



CITY OF WESTMINSTER,
MARYLAND

2020

ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2020

CITY OF WESTMINSTER

YEAR ENDED JUNE 30, 2020

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CITY OF WESTMINSTER

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CITY OF WESTMINSTER
56 West Main Street
Westminster, Maryland 21157



TELEPHONE:
(410) 848-9000
(410) 876-1313
www.westminstermd.gov

July 23, 2021

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

State law requires that all general-purpose local governments publish a complete set of audited financial statements within six months of the close of each fiscal year. After receiving an extension, we hereby issue the comprehensive annual financial report for the City of Westminster, Maryland, for the fiscal year ended June 30, 2020.

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

The City of Westminster's financial statements have been audited by Brown Schultz Sheridan & Fritz (BSSF), a firm of licensed certified public accountants. Based on this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Westminster's financial statements for the fiscal year ended June 30, 2020 and are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

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

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

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

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

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

Westminster is governed by a Mayor and a five-member Common Council. The Mayor and Common Councilmembers are elected at large and serve staggered elected terms of four years each. The City Administrator oversees the day-to-day operations of the City government, assisted by the directors of each department. Westminster has a full-time equivalent staff of approximately 168 employees.

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

Local Economy

Westminster is steeped in tradition and history, but progressive when it comes to technology and business development. As the county seat of Carroll County, Westminster is the center of fast growing commercial and industrial sectors, with a strong manufacturing base located in the industrially zoned parcels near the County's only airport.

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

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

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

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

Long-term Financial Planning

Real Property Tax Rate

The real property tax rate is set by the Mayor and Common Council annually during the adoption of the budget. For fiscal year 2020, the Mayor and Common Council adopted a real property tax rate of \$0.56 per \$100 of assessed value, unchanged from the prior year. This rate is split into two rates – one for operations and one for capital improvements. All tax revenues collected for capital improvements are restricted for use in the capital improvement budget in the General Fund.

Personal Property Tax Rate

The personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2020, the Mayor and Council adopted a personal property tax rate of \$1.10 per \$100 of assessed value, unchanged from the prior year.

Utility Personal Property Tax Rate

The utility personal property tax rate is also set annually by the Mayor and Common Council during adoption of the budget. For fiscal year 2020, the Mayor and Common Council adopted a tax rate of \$1.40 per \$100 of assessed value, unchanged from the prior year.

Operating Budget

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

Capital Projects

The City's six-year Capital Improvement Plan (CIP) is focused on maintaining existing infrastructure and improving and expanding economic development opportunities. The CIP projects include renovation of the City's future administrative office building located at 45 West Main Street, road improvements, an upgrade to the wastewater treatment plant for enhanced nutrient removal and improved biosolids processing and equipment, sewer main rehabilitation to reduce inflow and infiltration of extraneous water into the system and a water re-use project to increase the City's available water capacity. Additional projects include GIS layers for water and sewer mains, water mains and vehicles and equipment.

Debt Administration

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

Users of this document, as well as others interested in the programs and services offered by the City, are encouraged to read the City's Adopted Fiscal Year 2020-2021 Budget. The budget document details the City's long-term goals and financial policies; describes departmental activities, accomplishments and initiatives; and provides more detail concerning the City's Capital Improvement Program. The budget document is available on the City of Westminster's website at www.westminstermd.gov.

Financial Policies and Practices

General

1. The City of Westminster's departments will carry out the Mayor and Common Council's goals, objectives and policies through a service delivery system funded by the City's operating and capital budgets.
2. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate duplicative functions within the City government and between the City of Westminster and other public agencies in the community. Specifically, intensive reviews of the efficiency and effectiveness of certain City services will be periodically undertaken.
3. Whenever feasible, City activities will be considered enterprises if they will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by user fees.
4. Adequate reserves will be maintained for all known liabilities.
5. Efforts will be coordinated with neighboring governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support favorable legislation at the state and federal level.
6. The City will seek out, apply for and effectively administer federal, state and foundation grants that address the City's current priorities and policy objectives.
7. The City will initiate, encourage and participate in economic development efforts to create job opportunities and strengthen the local economy.
8. The City's Finance Department staff will carry out all policies responsibly, ethically and professionally for the betterment of the City of Westminster.

