,621</u></b>	<b><u>402,430</u></b>	<b><u>11,347,051</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 12,162,927</u></b>	<b><u>\$ 536,672</u></b>	<b><u>\$ 12,699,599</u></b>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2013**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 11,347,051**

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

Property tax revenue is recognized in the period for which levied rather than when "available." A portion of the deferred property tax revenue is not available.	54,456
Deferred revenue for citations and housing voucher repayments is not available for current period expenditures and, therefore, is not reported in the governmental funds.	140,192
Bond issue costs are reported as expenditures in the governmental funds.	107,750
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,225,557
Long-term compensated absences and other post-employment benefits are not payable in the current period and are reported as wages and insurance expenditures in the period during which the absence and service occurs in the fund financial statements.	(1,248,919)
Long-term liabilities, including bonds payable, capital lease obligations, and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,262,826)

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 45,363,261**

**City of Westminster, Maryland**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2013**

	General Fund	Public Housing Agency Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 11,823,982	\$ -	\$ 11,823,982
Licenses & Permits	495,625	-	495,625
Intergovernmental	1,516,551	1,814,340	3,330,891
Charges for Services	732,550	-	732,550
Fines & Forfeitures	177,913	-	177,913
Interest & Investment Earnings	12,898	834	13,732
Rental Income	5,080	-	5,080
Miscellaneous	265,093	21,210	286,303
<b>TOTAL REVENUES</b>	<b>15,029,692</b>	<b>1,836,384</b>	<b>16,866,076</b>
<b>EXPENDITURES</b>			
General Government	1,434,760	-	1,434,760
Public Safety	5,565,297	-	5,565,297
Public Works	2,895,110	-	2,895,110
Recreation & Parks	900,955	-	900,955
Community Development & Housing	352,624	1,993,460	2,346,084
Debt Service			-
Principal	312,932	-	312,932
Interest	226,290	-	226,290
Capital Outlays	1,894,285	-	1,894,285
<b>TOTAL EXPENDITURES</b>	<b>13,582,253</b>	<b>1,993,460</b>	<b>15,575,713</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,447,439</b>	<b>(157,076)</b>	<b>1,290,363</b>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Issuance of Long-Term Debt	60,045	-	60,045
Proceeds from Sale of Capital Assets	6,542	-	6,542
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>66,587</b>	<b>-</b>	<b>66,587</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,514,026</b>	<b>(157,076)</b>	<b>1,356,950</b>
Fund Balances - Beginning of Year	9,430,595	559,506	9,990,101
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 10,944,621</b>	<b>\$ 402,430</b>	<b>\$ 11,347,051</b>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Reconciliation of Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 1,356,950**

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

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

Add: Capital Outlays	1,911,126
Less: Depreciation Expense	(1,954,092)

Bond, loan, and lease proceeds provide current financial resources to governmental funds, but issuing debt and lease financing increases long-term liabilities in the government-wide statement of net position. Repayment of debt and loan principal and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position. Other costs related to debt issuance and retirement use governmental fund resources, but recognition of expense is deferred and reported as amortization on the statement of net position.

Amortization of Bond Issue Costs	(7,765)
Capital Lease Proceeds	(60,045)
Payment of Capital Lease Obligations	16,632
Payment on Bonds Payable	296,300
Bond Issue Costs Associated with New Bond Issuance	28,010

Property tax, citations, and housing voucher repayments in the statement of activities that do not provide current financial resources and are not reported as revenues in the governmental funds. (19,027)

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

Net Pension Asset	(160,883)
Deferred Amount of Refunding	(1,550)
Accrued Interest Expense	9,085
Long-Term Portion of Compensated Absences	(2,990)
Accrued Other Postemployment Benefits	(142,299)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 1,269,452**

**City of Westminster, Maryland**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2013**

	Sewer Fund	Water Fund	Total Proprietary Funds
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents			
Unrestricted	\$ 4,317,673	\$ 4,583,930	\$ 8,901,603
Restricted	167,092	500,000	667,092
Pooled Cash & Cash Equivalents: Restricted	3,868,050	3,705,480	7,573,530
Accounts Receivable			
Unrestricted	580,429	640,333	1,220,762
Restricted	85,678	5,546	91,224
Unbilled Services	629,370	686,381	1,315,751
Special Assessments Receivable	21,984	20,976	42,960
Prepaid Items & Deposits	40,948	36,765	77,713
Interfund Receivables	220,051	60,095	280,146
Due from Other Governments	28,289	-	28,289
Inventory	75,583	99,430	175,013
<b>TOTAL CURRENT ASSETS</b>	<b>10,035,147</b>	<b>10,338,936</b>	<b>20,374,083</b>
<b>NON-CURRENT ASSETS</b>			
Accounts Receivable	50,341	50,341	100,682
Bond Issue Costs, Net of Accumulated Amortization of \$44,510	-	6,650	6,650
Property & Equipment			
Land & Land Rights	54,202	136,713	190,915
Construction in Progress	763,655	899,635	1,663,290
Buildings	9,763	9,763	19,526
Equipment	3,059,214	773,391	3,832,605
Furniture & Fixtures	1,607	4,807	6,414
Infrastructure	17,357,765	28,045,357	45,403,122
Utility Plant & Equipment	16,356,747	11,520,161	27,876,908
Vehicles	434,029	366,523	800,552
	38,036,982	41,756,350	79,793,332
Less Accumulated Depreciation	18,971,900	10,235,231	29,207,131
Total Property & Equipment	19,065,082	31,521,119	50,586,201
<b>TOTAL NON-CURRENT ASSETS</b>	<b>19,115,423</b>	<b>31,578,110</b>	<b>50,693,533</b>
<b>TOTAL ASSETS</b>	<b>29,150,570</b>	<b>41,917,046</b>	<b>71,067,616</b>

**City of Westminster, Maryland**  
**Statement of Net Position - Proprietary Funds** continued  
**June 30, 2013**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	209,664	259,354	469,018
Accrued Liabilities	51,279	154,090	205,369
Unearned Revenue	-	80,264	80,264
Interfund Payables	31,187	-	31,187
Capital Lease Obligations	31,560	31,560	63,120
General Obligation Bonds Payable	-	823,919	823,919
Payable from Restricted Assets Due to Other Governments	252,770	5,005	257,775
<b>TOTAL CURRENT LIABILITIES</b>	<b>576,460</b>	<b>1,354,192</b>	<b>1,930,652</b>
<b>NON-CURRENT LIABILITIES</b>			
Compensated Absences - L/T	115,515	97,503	213,018
Accrued Other Postemployment Benefits	227,280	230,142	457,422
Due to Other Governments	233,828	-	233,828
Capital Lease Obligations	75,923	75,923	151,846
General Obligation Bonds Payable	-	11,100,389	11,100,389
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>652,546</b>	<b>11,503,957</b>	<b>12,156,503</b>
<b>TOTAL LIABILITIES</b>	<b>1,229,006</b>	<b>12,858,149</b>	<b>14,087,155</b>
<b>NET POSITION</b>			
Investment in Capital Assets, Net of Related Debt	18,957,599	19,495,978	38,453,577
Restricted for:			
Future Infrastructure Growth	3,868,050	3,705,480	7,573,530
Unrestricted	5,095,915	5,857,439	10,953,354
<b>TOTAL NET POSITION</b>	<b>\$27,921,564</b>	<b>\$29,058,897</b>	<b>\$56,980,461</b>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position - Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Sewer Fund	Water Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 5,159,687	\$ 5,254,532	\$ 10,414,219
Miscellaneous	26,334	7,951	34,285
<b>TOTAL OPERATING REVENUES</b>	<u>5,186,021</u>	<u>5,262,483</u>	<u>10,448,504</u>
<b>OPERATING EXPENSES</b>			
Administrative & General	1,211,436	1,265,272	2,476,708
Sewer Treatment	1,867,798	-	1,867,798
Source of Supply	-	194,639	194,639
Transmission & Distribution	816,608	592,739	1,409,347
Water Treatment & Pumping	-	1,384,159	1,384,159
Depreciation	861,092	787,481	1,648,573
<b>TOTAL EXPENDITURES</b>	<u>4,756,934</u>	<u>4,224,290</u>	<u>8,981,224</u>
<b>OPERATING INCOME</b>	<u>429,087</u>	<u>1,038,193</u>	<u>1,467,280</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest & Investment Earnings	8,367	9,012	17,379
Rental Income	-	206,240	206,240
Amortization	-	(832)	(832)
Interest Expense	(5,435)	(192,045)	(197,480)
Gain on Disposition of Capital Assets	4,245	2,944	7,189
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>7,177</u>	<u>25,319</u>	<u>32,496</u>
<b>INCOME BEFORE TRANSFERS &amp; CAPITAL CONTRIBUTIONS</b>	<b>436,264</b>	<b>1,063,512</b>	<b>1,499,776</b>
Capital Contributions	263,815	204,516	468,331
<b>CHANGES IN NET POSITION</b>	700,079	1,268,028	1,968,107
Net Position - Beginning of Year	27,221,485	27,790,869	55,012,354
<b>NET POSITION - END OF YEAR</b>	<u>\$ 27,921,564</u>	<u>\$ 29,058,897</u>	<u>\$ 56,980,461</u>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Sewer Fund	Water Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Inflows:			
Cash Received from Customers	\$ 5,463,202	\$ 5,476,030	\$ 10,939,232
Miscellaneous	26,334	7,951	34,285
	5,489,536	5,483,981	10,973,517
Outflows:			
Cash Paid to Suppliers	1,936,863	1,413,886	3,350,749
Cash Paid to Employees	1,974,650	1,768,607	3,743,257
	3,911,513	3,182,493	7,094,006
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,578,023</b>	<b>2,301,488</b>	<b>3,879,511</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Inflows:			
Cash Received from Other Funds	31,187	-	31,187
Rental Income	-	206,240	206,240
	31,187	206,240	237,427
Outflows:			
Cash Paid to Other Funds	15,350	372,785	388,135
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>15,837</b>	<b>(166,545)</b>	<b>(150,708)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Inflows:			
Capital Contribution & Grants	481,654	199,272	680,926
Disposal of Capital Assets	4,245	2,944	7,189
	485,899	202,216	688,115
Outflows:			
Interest Paid	5,570	197,165	202,735
Principal Paid	16,631	828,589	845,220
Purchase of Capital Assets	675,749	491,034	1,166,783
	697,950	1,516,788	2,214,738
<b>NET CASH USED IN CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(212,051)</b>	<b>(1,314,572)</b>	<b>(1,526,623)</b>