Budget

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

Revenue Policies

1. Budgeted revenue estimates will be based on reasonably conservative and realistic expectations.
2. Non-recurring revenues and financing sources will not be used to finance continuing operations per City Code requirements.
3. Long-term financial commitments for continuing outlays will be avoided unless sustained revenue growth is assured.
4. The City will be aggressive in collecting revenues owed to it.
5. The City will establish all user charges fees at a level related to the full costs of providing the service. The City will review fees/charges periodically.
6. The City will consider market rates and charges levied by other area municipalities of similar size for like services in establishing rates, fees and charges. The fee structure will be reviewed during the budget process and will be included in the budget document.
7. Enterprise operations will be self-supporting.
8. For the FY 2010 - 2011 budget year, the Common Council approved an increase in the real estate property tax rate for the intent of funding capital projects. Any and all revenue received above the FY 2009 - 2010 tax rate is hereby directed into a Capital Projects account to be used only in support of Common Council appropriated capital projects.
9. The City bills for services provided. These may include, but are not limited to, fees associated with levies authorized by legislation, fines issued for violations of City Code provisions and charges for utility usage. Each receivable is booked when billed, and is associated with a customer account that represents an obligation to the City. It is assumed that charges incurred will be paid according to the terms and conditions of the obligation; however, not all receivables are honored in full and it may not be cost effective for the City to pursue in collection. As a result, a receivable may need to be written-off and bad debt expense recorded. A receivable should be written-off to loss when cost-effective means to collect monies due have been performed and further effort would be more costly than the proceeds received. Cost-effective means include, but are not limited to, using City resources to provide notice to the obligor as provided for by City policy and Code, and filing liens as the laws of the State of Maryland provide. Each action taken is documented in accordance with internal control procedures and is utilized to support the write-off decision.

Expenditure Accounts

1. The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balance accumulated through prior years.
2. The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year end. Corrective actions may include a hiring freeze, expenditure reductions, fee increases or use of contingencies. Expenditure deferrals into the following fiscal year, short-term loans or use of one-time revenue sources shall be avoided.
3. The City Administrator shall undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.
4. The City shall make every effort to maximize any discounts offered by creditors/vendors, and partnering with other governmental agencies for resource purchasing shall be encouraged.
5. If budgeted funds are not available, the Director of Finance shall be contacted to assist in identifying a funding source prior to the purchase occurring.
6. A department director is able to make transfers up to \$10,000. Any transfers over \$10,000 require the Common Council's approval, even if involving a reallocation of funds within the same department. Common Council approval is required for all transfers between departments.

Capital Improvement Policies

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

Capital Asset Management Policy

1. Capital (fixed) assets are tangible items that are acquired by procurement, transfer, capital lease, donation or other method that transfers ownership and have the following characteristics:
 - a) Have an estimated useful life of five or more years;
 - b) Are not intended for sale in the ordinary course of operations; and
 - c) Are acquired or constructed with the intention of being used, or being available for use, by the entity to conduct business.
2. The capitalization threshold used in determining if a given asset qualifies for capitalization is \$10,000 and a useful life of five years.
3. Adequate insurance shall be maintained on all capital assets consistent with the results of the annual physical count/inspection.

Accounting, Auditing and Financial Reporting Policies

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

Purchasing Policy

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

Investment Policy

1. Public funds will be invested in a manner consistent with the greatest safety and protection for the City's investments. This investing of funds will, while protecting the safety of the City's investments, produce the highest investment return for meeting the cash flow requirements of the City and conform to all Maryland State statutes, City ordinances and policies governing the investment of public funds.
2. The standard of prudence to be applied by the Director of Finance in managing the City's overall portfolio shall be the "Prudent Person Rule" which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived."
3. The Director of Finance, acting in accordance with the City's Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
4. All investments will be governed by the following objectives:
 - a) Safety of principal is the primary objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To achieve this objective, some diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - b) The City's investment portfolio shall be designed with the goal of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
5. The Common Council will annually review the overall Investment Policy during budget deliberations as it relates to the City's financial objectives and make any necessary modifications to the Policy.

6. Officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make unbiased investment decisions.
7. The Director of Finance will maintain a list of financial institutions and security dealers authorized to provide banking and investment services to the City.

Debt Management Policy

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

Acknowledgements

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

Respectfully submitted,

Tammy Palmer

Tammy Palmer
Director of Finance and Administrative Services



Independent Auditor's Report

Mayor and Common Council
City of Westminster
Westminster, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Westminster, Maryland, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Westminster's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of Westminster as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the Total Other Postemployment Benefits Liability and Related Ratios, Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Pension Plan Contributions on pages 12 through 25 and pages 81 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster's basic financial statements. The introductory section, schedule of expenditures of federal awards (pages 86 – 87), as required by Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the financial data schedules (pages 106 – 110), as required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the financial data schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2021 on our consideration of the City of Westminster'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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westminster's internal control over financial reporting and compliance.

Brown Schultz Steindam's Fritz

Westminster, Maryland
July 23, 2021

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

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, 2020. 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 \$148,306,512 (net position). Of this amount, \$56,486,557 was for governmental activities and \$91,819,955 was for business type-activities. The amount of net position that was unrestricted at year end was \$3,199,464 for governmental activities and \$19,730,120 for business-type activities. The total net investment in capital assets was \$117,869,789 at June 30, 2020, compared to \$100,047,449 at June 30, 2019.
- Total net position increased by \$20,537,188, or 16%, over fiscal year 2019's net position. Governmental activities increased by \$6,462,287, while business-type activities increased by \$14,074,901. The increases are attributed to capital improvement projects.
- As of June 30, 2020, the City's governmental funds reported combined fund balances of \$16,058,178 - an increase of \$19,441 from the prior year. Approximately 56% of the combined fund balance is available to meet the City's current and future needs (*unassigned*), 13% is restricted or committed for future use, 29% is assigned for items for which the City intends to use the funds, and 2% is non-spendable, meaning it is in the form of receivables and inventory.
- At the end of fiscal year 2020, the unassigned fund balance of the General Fund was \$9,090,411. This amount is available to meet the City's current and future needs.
- The City's real property tax rate remained unchanged at \$0.56 per \$100 of assessed value. The real property tax base increased by 2.4% from the prior year.
- All benefited employees received a 2% across-the-board salary increase in fiscal year 2020. In addition, Phase II of the City's Compensation and Classification Study was implemented, resulting in additional salary increases for some staff members.
- The City purchased real property located at 17-25 West Main Street during fiscal year 2020, at a cost of \$775,134 using General Fund reserves.
- Following completion of a comprehensive rate study, new water and sewer utility rates were set according to Ordinance No. 893, as part of the adoption of the FY 2019 budget. The ordinance established rates for a five-year period, with fiscal year 2020 being the second year.
- The Director of Community and Development resigned his position in August 2019. The City Administrator performed the duties of the position for approximately four months, until a new Director was hired in December 2019. This resulted in a minimal savings in salary and benefits.
- Construction of the 45 West Main Renovation Project got underway in January 2020. The City will relocate its administrative offices from the current leased space to this location upon completion of the Project. In fiscal year 2020, a total of \$2,362,179 was expended. This amount includes both construction costs and architectural/engineering fees.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

- Work continued on the multi-year ENR and Biosolids Upgrade Project at the City's Wastewater Treatment Plant. The portion of the Project associated with upgrading the Plant to meet Enhanced Nutrient Removal standards is partially funded by the State of Maryland. Work on the County's portion of the Septage Facility is being paid for 100% by Carroll County. In fiscal year 2020, \$19,166,885 was expended on the ENR and Biosolids Upgrade Project.
- The City expended \$1,113,500 during the fiscal year on its annual road paving project. In the Sewer Fund \$579,671 was spent on the Septage Facility.

Overview of the Financial Statements

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

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

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

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

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

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

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

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements.

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

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

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

The City appropriates annual budgets for its governmental funds.

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

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

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

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

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

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition and position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148,306,512 at the close of fiscal year 2020. The City's net position is divided into three categories: net investment in capital assets, restricted net position and unrestricted net position. The largest portion is the City's net investment in capital assets (e.g., buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems and furniture and fixtures, less any related debt used to acquire those assets that is still outstanding, and accumulated depreciation). These net capital assets represent 79% of the total net position reported. The City uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from operating revenue, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$7,507,139 represents 5% of total net position. Restricted net position is resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position of \$22,929,584 represents 16% of total net position and may be used to meet the government's on-going obligations to citizens and creditors.

At the end of fiscal year 2020, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities, except for the Fiber Fund.

During fiscal year 2020, the City had an increase in income and real estate taxes of approximately \$491,000. There was also an increase in intergovernmental revenue, of which \$249,000 relates to additional rental assistance in the Housing Fund and the General Fund received \$124,951 in Coronavirus relief funds.

The City had various capital outlay increases during 2020. Approximately \$2,000,000 in capital outlay was related to the construction of the 45 West Main Renovation Project and to the purchase of the Stocksdale property.

The Sewer Fund received capital contributions of \$12,021,045 during 2020; \$573,754 of this amount was related to the ENR Upgrades project. \$10,613,412 was received from the Bay Restoration Grant. Finally, \$425,212 was provided from benefit assessments and \$408,667 from developers.