See Notes to Basic Financial Statements

**City of Westminster, Maryland**  
**Statement of Cash Flows - Proprietary Funds** continued  
**For the Year Ended June 30, 2013**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<b>CASH FLOWS FROM INVESTING ACTIVITES</b>			
Inflows:			
Interest on Investments	8,367	9,012	17,379
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>8,367</b>	<b>9,012</b>	<b>17,379</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>1,390,176</b>	<b>829,383</b>	<b>2,219,559</b>
Cash & Cash Equivalents - Beginning of Year	6,962,639	7,960,027	14,922,666
<b>CASH &amp; CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,352,815</b>	<b>\$ 8,789,410</b>	<b>\$ 17,142,225</b>
<b>RECONCILIATION OF CASH &amp; CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents			
Unrestricted	\$ 4,317,673	\$ 4,583,930	\$ 8,901,603
Restricted	167,092	500,000	667,092
Pooled Cash & Cash Equivalents: Restricted	3,868,050	3,705,480	7,573,530
<b>CASH &amp; CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 8,352,815</b>	<b>\$ 8,789,410</b>	<b>\$ 17,142,225</b>
<b>NON-CASH CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
The City acquired a new server through a capital lease	\$ 60,045	\$ 60,045	\$ 120,090

See Notes to Basic Financial Statements

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 1. Overview and Summary of Significant Accounting Policies**

Reporting Entity

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

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

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units of the City.

Basic Financial Statements - Government-Wide Financial Statements

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

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, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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 (property and income taxes and certain intergovernmental 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.

The net costs (by function or business-type activity) 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 more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

*Basic Financial Statements - Fund Financial Statements*

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, 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, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the City are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is a description of the City's major governmental funds:

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

*Public Housing Agency 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.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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 and sewer services. Operating expenses for the City's proprietary funds include source of supply, water and sewer treatment and pumping costs, water and sewer transmission and distribution costs, administrative and general, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

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 (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the City's major enterprise funds:

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

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.

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 on 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, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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. 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, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as deferred revenue 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 original invoice 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, 20 percent of the aggregate of all family center accounts, and 60 percent of the aggregate housing assistance repayments as the basis and determination of the allowance for doubtful accounts. For proprietary funds, management determines the provision for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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 reading when unbilled services are estimated.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Deferred Outflows

Deferred Outflows are the consumption of net position by the City that is applicable to a future reporting period. The City had no deferred outflows at June 30, 2013.

Inventory

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

Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets with a value of \$10,000 or more are capitalized by the City. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Building Improvements	7 - 40
Equipment and Vehicles	5 - 10
Furniture and Fixtures	5
Infrastructure	7 - 100
Utility Plant and Equipment	10 - 40

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

Depreciation of all exhaustible fixed 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 fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed 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, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

*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 but are paid through the General Fund.

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

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

*Compensated Absences*

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

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

*Deferred Inflows*

Deferred inflows are the acquisition of net position by the City that is applicable to a future reporting period. The City had no deferred inflows at June 30, 2013.

*Deferred Revenue*

On governmental fund financial statements, tax receivables that were not collected within the available period and charges for services collected in advance are recorded as deferred revenue. Revenues received under reimbursable grant agreements are recognized in the period in which the qualified expenditures are made. Any unexpended funds are reported as deferred revenue.

*Bond Discounts and Issuance Costs*

In the government-wide financial statements and proprietary fund financial statements, bond discounts and issuance costs are capitalized and amortized over the terms of the respective bonds using a method, which approximates the effective interest method. Bond discounts are netted against bonds payable for presentation.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

In the governmental fund financial statements, bond discounts and issuance costs are expensed in the year of the bond issue. Bond discounts are netted against bond proceeds and reported as "Other Financing Sources". Bond issuance costs are expensed as "Debt Service".

*Net Position*

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

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

*Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or 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 are not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the fund financial statements.

*Fund Balances* – The categories of fund balance presented in the City's financial statements are discussed in further detail in Note 12. The Mayor and Common Council must approve a motion in order to establish a fund balance commitment or assignment and only needs to approve the elimination of a fund balance commitment. The City first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the City considers committed amounts first, then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

*Budgets and Budgetary Accounting*

The City prepares an annual operating budget for the General Fund and the Enterprise Funds on a basis consistent with accounting principles generally accepted in the United States of America, except for the write-down of assets to net realizable value, which totaled \$227,274 as of June 30, 2013. Appropriations for salaries and operating expenses lapse at the fiscal year end, but appropriations for equipment and capital projects can be carried forward into the subsequent fiscal year as an appropriated surplus. Budget revisions receive approval of the Mayor and Common Council if the result is an appropriation from the operating reserve or a change in the funding for a capital expenditure. There was one budget revision approved by the Mayor and Common Council and several budget reclassifications approved by management during the year ended June 30, 2013.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Use of Estimates

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

Subsequent Events

The City evaluated subsequent events through October 30, 2013 which represents the date the financial statements were available to be issued.

**Note 2. Deposits and Investments**

The City is governed by the deposit and investment limitations of Maryland law. The deposits and investments held at June 30, 2013, are reported at fair value, based on quoted market prices, and shown below:

<u>Type</u>	<u>Rating/Interest Rate</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits			
Demand Deposits			\$ 19,691,618
Cash On Hand			4,275
Investments			
State Investment Pool	AAAm by S&P/0.08%	54 Day Average	9,156,462
Total Deposits and Investments			<u>\$ 28,852,355</u>
Reconciliation to the Statement of Net Position			
Current Assets			
Cash & Cash Equivalents - Unrestricted			\$ 14,911,723
Cash & Cash Equivalents - Restricted			4,770,171
Pooled Cash & Cash Equivalents - Restricted			<u>9,156,462</u>
			.....28,838,356
Non-Current Assets			
Cash & Cash Equivalents - Restricted			<u>13,999</u>
Total			<u>\$ 28,852,355</u>

The City is a participant of 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 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, 2013, all pool holdings are in cash and cash equivalents. 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.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The City's MLGIP investments are held by a broker who is a member of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker, however only up to \$250,000 for cash investments. The investments held at the City's broker are insured up to \$500,000 by the SIPC in the event such failure or misappropriation occurs.

Restricted cash and cash equivalents in the governmental funds at June 30, 2013 are comprised of the following:

**General Fund**

Funds Held for Future Infrastructure Growth	\$ 985,652
Funds Held for Capital Improvement Projects	1,899,612
Funds Held for Tax Revenue Commitments	340,000
Funds Held in Escrow Pending Judicial Approval	16,560
Funds Held for Restricted Use as Required by Judicial Mandate	38,680
Funds Held to Subsidize Employee Insurance Rate Increase	198,091
Funds Held in Escrow for Employee Flexible Spending Account	18,197
Funds Committed to City Programs	16,163
Developer Deposits	178,348
<b>Total General Fund</b>	<b>\$ 3,691,303</b>

**Public Housing Agency Fund**

Funds Held for Future Housing Assistance Payments	394,157
Funds Held for Client Escrow Accounts	13,999
Funds Held for Future Administrative Expenses	17,619
<b>Total Public Housing Agency Fund</b>	<b>\$ 425,775</b>
<b>Total Restricted Cash and Cash Equivalents</b>	<b>\$ 4,117,078</b>

Current restricted cash and cash equivalents in the Sewer Fund consist of \$167,092 in unremitted bay restoration fees to the State of Maryland, net of administrative fee.

Current restricted cash and cash equivalents in the Water Fund consist of \$500,000 for the Gessell Well Project.

Restricted assets are classified as current when they are restricted for payment of current liabilities. Otherwise, they are non-current in nature.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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*Custodial Credit Risk*

Deposits in financial institutions, reported as components of cash and cash equivalents and investments, had a bank balance of \$20,173,174 at June 30, 2013, \$19,423,174 of which was exposed to custodial credit risk. This amount was fully collateralized by securities pledged and held by a financial institution's trust department or agent, not in the City's name, as of June 30, 2013.

*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, 2013 are provided in the previous schedule.

*Credit Risk*

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

1. An obligation for which the United States has pledged its faith and credit for the payment of principal and interest.
2. An obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress.
3. A repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer.
4. Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission (SEC) or the Treasurer.
5. Commercial Paper that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United States SEC provided that such Commercial Paper may not exceed five percent of the total investments made by the Treasurer under this subsection.
6. With respect to amounts treated by the Internal Revenue Service as bond sale proceeds only, bonds, notes, or other obligations of investment grade in the highest quality letter and numerical rating by at least one nationally recognized statistical rating organization as designated by either the United

**CITY OF WESTMINSTER, MARYLAND**  
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States SEC issued by, or on behalf of, this or any other state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or any fund or trust that invests only in securities of the type described in this paragraph.

7. Money market mutual funds that:
  - a. contain only securities of the organizations listed in items 1, 2, and 3 of this subsection;
  - b. are registered with the SEC under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended; and
  - c. are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended.
8. Any investment portfolio created under the MLGIP defined under Article 95 22G of the code that is administered by the office of the State Treasurer.
9. Interest-bearing time deposits (including certificates of deposit) and/or savings accounts in any bank(s) or savings and loan association(s) in the State of Maryland, which are collateralized, as provided in the State Finance and Procurement Article.

*Concentration of Credit Risk*

Based on the formal investment policy, the City invests no more than 70% of its total investment portfolio in any single security type or in any single financial institution, excluding the MLGIP. At June 30, 2013, the City had no concentration of credit risk.

**Note 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, 2013, \$25,250 remains outstanding on the loan, \$1,650 of which has been classified as a current asset.

**Note 4. Mortgage Receivable and Assets Held for Resale**

In April 2010, the City sold several Union Street lot properties to the Episcopal Housing Corporation (EHC) for rehabilitation as a nine-unit, low-income housing area. The City and EHC agreed to a \$494,000, zero-interest loan, payable at \$40,500 for each of the first eight lots sold upon sale and remaining balance due upon the earlier of the sale of the ninth lot or September 30, 2011, which included anticipated

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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extensions. As of June 30, 2012, four lots had been sold and the City agreed to accept the remaining five properties as satisfaction for the outstanding receivable, \$274,444, and deferred revenue, \$11,835. In November 2012, these five properties were transferred to the City, by deed, in satisfaction of the outstanding open receivable and deferred revenue. These properties were appraised at \$85,000 and are anticipated to be transferred to Habitat for Humanity at this value within the next fiscal year. As of June 30, 2013, these properties were recorded as an Asset Held for Resale at the appraised value and a corresponding loss on valuation was realized to adjust to current market.

**Note 5. Capital Assets**

A summary of governmental activities follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transferred</u> <u>to Active</u> <u>Status</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Capital Assets</b>					
<b>Non-Depreciable Assets</b>					
Land and Land Rights	\$ 319,168	\$ 4	\$ -	\$ -	\$ 319,172
Construction in Progress	132,870	103	-	(119,373)	13,600
<b>Total Non-Depreciable Assets</b>	<u>452,038</u>	<u>107</u>	<u>-</u>	<u>(119,373)</u>	<u>332,772</u>
<b>Depreciable Assets</b>					
Buildings	12,101,020	26,600	-	-	12,127,620
Equipment	3,471,242	458,378	19,792	-	3,909,828
Furniture and Fixtures	128,041	-	-	-	128,041
Improvements Other than					
Buildings	8,364,966	103,395	-	119,313	8,587,674
Infrastructure	42,746,863	1,141,875	-	60	43,888,798
Vehicles	2,604,787	180,771	48,916	-	2,736,642
<b>Total Depreciable Assets</b>	<u>69,416,919</u>	<u>1,911,019</u>	<u>68,708</u>	<u>119,373</u>	<u>71,378,603</u>
<b>Total Capital Assets</b>	<u>69,868,957</u>	<u>1,911,126</u>	<u>68,708</u>	<u>-</u>	<u>71,711,375</u>
<b>Accumulated Depreciation</b>					
Buildings	3,952,935	285,579	-	-	4,238,514
Equipment	2,248,982	210,554	19,792	-	2,439,744
Furniture and Fixtures	128,041	-	-	-	128,041
Improvements Other than					
Buildings	3,756,570	200,277	-	-	3,956,847
Infrastructure	17,545,988	1,087,987	-	-	18,633,975
Vehicles	1,967,918	169,695	48,916	-	2,088,697
<b>Total Accumulated Depreciation</b>	<u>29,600,434</u>	<u>1,954,092</u>	<u>68,708</u>	<u>-</u>	<u>31,485,818</u>
<b>Total Capital Assets, Net</b>	<u>\$ 40,268,523</u>	<u>\$ (42,966)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,225,557</u>

Accumulated costs attributable to projects included in construction in progress at June 30, 2013 are as follows:

<b>General Fund</b>	
Wakefield Valley Trail Extension	<u>\$ 13,600</u>
<b>Total Construction in Progress</b>	<u>\$ 13,600</u>

**CITY OF WESTMINSTER, MARYLAND**  
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Depreciation expense was charged to governmental activities functions as follows:

<b>General Fund</b>	
General Government	\$ 59,856
Public Safety	117,182
Public Works	1,500,129
Recreation and Culture	258,178
Community Development	18,747
<b>Total Depreciation Expense</b>	<b><u>\$ 1,954,092</u></b>

A summary of business-type activities follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transferred</u> <u>to Active</u> <u>Status</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Capital Assets</b>					
<b>Non-Depreciable Assets</b>					
Land and Land Rights	\$ 190,915	\$ -	\$ -	\$ -	\$ 190,915
Construction in Progress	1,045,486	661,004	-	(43,200)	1,663,290
<b>Total Non-Depreciable Assets</b>	<u>1,236,401</u>	<u>661,004</u>	<u>-</u>	<u>(43,200)</u>	<u>1,854,205</u>
<b>Depreciable Assets</b>					
Buildings	-	19,526	-	-	19,526
Equipment	3,624,514	208,091	-	-	3,832,605
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	45,239,690	163,432	-	-	45,403,122
Utility Plant	27,833,708	-	-	43,200	27,876,908
Vehicles	605,487	234,820	39,755	-	800,552
<b>Total Depreciable Assets</b>	<u>77,309,813</u>	<u>625,869</u>	<u>39,755</u>	<u>43,200</u>	<u>77,939,127</u>
<b>Total Capital Assets</b>	<u>78,546,214</u>	<u>1,286,873</u>	<u>39,755</u>	<u>-</u>	<u>79,793,332</u>
<b>Accumulated Depreciation</b>					
Buildings	-	488	-	-	488
Equipment	2,436,703	176,872	-	-	2,613,575
Furniture and Fixtures	6,414	-	-	-	6,414
Infrastructure	13,212,663	699,844	-	-	13,912,507
Utility Plant	11,449,003	726,651	-	-	12,175,654
Vehicles	493,530	44,718	39,755	-	498,493
<b>Total Accumulated Depreciation</b>	<u>27,598,313</u>	<u>1,648,573</u>	<u>39,755</u>	<u>-</u>	<u>29,207,131</u>
<b>Total Capital Assets, Net</b>	<u>\$ 50,947,901</u>	<u>\$ (361,700)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,586,201</u>