The Water Fund received capital contributions of \$639,455 during 2020; \$418,188 of the contributions came from benefit assessments and \$221,267 came from developers.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2020

The Fiber Fund had an increase in depreciation expense of approximately \$468,000 during 2020. Also, interest expense decreased in the Fiber Fund by \$188,881 due to bond issuance costs in the prior year of \$385,897 and the full amount of the 2019 infrastructure bonds being outstanding for all of fiscal year 2020.

**City of Westminster, Maryland
Condensed Statements of Net Position
June 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2020	2019	2020	2019	2020	2019
Assets:						
Current & Other Assets	\$ 17,632,453	\$ 19,112,079	\$ 31,672,160	\$ 30,723,481	\$ 49,304,613	\$ 49,835,560
Non-Current Assets	225,416	194,583	654,331	32,374	879,747	226,957
Capital Assets Net	57,146,920	51,135,749	99,250,067	81,021,469	156,396,987	132,157,218
Total Assets	75,004,789	70,442,411	131,576,558	111,777,324	206,581,347	182,219,735
Deferred Outflows of Resources	2,386,074	2,660,507	826,193	793,450	3,212,267	3,453,957
Total Assets and Deferred Outflows of Resources	\$ 77,390,863	\$ 73,102,918	\$ 132,402,751	\$ 112,570,774	\$ 209,793,614	\$ 185,673,692
Liabilities:						
Current Liabilities	\$ 2,433,481	\$ 3,824,537	\$ 4,272,044	\$ 6,300,082	\$ 6,705,525	\$ 10,124,619
Noncurrent Liabilities	16,189,738	18,281,800	35,730,466	28,117,962	51,920,204	46,399,762
Total Liabilities	18,623,219	22,106,337	40,002,510	34,418,044	58,625,729	56,524,381
Deferred Inflows of Resources	2,281,087	972,311	580,286	407,676	2,861,373	1,379,987
Net Position:						
Net Investment in Capital Assets	51,275,772	44,808,049	66,594,017	55,239,400	117,869,789	100,047,449
Restricted	2,011,321	1,187,403	5,495,818	5,043,126	7,507,139	6,230,529
Unrestricted	3,199,464	4,028,818	19,730,120	17,462,528	22,929,584	21,491,346
Total Net Position	56,486,557	50,024,270	91,819,955	77,745,054	148,306,512	127,769,324
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 77,390,863	\$ 73,102,918	\$ 132,402,751	\$ 112,570,774	\$ 209,793,614	\$ 185,673,692