**CITY OF WESTMINSTER, MARYLAND  
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Accumulated costs attributable to projects included in construction in progress at June 30, 2013 are as follows:

<b>Water Fund</b>	
Gessell Well/Little Pike Creek	\$ 393,868
Raw Reservoir Expansion	69,441
Sawgrass Water Tank - Painting	235,600
Well #8 (Radon/Nitrate Storage)	<u>200,726</u>
<b>Total Water Fund</b>	<u>899,635</u>
<b>Sewer Fund</b>	
Enhanced Nutrient Removal Project & Biosolids Upgrade - WWTP	<u>763,655</u>
<b>Total Sewer Fund</b>	<u>763,655</u>
<b>Total Construction in Progress</b>	<u><u>\$ 1,663,290</u></u>

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

<b>Water Fund</b>	\$ 787,481
<b>Sewer Fund</b>	<u>861,092</u>
<b>Total Depreciation Expense</b>	<u><u>\$ 1,648,573</u></u>

**Note 6. Loan Payable**

In February 2007, the City received \$100,000 in zero-interest financing from the Westminster Town Center Corporation to be used for the purchase and rehabilitation of certain properties to be sold as affordable housing to qualified buyers, all of which was outstanding at June 30, 2013. The loan is payable upon the sale of the related properties, which is anticipated to occur within the next fiscal year.

**Note 7. Line of Credit**

In December 2010, the City opened a \$1,000,000, variable rate line-of-credit to fund short-term working capital needs. As of June 30, 2013, there have been no advances against this line-of-credit and, hence, no outstanding balance.

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**Note 8. Due to Other Governments**

In prior years, the City received \$478,000 from the Carroll County Commissioners of Maryland in relation to agreements to provide water service to the County Airport and County Industrial Park Complex for \$228,000 and for project costs for expanding permanent sewage infrastructure along Maryland Route 31 and the Adams Mill Road Vicinity (the "Avondale" area) for \$250,000. Both amounts bear no interest and no repayment guidelines, and have been classified as non-current obligations of the City. As of June 30, 2013, \$84,791 and \$149,037 are outstanding on the County Airport and County Avondale obligations, respectively.

**Note 9. Capital Leases**

The City has entered into several agreements to lease server configuration equipment and a Voice Over Internet Protocol (VOIP) phone system. The obligations are secured by the related assets and carry stated interest rates from 5.66% to 20.95%.

At June 30, 2013, future minimum payments required under leases with terms greater than one year, and the present value of minimum capital lease payments, were as follows, for the year ending June 30:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	\$ 35,690	\$ 71,380
2015	26,883	53,766
2016	26,883	53,766
2017	20,186	40,371
2018	13,489	26,978
<b>Total Minimum Lease Payments</b>	<b>123,131</b>	<b>246,261</b>
<b>Less: Amount Representing Interest</b>	<b>15,647</b>	<b>31,295</b>
<b>Present Value of Net Future Minimum Capital Lease Payments included in General Long-Term Debt</b>	<b>107,484</b>	<b>214,966</b>
<b>Less: Current Portion</b>	<b>31,560</b>	<b>63,120</b>
<b>Long-Term Portion</b>	<b>\$ 75,924</b>	<b>\$ 151,846</b>

Assets under capital lease included in Property and Equipment at June 30, 2013 include the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b>Asset Cost under Capital Lease</b>		
<b>Equipment</b>	<b>\$ 225,361</b>	<b>\$ 450,722</b>
<b>Less: Accumulated Depreciation</b>	<b>81,728</b>	<b>163,455</b>
<b>Total Asset Cost under Capital Lease, Net</b>	<b>\$ 143,633</b>	<b>\$ 287,267</b>

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**Note 10. Long-Term Debt**

General Obligation Bonds outstanding as of June 30, 2013 are composed of the following:

<b>Governmental Activities General Obligation Bonds Payable</b>	
\$4,820,000 Infrastructure Bonds - 2005 Series A due in annual principal payments of \$148,000 - \$300,000 plus interest paid semi-annually at rates of 4.00% - 4.40%. The bond matures on May 1, 2030.	3,755,500
\$1,541,400 Infrastructure Bonds - 2012 Series B due in annual principal payments of \$157,500 - \$165,500 plus interest paid semi-annually at rates of 0.61% - 2.53%. The bond matures on May 1, 2022.	1,394,900
Less: Deferred Amount on Refunding	<u>(25,290)</u>
<b>Total Governmental Activities General Obligation Bonds Payable</b>	<u>5,125,110</u>
<b>Proprietary Fund General Obligation Bonds Payable</b>	
<u>Water Fund</u>	
Drinking Water Bond, Series 2000, in the amount of \$1,269,858. Due in annual principal payments of \$66,965. - \$80,145 plus interest paid semi-annually at a rate of 2.6%. The bond matures on February 1, 2021.	587,089
Drinking Water Bond, Series 2007, in the amount of \$9,850,906. Due in annual principal payments of \$552,341 - \$546,872 plus interest paid semi-annually at a rate of 1.0%. Interest payments began on August 1, 2007 and principal payments began on February 1, 2010. The bond matures on February 1, 2027.	7,694,690
Drinking Water Bond, Series 2008, in the amount of \$4,415,138. Due in annual principal payments of \$204,614 - \$285,190 plus interest paid semi-annually at a rate of 2.4%. Interest payments began on August 1, 2009 and principal payments began on February 1, 2010. The bond matures on February 1, 2028.	<u>3,642,529</u>
<b>Total Proprietary Fund General Obligation Bonds Payable</b>	<u>11,924,308</u>
<b>Total General Obligation Bonds Payable</b>	<u><u>\$ 17,049,418</u></u>

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

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Changes in Long-Term Debt

During FY2013, the City refunded the 2002 Series A Infrastructure Bonds to take advantage of favorable interest rates resulting in a discounted savings of \$184,179 over the remaining 10-year life of this obligation. The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 5,446,700	\$ 1,541,000	\$ 1,837,300	\$ 5,150,400	\$ 305,500
Capital Lease Obligations	64,070	60,045	16,631	107,484	31,560
<b>Other Long-Term Liabilities:</b>					
Compensated Absences	356,729	19,666	15,377	361,018	16,677
Net OPEB Obligations	762,279	142,299	-	904,578	-
	6,629,778	1,763,010	1,869,308	6,523,480	353,737
Less: Deferred Amount of Refunding	-	(26,839)	(1,549)	(25,290)	-
<b>Total Governmental Activities</b>	<b>\$ 6,629,778</b>	<b>\$ 1,736,171</b>	<b>\$ 1,867,759</b>	<b>\$ 6,498,190</b>	<b>\$ 353,737</b>
<b>Business-Type Activities</b>					
General Obligation Bonds Payable	\$ 12,736,266	\$ -	\$ 811,958	\$ 11,924,308	\$ 823,919
Capital Lease Obligations	128,138	120,090	33,262	214,966	63,120
<b>Other Long-Term Liabilities:</b>					
Compensated Absences	221,939	8,613	17,534	213,018	-
Net OPEB Obligations	327,721	129,701	-	457,422	-
Interfund Payables	541,250	-	300,000	241,250	241,250
Due to Other Governments	233,828	-	-	233,828	-
<b>Total Business-Type Activities</b>	<b>\$ 14,189,142</b>	<b>\$ 258,404</b>	<b>\$ 1,162,754</b>	<b>\$ 13,284,792</b>	<b>\$ 1,128,289</b>

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

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

Years Ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	305,500	180,528	823,919	179,632
2015	312,700	172,955	836,095	167,457
2016	320,200	164,813	848,488	155,063
2017	327,700	156,115	861,105	142,447
2018	340,100	147,019	873,949	129,603
2019-2023	1,681,700	574,795	4,404,114	449,184
2024-2028	1,272,500	301,306	3,276,638	139,303
2029-2030	590,000	39,160	-	-
Less: Deferred Amount of Refunding	(25,290)	-	-	-
<b>Total</b>	<b>\$ 5,125,110</b>	<b>\$ 1,736,691</b>	<b>\$ 11,924,308</b>	<b>\$ 1,362,689</b>

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Interest costs incurred for the year ended June 30, 2013 were \$218,755 for governmental activities, all of which were charged to expense, and \$197,480 for business-type activities, all of which were charged to expense.

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, 2013, there were various series of Economic Development Revenue Bonds and Educational Facilities Revenue Bonds outstanding, with an aggregate principal amount payable of \$90,767,000.

**Note 11. Interfund Transactions**

Interfund receivable and payable balances at June 30, 2013, consisted of the following:

<u>Due to</u>	<u>Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Sewer Fund</u>	
General Fund	\$ -	\$ 8,837	\$ -	\$ 8,837
Sewer Fund	219,793	258	-	220,051
Water Fund	28,507	401	31,187	60,095
<b>Total</b>	<u>\$ 248,300</u>	<u>\$ 9,496</u>	<u>\$ 31,187</u>	<u>\$ 288,983</u>

The interfund balance due from the Water Fund to the General Fund includes \$241,250 in outstanding loans to assist with working capital over the past several fiscal years. In addition, the City established an earmarked fund for estimated future OPEB obligations in the General Fund. Since no irrevocable trust is established, a long-term liability for the Net OPEB Obligation (NOO) remains outstanding for the Water Fund, offset by \$254,348 interfund receivable from the General Fund, where these funds are maintained, which is not expected to be collected in the subsequent year.

The interfund balance due from the General Fund to the Sewer Fund includes \$221,049 interfund receivable related funds earmarked for estimated future OPEB obligations that are maintained by the General Fund and are not expected to be collected in the subsequent year.

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

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

Interfund transfers were made between the General Fund and the Water and Sewer Funds for shared liabilities, technology equipment, and related technology equipment leases.

**Note 12. Net Position and Fund Balances**

The governmental fund balances at June 30, 2013, are summarized as follows:

	General Fund	Public Housing Agency Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Non-Spendable:</b>			
Prepaid Expenditures	\$ 143,150	\$ 5,463	\$ 148,613
Inventory	59,314	-	59,314
Assets Held for Resale	85,000	-	85,000
L/T Loan Receivable - Human Services Program	23,600	-	23,600
Subtotal	<u>311,064</u>	<u>5,463</u>	<u>316,527</u>
<b>Restricted:</b>			
Housing Voucher Program	-	396,967	396,967
Capital Improvements	1,899,612	-	1,899,612
Infrastructure Growth	985,652	-	985,652
Employee Flexible Spend Account	16,525	-	16,525
Police Non-Budgeted	38,680	-	38,680
Tax Revenue Commitments	340,000	-	340,000
Subtotal	<u>3,280,469</u>	<u>396,967</u>	<u>3,677,436</u>
<b>Committed to:</b>			
Employee Health Insurance	198,091	-	198,091
Police Discretionary Use	11,377	-	11,377
Subtotal	<u>209,468</u>	<u>-</u>	<u>209,468</u>
<b>Assigned to:</b>			
Farmer's Market	2,456	-	2,456
Tree Commission	2,330	-	2,330
Subtotal	<u>4,786</u>	<u>-</u>	<u>4,786</u>
<b>Unassigned</b>	<u>7,138,834</u>	<u>-</u>	<u>7,138,834</u>
Total Fund Balance	<u>\$ 10,944,621</u>	<u>\$ 402,430</u>	<u>\$ 11,347,051</u>

The government-wide statement of net position for the year ended June 30, 2013 reports \$3,622,231 and \$7,573,530 of restricted net position for the City's

**CITY OF WESTMINSTER, MARYLAND**  
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governmental and business-type activities, respectively, of which \$3,225,264 and \$7,573,530, respectively, is restricted by enabling legislation.

**Note 13. Property Taxes**

From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxes are due and payable on the first day of July on the year for which they are levied and become overdue and in arrears on the first day of the following October. The Mayor and Common Council also have the authority to levy a half-year tax on new construction due and payable on January 1<sup>st</sup> in the year such tax is levied. Tax rate for the year ended June 30, 2013 was \$0.57 per \$100 of assessed property value.

**Note 14. Lease Agreements**

The City has entered into communication tower lease agreements with various unrelated parties through 2018. All lease agreements are renewable for four successive five-year periods at the lessee's discretion. Rental income for the year ended June 30, 2013, was \$206,240. Future minimum annual rental income for the Water Fund is determined as follows, for the years ending June 30:

2014	\$ 172,563
2015	179,470
2016	134,926
2017	81,716
2018	5,200
<b>Total</b>	<u><u>\$ 573,875</u></u>

**Note 15. Operating Leases**

The City has entered into a five-year operating lease, dated April 2012, with an unrelated party for the leasing of office space, through March 2015, with the option to renew for an additional three-year period. The lease agreement states that the City is responsible for fifty-six percent (56%) of real estate taxes levied against the premises, as well as fifty-six percent (56%) of annual operating expenses incurred by landlord. If renewed at end of initial term, monthly lease amount will increase 1.54%, 1.52% and 1.49%, annually beginning April 2015.

The City also has entered into an operating lease, dated February 2005, with an unrelated party for leasing of a parking lot through February 2015. The rental agreement is renewable for two additional 3-year periods at the City's discretion.

In addition, the City has various operating leases with unrelated parties for copiers through August 2018.

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The following is a schedule of future minimum rental payments required under the operating leases as of June 30, 2013:

	<u>Governmental</u>		<u>Business-Type</u>
	<u>Activities</u>		<u>Activities</u>
2014	\$ 78,779	\$	104,629
2015	\$ 55,942	\$	80,106
2016	\$ 4,234	\$	2,980
2017	\$ 2,805	\$	2,980
2018	\$ 373	\$	745
	<u>\$ 142,133</u>	<u>\$</u>	<u>191,440</u>

Rent expense for governmental and business-type activities for the year ended June 30, 2013 were \$77,615 and \$102,302, respectively.

**Note 16. Defined Contribution Plans**

The City, in accordance with City Council approval, has two defined contribution plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a), respectively. The 457(b) plan is available to all regular full-time and part-time employees, and the 401(a) plan is available to those employees who are not members of the Law Enforcement Officers' Pension System (LEOPS) of Maryland, with at least six months of employment service. The 457(b) and 401(a) plans have 80 and 95 active participants, respectively, as of June 30, 2013.

The 457(b) plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution. Employees can defer the lesser of \$17,000, adjusted annually for cost-of-living increases, and up to an additional \$5,500 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 \$5,000, with an additional \$1,000 catch-up for employees age 50 or over. No City contributions were made to the 457(b) plan for the year ended June 30, 2013.

The 401(a) plan permits the City to contribute two percent of eligible employees' salary to a maximum of \$50,000 per employee, adjusted annually for cost-of-living increases, to this plan based on attaining six months of service. Employees are fully vested in this plan upon contribution. The City contributed \$64,703 to the 401(a) plan for the year ended June 30, 2013.

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.

**CITY OF WESTMINSTER, MARYLAND**  
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**Note 17. Pension Plans**

**Non-Uniformed Employees**

**Plan Description**

The City participates in two defined benefit pension plans, which provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Employees' Retirement System (ERS) and the Employees' Pension System (EPS) are part of the Employees' Combined System (ECS) of Maryland, a cost-sharing multiple-employer public employee retirement system administered by the State Retirement Agency of Maryland.

Effective January 1, 1980, the ERS was effectively closed to new membership when the EPS was established. Individuals who were members of the ERS on December 31, 1979 continued their ERS membership unless and until they elect to transfer to the new system.

The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement and Pension System of Maryland issues a publicly available comprehensive annual financial report that includes the actuarial valuation, financial statements and required supplementary information, and other statistical and portfolio information for the ECS. That report may be obtained by writing to State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland, 21202 or on the Internet at [www.sra.state.md.us](http://www.sra.state.md.us).

**Funding Policy**

The contribution requirements of plan members and employers are established and may be amended by the System's Board of Trustees. ERS plan members are required to contribute either five or seven percent of earnable compensation, depending upon the retirement option selected, and EPS plan members are required to contribute seven percent of earnable compensation. The employers are required to contribute at an actuarially determined rate for both plans, which was 12.88% and 8.99% of earnable compensation for ERS and EPS plan members, respectively, for the year ended June 30, 2013.

**Annual Pension Cost**

For the years ended June 30, 2013, 2012, and 2011, the City's pension cost for ERS and EPS was equal to \$396,797, \$487,379, and \$467,994, respectively, and represented 100% of the City's required contribution for each year. The required contributions were determined by actuarial valuation using the individual entry age normal cost method.

**Law Enforcement Officers**

**Plan Description**

The City participates in another defined benefit pension plan for law enforcement officers, which provides retirement and disability benefits, annual cost-of-living

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adjustments, and death benefits to plan members and beneficiaries. The LEOPS is a cost-sharing multiple-employer public employee retirement system administered by the State Retirement Agency of Maryland.