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

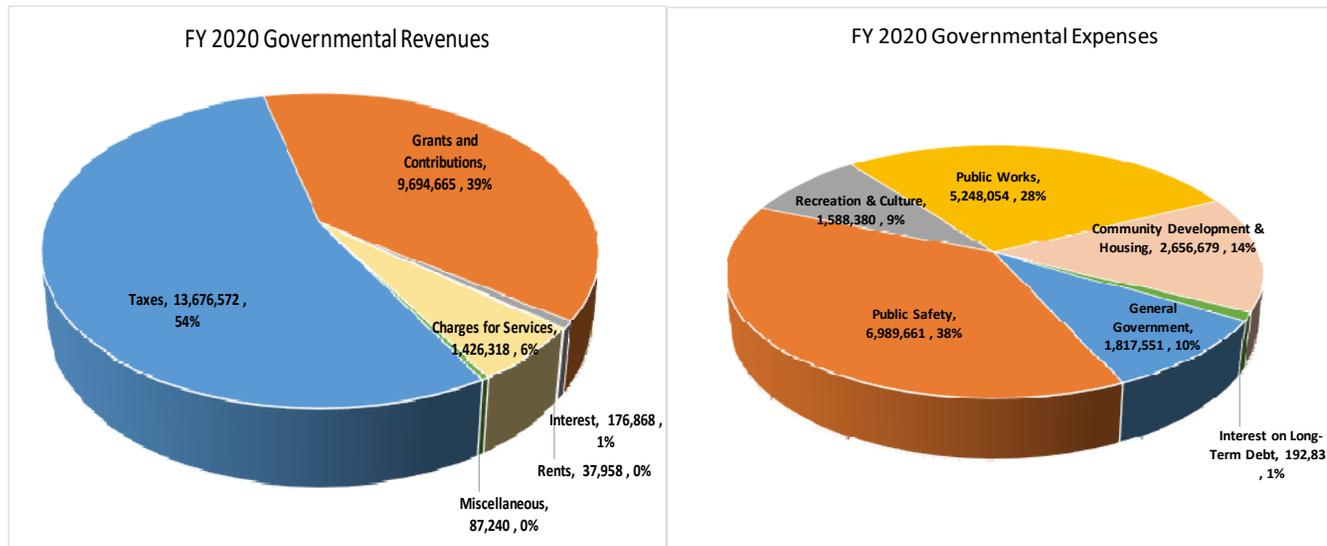
City of Westminster, Maryland Condensed Statements of Activities For the Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$ 1,426,318	\$ 1,476,233	\$ 12,713,857	\$ 12,266,531	\$ 14,140,175	\$ 13,742,764
Operating Grants & Contributions	2,939,856	2,715,367			2,939,856	2,715,367
Capital Grants & Contributions	5,110,391	619,458	12,662,554	5,439,362	17,772,945	6,058,820
General Revenues:						
Taxes:						
Real Estate Taxes	10,200,029	9,731,588			10,200,029	9,731,588
Personal Property Taxes	818,562	844,440			818,562	844,440
Income Taxes	2,392,066	2,285,989			2,392,066	2,285,989
Admissions & Amusement Taxes	265,915	235,140			265,915	235,140
Grants & Contributions Not						
Restricted to Specific Programs	1,396,438	1,317,454			1,396,438	1,317,454
Franchise Taxes	247,980	249,135			247,980	249,135
Interest & Investment Earnings	176,868	291,898	351,515	312,722	528,383	604,620
Gain on Disposal of Capital Asset	19,231	20,213	5,501	10,357	24,732	30,570
Miscellaneous	105,967	138,928	337,316	402,773	443,283	541,701
Total Revenues:	25,099,621	19,925,843	26,070,743	18,431,745	51,170,364	38,357,588
Expenses:						
Governmental Activities:						
General Government	1,817,551	1,924,967			1,817,551	1,924,967
Public Safety	6,989,661	6,920,328			6,989,661	6,920,328
Public Works	5,248,054	5,058,444			5,248,054	5,058,444
Recreation & Parks	1,588,380	1,824,481			1,588,380	1,824,481
Community Dev. & Housing	2,656,679	2,410,829			2,656,679	2,410,829
Interest on Long-Term Debt	192,831	212,137			192,831	212,137
Business-Type Activities:						
Sewer Services			5,555,226	5,518,913	5,555,226	5,518,913
Water Services			4,772,537	4,793,870	4,772,537	4,793,870
Fiber Services			1,812,257	1,403,845	1,812,257	1,403,845
Total Expenses	18,493,156	18,351,186	12,140,020	11,716,628	30,633,176	30,067,814
Excess of Revenues over Expenses	6,606,465	1,574,657	13,930,723	6,715,117	20,537,188	8,289,774
Transfer (Out) In	(144,178)		144,178		-	
Change in Net Position	6,462,287	1,574,657	14,074,901	6,715,117	20,537,188	8,289,774
Net Position - Beginning	50,024,270	48,449,613	77,745,054	71,029,937	127,769,324	119,479,550
Net Position - Ending	\$ 56,486,557	\$ 50,024,270	\$ 91,819,955	\$ 77,745,054	\$ 148,306,512	\$ 127,769,324

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

- **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.

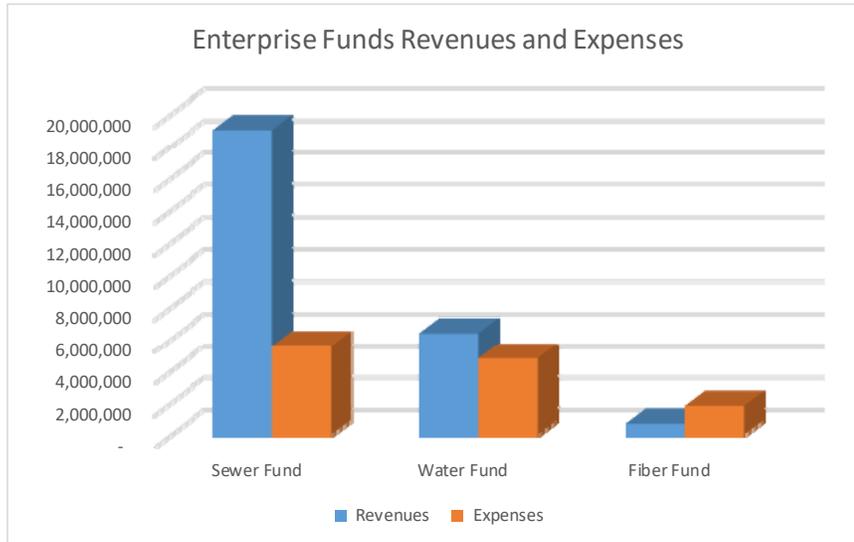


CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2020

- **Business-type activities:** A graphic representation of the City's business-type activity revenues and expenses is shown below.