The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The State Retirement and Pension System of Maryland issues a publicly available comprehensive annual financial report that includes the actuarial valuation, financial statements and required supplementary information, and other statistical and portfolio information for the LEOPS. That report may be obtained by writing to State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, Maryland, 21202 or on the Internet at [www.sra.state.md.us](http://www.sra.state.md.us).

*Funding Policy*

The contribution requirements of plan members and employers are established and may be amended by the System's Board of Trustees. The LEOPS plan members are required to contribute four, five, or seven percent of earnable compensation, depending upon the retirement option selected. Employers are required to contribute to the plan at an actuarially determined rate, which was 28.71% of earnable compensation for LEOPS plan members for the year ended June 30, 2013.

*Annual Pension Cost*

For the years ended June 30, 2013, 2012, and 2011, the City's pension cost for the LEOPS was \$372,877, \$446,859, and \$532,566, respectively, and represented 100% of the City's required contribution for each year after application of the relating \$167,052 annual credit. The required contributions were determined by actuarial valuation using the individual entry age normal cost method.

*Actuarial Assumptions*

Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75% compounded annually, (b) projected salary increases of 3.50% to 12.00% compounded annually, attributable to inflation, (c) post-retirement benefit increases ranging from 2.75% to 3.50% for service prior to July 1, 2011 and 1.70% to 3.50% for service after June 30, 2011 per year based on the system and provisions and, (d) rates of mortality, termination of service, disablement and retirement are based on actual experience during the period from 2006 through 2010. The UAAL which existed as of June 30, 200 actuarial valuation, is being amortized over the remaining 7-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000, is being amortized in separate annual layers over a 25-year period.

**Note 18. Other Postemployment Benefits Plan**

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

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Retiree Insurance Policy and the Retirement Medical Insurance Policy (effective July 1, 2008).

*Plan Description and Funding Policies*

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

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

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

Membership of the plan consisted of 137 participants, 113 of which are active plan members and 24 are retirees and beneficiaries receiving benefits at June 30, 2013.

The plan is unfunded, with premium payments made by the City on a pay-as-you-go basis. All eligible retirees are required to reimburse the City for premiums paid for medical and hospitalization and prescription drug benefits elected as paid by the City. These reimbursements are withheld from the retirees' state retirement benefit on behalf of the City, and are forwarded to the City on a monthly basis. For the year ended June 30, 2013, the City paid premium costs of \$163,152 for retirees, their spouses and dependents, \$61,227 of which was reimbursed by plan members based on eligibility in accordance with the plan's applicable policy.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the *annual required contribution (ARC) of the employer*, which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost, the estimated actuarial amount contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2013:

Annual Required Contribution	\$ 432,000
Interest on Net OPEB Obligation	45,000
Adjustment to Annual Required Contribution	(68,000)
Annual OPEB Cost	<u>409,000</u>
Contributions Made	(137,000)
Increase (Decrease) in Net OPEB Obligation	<u>272,000</u>
Net OPEB Obligation - Beginning of Year	1,090,000
Net OPEB Obligation - End of Year	<u><u>\$ 1,362,000</u></u>

Funded Status and Funding Progress

As of the July 1, 2011 valuation, the actuarial accrued liability for benefits was \$4,736,000, all of which was unfunded, the covered payroll (annual payroll of active employees covered by the plan) was \$7,794,504, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.08%.

Actuarial Assumptions and Methods

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

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

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

For the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used, based on assumption that between 4% and 100% of general employees, based on points and gender, will retire upon attainment of the eligibility requirements for retirement, and that law enforcement employees reaching 25 years of service will retire between 15% and 35%, based on age, upon attainment of the eligibility requirements for retirement as of the valuation date. The valuation assumes that between 50% and 100% of eligible retirees, based on points, will elect coverage in the plan, and 20% of these eligible retirees are assumed to be married and will have a spouse covered by the plan at retirement.

The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the City's assets, and medical and prescription drug base and sensitivity decreasing from 5.7% and 6.7%, respectively, in 2013 to an ultimate level of 4.2% and 5.2%, respectively, in 2080 and thereafter. Additional medical trend assumptions were developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions with the following used as input variables: 3.2% rate of inflation, 0.9% rate of growth in real income/gross domestic product (GDP) per capita, 1.4 income multiplier for health spending, 1.2% extra trend due to technology and other factors, 25% health share of GDP resistance point, and 2075 being the year for limiting cost growth to GDP growth. The UAAL is being amortized as a level dollar amount on a 30-year closed basis. The remaining amortization period at the July 1, 2011 valuation was 27 years.

**Note 19. Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Income	\$ 429,087	\$ 1,038,193	\$ 1,467,280
Adjustments to Reconcile Operating Income			
Depreciation	861,092	787,481	1,648,573
(Increase) Decrease in:			
Account Receivable	129,379	78,133	207,512
Due From Other Governments	(1,459)	-	(1,459)
Unbilled Services	53,008	77,702	130,710
Inventory	231	1,963	2,194
Prepaid Expenses	2,589	5,954	8,543
Increase (Decrease) in:			
Account Payable	(97,146)	167,819	70,673
Due To Other Governments	122,587	5,005	127,592
Deferred Revenue	-	60,658	60,658
Accrued Expenses	1,500	34,955	36,455
Accrued Compensated Absences	(1,788)	(7,133)	(8,921)
Accrued OPEB	78,943	50,758	129,701
Net Cash Provided by Operating Activities	<u>\$ 1,578,023</u>	<u>\$ 2,301,488</u>	<u>\$ 3,879,511</u>

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 20. 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, 2013, 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.

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

Project	Contract Amount	Amount Outstanding at June 30, 2013
Well # 8 (Radon Removal/Nitrate Storage)	\$ 237,823	\$ 37,097
Gessell Well	128,651	32,292
ENR & Biosolids Upgrade WWTP	2,078,318	1,715,111
ADA Sidewalk Ramps	318,875	318,875
Sawgrass Water Tank Repainting	395,814	160,214
Longwell & City Hall Window Replacement	237,450	237,450

**Note 21. 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 in the Local Government Insurance Trust (LGIT), which is owned and directed by local governments (participants) that subscribe to its insurance coverages. The 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 the LGIT's operations.

The maximum coverage under the liability pool of the 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, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 22. Environmental Concerns**

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

**Note 23. Concentrations and Economic Dependencies**

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

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

**Note 24. New Governmental Accounting Standards Board Pronouncements**

The GASB has issued several pronouncements prior to the year ended June 30, 2013 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending June 30, 2014. The purpose of this statement is to define/re-define items previously categorized as assets or liabilities to be as-is or get reported as deferred outflows or deferred inflows, respectively, per Statement No. 63. The impact to the City is predominantly dependent upon the nature of activities during a given reporting cycle.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending June 30, 2014. This release will have no direct impact on the City, simply aid in the preparation of future financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the City beginning with its year ending June 30, 2014. The purpose of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans, and requires presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This release will have no impact on the City as it does not maintain its own pension plan.

**CITY OF WESTMINSTER, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the City beginning with its year ending June 30, 2015. The purpose of this statement is to improve accounting and financial reporting for pensions. The City currently participates in a cost sharing plan (MSRP) and will need to report its proportion share of the net pension liability, pension expense, deferred outflows and deferred inflows of the State plan, as applicable, as well as informational disclosures.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations (such as mergers, acquisitions, and transfers) and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. For government acquisitions, this Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Additionally, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the City beginning with its year ending June 30, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

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*Required Supplementary Information*





**City of Westminster, Maryland**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget to Actual - General Fund**  
**For the Year Ended June 30, 2013**  
**(UNAUDITED - See Accompanying Independent Auditor's Report)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes	\$ 11,312,094	\$ 11,312,094	\$ 11,823,982	\$ 511,888
Licenses & Permits	410,500	410,500	495,625	85,125
Intergovernmental	1,683,364	1,728,037	1,516,551	(211,486)
Charges for Services	861,053	600,250	732,550	132,300
Fines & Forfeitures	212,650	212,650	177,913	(34,737)
Interest & Investment Earnings	48,500	48,500	12,898	(35,602)
Rental Income	5,000	5,000	5,080	80
Miscellaneous	65,000	68,317	265,093	196,776
<b>TOTAL REVENUES</b>	<b>14,598,161</b>	<b>14,385,348</b>	<b>15,029,692</b>	<b>644,344</b>
<b>EXPENDITURES</b>				
General Government	1,862,653	1,862,653	1,434,760	(427,893)
Public Safety	5,932,385	5,932,385	5,565,297	(367,088)
Public Works	3,172,374	3,172,374	2,895,110	(277,264)
Recreation & Parks	1,081,808	1,081,808	900,955	(180,853)
Community Development & Housing	136,742	148,992	125,350	(23,642)
Debt Service	539,268	539,268	539,222	(46)
Capital Outlays	2,207,831	2,384,041	1,894,285	(489,756)
<b>TOTAL EXPENDITURES</b>	<b>14,933,061</b>	<b>15,121,521</b>	<b>13,354,979</b>	<b>(1,766,542)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(334,900)</b>	<b>(736,173)</b>	<b>1,674,713</b>	<b>2,410,886</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Issuance of Long-Term Debt	-	-	60,045	60,045
Assets Held for Resale Disposition	10,000	10,000	6,542	(3,458)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>10,000</b>	<b>10,000</b>	<b>66,587</b>	<b>56,587</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ (324,900)</b>	<b>\$ (726,173)</b>	<b>1,741,300</b>	<b>\$ 2,467,473</b>
Adjustments to conform with Generally Accepted Accounting Principles			(227,274)	
Fund Balances - Beginning of Year			9,430,595	
<b>FUND BALANCES - END OF YEAR</b>			<b>\$ 10,944,621</b>	

**City of Westminster, Maryland**  
**Schedule of Funding Progress -**  
**Combined State Retirement and Pension System of Maryland**  
**(UNAUDITED - See Accompanying Independent Auditor's Report)**

(Expressed in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [ (b-a)/c ]
2010	\$ 34,688	\$ 54,085	\$ 19,397	64.14%	\$ 10,658	181.99%
2011	\$ 36,178	\$ 55,918	\$ 19,740	64.70%	\$ 10,479	188.38%
2012	\$ 37,248	\$ 57,869	\$ 20,621	64.37%	\$ 10,337	199.49%

**CITY OF WESTMINSTER, MARYLAND**  
**OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**  
**(UNAUDITED - SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT)**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [ (b-a)/c ]
		(AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
7/1/2010	\$ -	\$ 4,346,000	\$ 4,346,000	0.00%	\$ 7,651,516	56.80%
7/1/2011	\$ -	\$ 4,526,000	\$ 4,526,000	0.00%	\$ 7,776,206	58.20%
7/1/2012	\$ -	\$ 4,736,000	\$ 4,736,000	0.00%	\$ 7,794,504	60.76%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed	Net OPEB Obligation
2011	\$ 374,000	\$ 105,000	28.1%	\$ 803,000
2012	\$ 395,000	\$ 120,000	30.4%	\$ 1,090,000
2013	\$ 432,000	\$ 137,000	31.7%	\$ 1,362,000

# **City Of Westminster, Maryland**

OMB Circular A-133  
Supplementary Financial Report  
Year Ended June 30, 2013

## Contents

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**Independent Auditor's Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of  
Financial Statements Performed In Accordance  
With *Government Auditing Standards***

Mayor and Common Council  
City of Westminster, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Westminster, Maryland (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2013.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the printed name and date.

Frederick, Maryland  
October 30, 2013



**Independent Auditor's Report On Compliance For Each Major Program;  
Report On Internal Control Over Compliance; And Report On  
Schedule Of Expenditures Of Federal Awards  
Required By OMB Circular A-133**

Mayor and Common Council  
City of Westminster, Maryland

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

We have audited the City of Westminster, Maryland's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 And Supplementary Information Required by the Department of Housing and Urban Development, REAC

We have audited the financial statements of the City as of and for the year ended June 30, 2013, and have issued our report dated October 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. The financial data schedule and HAP and admin equity calculations are presented for purposes of additional analysis, as required by the Department of Housing and Urban Development, REAC, and also are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards, the financial data schedule, and HAP and equity calculations are fairly stated in all material respects in relation to the financial statements as a whole.



Frederick, Maryland  
October 30, 2013

**City Of Westminster, Maryland**

**Schedule Of Expenditures Of Federal Awards  
Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor Program Or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct Program:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 1,814,340
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,814,340</u>
<b>U.S. Department of Justice</b>			
Passed through Governor's Office of Crime Control and Prevention:			
Violence Against Women Formula Grants	16.588	VAWA-2011-1054 VAWA-2012-1054	<u>45,309</u>
Passed through Carroll County Health Department:			
Enforcing Underage Drinking Laws Program	16.727	R.A.A.M EUDL-2009-1017	<u>382</u>
Direct Program:			
Bulletproof Vest Partnership/Body Armor Safety Initiative	16.607	N/A	<u>2,488</u>
Edward Byrne Memorial JAG Program	16.738	2011-DJ-BX-1429 2010-DJ-BX-0353	<u>25,000</u>
<b>Total U.S. Department of Justice</b>			<u>73,179</u>
<b>U.S. Department of Transportation</b>			
Passed through Maryland Highway Safety Office (MHSO) and National Highway Traffic Safety Administration (NHTSA):			
State and Community Highway Safety	20.600	Smooth Operator 11-12	4,791
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Alcohol Forum 11-12	<u>9,336</u>
Total Highway Safety Cluster			<u>14,127</u>
<b>Total U.S. Department of Transportation</b>			<u>14,127</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Maryland Emergency Management Agency (MEMA):			
Disater Grants - Public Assistance	97.036	FEMA-3335-EM-MD	<u>42,880</u>
<b>Total U.S. Department of Homeland Security</b>			<u>42,880</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,944,526</u>

See Notes To Schedule Of Expenditures Of Federal Awards.

## City Of Westminster, Maryland

### Notes To Schedule Of Expenditures Of Federal Awards

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

The accompanying schedule of federal awards includes the federal grant activity of the City of Westminster, Maryland under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when expenditures are made in accordance with requirements of the respective grants.

**City Of Westminster, Maryland**

**Schedule Of Findings And Questioned Costs  
Year Ended June 30, 2013**

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**Section I. Summary Of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any auditor findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number</u> 14.871	<u>Name of Federal Program or Cluster</u> Section 8 Housing Choice Vouchers
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Dollar threshold used to distinguish between Type A and Type B programs: \$   300,000  

Auditee qualified as low-risk auditee?        Yes   X   No

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Findings And Questioned Costs For Federal Awards**

No matters were reported.

**City Of Westminster, Maryland**

**Summary Schedule Of Prior Audit Findings  
Year Ended June 30, 2013**

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**Financial Statement Findings**

*Identifying Number:* 2012-01 Segregation of Duties – Material Weakness

*Audit Finding:* There was a lack of segregation of duties between physical access to cash disbursements, preparation of cash disbursements, and maintenance of accounts payable system. The same individual posts accounts payable invoices, generates accounts payable checks, and prepares accounts payable checks for mailing. Additionally, blank check stock is not pre-numbered and is maintained in a file cabinet which is accessible by all finance department employees along with access to the printers containing the signature cards.

*Corrective Action Taken:* Corrective action was taken.

*Identifying Number:* 2012-02 Journal Entries – Significant Deficiency

*Audit Finding:* Some of the adjustments to the City's general ledger were being recorded without proper approval and supporting documentation.

*Corrective Action Taken:* Corrective action was taken.

**Federal Awards Findings**

No findings were reported for the year ended June 30, 2012 with respect to federal awards.

**City Of Westminster Housing Office (MD027)**

**Westminster, MD**

**Program Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted		
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted	\$411,776	\$411,776
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities	\$13,999	\$13,999
100 Total Cash	\$425,775	\$425,775
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects		
124 Accounts Receivable - Other Government		
125 Accounts Receivable - Miscellaneous	\$0	\$0
126 Accounts Receivable - Tenants		
126.1 Allowance for Doubtful Accounts - Tenants		
126.2 Allowance for Doubtful Accounts - Other		
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery	\$263,585	\$263,585
128.1 Allowance for Doubtful Accounts - Fraud	(\$158,151)	(\$158,151)
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$105,434	\$105,434
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets	\$5,463	\$5,463
143 Inventories		
143.1 Allowance for Obsolete Inventories		
144 Inter Program Due From		
145 Assets Held for Sale		
150 Total Current Assets	\$536,672	\$536,672
161 Land		
162 Buildings		
163 Furniture, Equipment & Machinery - Dwellings		
164 Furniture, Equipment & Machinery - Administration		

(Continued)

**City Of Westminster Housing Office (MD027)**  
**Westminster, MD**  
**Program Balance Sheet Summary (Continued)**

Submission Type: Audited/A-133                      Fiscal Year End:                      06/30/2013

	14.871 Housing Choice Vouchers	Total
165 Leasehold Improvements		
166 Accumulated Depreciation		
167 Construction in Progress		
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		
180 Total Non-Current Assets	\$0	\$0
190 Total Assets	\$536,672	\$536,672
311 Bank Overdraft		
312 Accounts Payable <= 90 Days	\$802	\$802
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable	\$4,511	\$4,511
322 Accrued Compensated Absences - Current Portion		
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		
333 Accounts Payable - Other Government	\$9,496	\$9,496
341 Tenant Security Deposits		
342 Deferred Revenues	\$105,434	\$105,434
343 Current Portion of Long-term Debt - Capital Projects/Mortgage		
344 Current Portion of Long-term Debt - Operating Borrowings		
345 Other Current Liabilities	\$13,999	\$13,999
346 Accrued Liabilities - Other		
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities	\$134,242	\$134,242

(Continued)

**City Of Westminster Housing Office (MD027)**  
**Westminster, MD**  
**Program Balance Sheet Summary (Continued)**

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	14.871 Housing Choice Vouchers	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage		
352 Long-term Debt, Net of Current - Operating Borrowings		
353 Non-current Liabilities - Other		
354 Accrued Compensated Absences - Non Current		
355 Loan Liability - Non Current		
356 FASB 5 Liabilities		
357 Accrued Pension and OPEB Liabilities		
350 Total Non-Current Liabilities	\$0	\$0
300 Total Liabilities	\$134,242	\$134,242
508.1 Invested In Capital Assets, Net of Related Debt		
509.2 Fund Balance Reserved	\$5,463	\$5,463
511.2 Unreserved, Designated Fund Balance		
511.1 Restricted Net Assets	\$396,967	\$396,967
512.1 Unrestricted Net Assets		
512.2 Unreserved, Undesignated Fund Balance		
513 Total Equity/Net Assets	\$402,430	\$402,430
600 Total Liabilities and Equity/Net Assets	\$536,672	\$536,672

**City Of Westminster Housing Office (MD027)**

**Westminster, MD**

**Program Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue		
70400 Tenant Revenue - Other		
70500 Total Tenant Revenue	\$0	\$0
70600 HUD PHA Operating Grants	\$1,814,340	\$1,814,340
70610 Capital Grants		
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted	\$2	\$2
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery	\$9,450	\$9,450
71500 Other Revenue	\$11,760	\$11,760
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted	\$832	\$832
70000 Total Revenue	\$1,836,384	\$1,836,384
91100 Administrative Salaries	\$128,074	\$128,074
91200 Auditing Fees	\$3,284	\$3,284
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing	\$709	\$709
91500 Employee Benefit contributions - Administrative	\$13,574	\$13,574
91600 Office Expenses	\$7,549	\$7,549
91700 Legal Expense	\$0	\$0
91800 Travel		
91810 Allocated Overhead		

(Continued)

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

Submission Type: Audited/A-133                      Fiscal Year End:                      06/30/2013

	14.871 Housing Choice Vouchers	Total
91900 Other	\$4,706	\$4,706
91000 Total Operating - Administrative	\$157,896	\$157,896
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	\$0	\$0
93100 Water		
93200 Electricity		
93300 Gas	\$483	\$483
93400 Fuel		
93500 Labor		
93600 Sewer		
93700 Employee Benefit Contributions - Utilities		
93800 Other Utilities Expense	\$2,300	\$2,300
93000 Total Utilities	\$2,783	\$2,783
94100 Ordinary Maintenance and Operations - Labor		
94200 Ordinary Maintenance and Operations - Materials and Other		
94300 Ordinary Maintenance and Operations Contracts	\$1,082	\$1,082
94500 Employee Benefit Contributions - Ordinary Maintenance		
94000 Total Maintenance	\$1,082	\$1,082
95100 Protective Services - Labor		
95200 Protective Services - Other Contract Costs		
95300 Protective Services - Other		
95500 Employee Benefit Contributions - Protective Services		
95000 Total Protective Services	\$0	\$0
96110 Property Insurance		
96120 Liability Insurance		

(Continued)

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

Submission Type: Audited/A-133                      Fiscal Year End:                      06/30/2013

	14,871 Housing Choice Vouchers	Total
96130 Workmen's Compensation	\$855	\$855
96140 All Other Insurance	\$39,329	\$39,329
96100 Total insurance Premiums	\$40,184	\$40,184
96200 Other General Expenses	\$32,436	\$32,436
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	\$32,436	\$32,436
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	\$0	\$0
96900 Total Operating Expenses	\$234,381	\$234,381
97000 Excess of Operating Revenue over Operating Expenses	\$1,602,003	\$1,602,003
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	\$1,755,229	\$1,755,229
97350 HAP Portability-In	\$3,850	\$3,850
97400 Depreciation Expense		
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds	\$0	\$0
97700 Debt Principal Payment - Governmental Funds	\$0	\$0
97800 Dwelling Units Rent Expense		
90000 Total Expenses	\$1,993,460	\$1,993,460
10010 Operating Transfer In		

(Continued)

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

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	14,871 Housing Choice Vouchers	Total
10020 Operating transfer Out		
10030 Operating Transfers from/to Primary Government		
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)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	(\$157,076)	(\$157,076)
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$559,506	\$559,506
11040 Prior Period Adjustments, Equity Transfers and Correction		
11050 Changes in Compensated Absence Balance	\$0	\$0
11060 Changes in Contingent Liability Balance	\$0	\$0
11070 Changes in Unrecognized Pension Transition Liability	\$0	\$0
11080 Changes in Special Term/Severance Benefits Liability	\$0	\$0
11090 Changes in Allowance for Doubtful Accounts - Dwelling	\$0	\$0
11100 Changes in Allowance for Doubtful Accounts - Other	\$0	\$0
11170 Administrative Fee Equity	\$196,842	\$196,842
11180 Housing Assistance Payments Equity	\$205,588	\$205,588
11190 Unit Months Available	3516	3516
11210 Number of Unit Months Leased	2652	2652
11270 Excess Cash		
11610 Land Purchases		
11620 Building Purchases		
11630 Furniture & Equipment - Dwelling Purchases		
11640 Furniture & Equipment - Administrative Purchases		
11650 Leasehold Improvements Purchases		
11660 Infrastructure Purchases		
13510 CFFP Debt Service Payments		
13901 Replacement Housing Factor Funds		

City Of Westminster Housing Office (MD027)  
Westminster, MD  
HAP and Admin Equity Calculations  
June 30, 2013

**HAP Excess/Deficit Calculation**

GL #	GL Description	Amount
110.492102	Annual Contributions Earned	\$ 1,648,064
	Total HUD Grants	<u>1,648,064</u>
110.492103	Repayments - HAP	4,725
110.494305	FSS Forfeitures	8,326
110.494201	Interest - Operating	2
110.494203	Interest - HAP	832
	<b>Total HAP Revenue</b>	<u>1,661,949</u>
110.65.100.5791	HAP - Homeownership	12,293
110.65.100.5792	HAP - Family Unification	24,316
110.65.100.5793	HAP - Tenant Protection	3,259
110.65.100.5795	HAP - All Other	1,655,714
110.65.100.5796	HAP - FSS Escrow	9,480
110.65.100.5797	HAP - Port-Out	50,167
	<b>Total HAP Expenses</b>	<u>1,755,229</u>
	<b>Net HAP</b>	(93,280)
<b><u>HAP Equity:</u></b>		
	Beginning of year	<u>298,868</u>
	End of year	<u>\$ 205,588</u>

**Admin Equity Calculation**

GL #	GL Description	Amount
110.492104	HUD Admin Fee Distribution	\$ 166,276
	Total HUD Grants	<u>166,276</u>
110.494202	Interest - Admin.	-
110.494302	Port-in: Subsidy Receipts	3,116
110.494303	Port-in: Admin Fee Receipts	318
110.494301	Repayments - Admin	4,725
	<b>Total Admin Revenue</b>	<u>174,435</u>
	Total PHA Expenses	1,993,460
	Less: HAP-related Expense	(1,755,229)
	<b>Total Admin Expenses</b>	<u>238,231</u>
	<b>Net Admin</b>	(63,796)
<b><u>Admin Equity:</u></b>		
	Beginning of year	<u>260,638</u>
	End of year	<u>\$ 196,842</u>

**Total Ending Equity**

\$ 402,430