FY 2020 Enterprise Funds



CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

Financial Analysis of the Government's Funds

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

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

As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$16,058,178. Approximately 1% of the fund balance (\$197,417) is restricted for the Public Housing Agency. An additional 11% has been restricted as follows:

- \$1,123,441 is restricted for future growth projects funded by benefit assessments.
- \$541,210 is restricted for capital improvements.
- \$157,720 is restricted for forfeited proceeds awarded to the City by the judicial process.

Approximately 29% of the City's governmental fund balances (\$4,648,764) has been assigned by the City to the following items:

- \$475,953 for community development.
- \$1,467,321 as an emergency reserve; and
- \$2,705,490 to be used to offset fiscal year 2021's budgeted deficit, due largely for renovations at 45 West Main Street.

The total General Fund balance increased \$69,035 during fiscal year 2020. The Public Housing Agency fund balance decreased \$49,594.

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

The Sewer, Water and Fiber Funds are the City's three enterprise operations. In the Water and Sewer Funds, there was an operating revenue increase of \$316,065 from fiscal year 2019. This was primarily due to the 3.5% and 5.0% rate increases in the Water and Sewer Funds, respectively. The Fiber Fund realized increased revenues of \$131,261 due to more subscribers to the system.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

General Fund Budgetary Highlights

The final budget amounts for revenues and expenditures varies from the original budget amounts as a result of budget amendments passed during 2020. The major variances between the final budget amounts and the original budgeted amounts are summarized below:

- An increase in charges for services revenues of \$201,253 consists primarily from an increase in construction inspection fees of \$153,500.
- An increase in capital outlay expenditures of \$855,984 is a result of an increase of \$775,134 for the purchase of 17-25 West Main Street. The remaining amount is comprised of various facilities improvements and acquisition of vehicles.
-

The budgetary statement for the General Fund shows actual revenues of \$18,161,144 compared to the budgeted amount of \$19,155,233 – an overall shortfall of \$994,089. The major differences between the final budgeted amounts and the actual revenues are summarized below:

- A shortfall in intergovernmental revenues was primarily due to \$700,000 of project grants that have not yet been approved, or have been delayed, thereby reducing the need to seek grant reimbursement.
- A shortfall in revenues of approximately \$300,000 resulted from various Recreation and Parks events that were cancelled in response to the COVID-19 pandemic.
- Transfers from the General Fund to the Fiber Fund of approximately \$473,000 were not required as a result of funds received from the grant that were not available at the time of the budget.

Actual General Fund expenditures were less than budget by \$6,773,031, primarily driven by:

- \$2,896,680 of Capital Improvement Projects that were either delayed or adjusted downwards in scope. Funding for some of these capital outlay items was re-appropriated during the fiscal year 2019 budget process.
- \$700,000 in grant-related expenses where the grant was not expended or delayed.
- \$537,794 in personnel-related expenses due to staffing vacancies in Public Safety.
- \$427,000 in the Highway and Streets department resulting from a mild winter saving of approximately \$200,000 in overtime and snow removal costs. The rest of the underbudgeted amount came from budgeted repairs and maintenance that were not required.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets: The City of Westminster's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$117,869,789 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, streets, bridges, equipment, vehicles, sewer and water systems, furniture and fixtures and construction in progress.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land & Land Rights	\$ 3,056,463	\$ 2,470,906	\$ 543,054	\$ 542,455	\$ 3,599,517	\$ 3,013,361
Construction in Progress	2,679,643	268,455	30,453,001	11,891,828	33,132,644	12,160,283
Buildings	16,690,428	16,417,136	624,963	605,717	17,315,391	17,022,853
Machinery and Equipment	4,124,444	4,068,069	5,160,123	4,520,586	9,284,567	8,588,655
Furniture & Fixtures	233,606	233,606			233,606	233,606
Improvements Other than Buildings	10,205,632	10,205,632			10,205,632	10,205,632
Infrastructure	63,989,667	58,272,878	69,774,740	68,208,185	133,764,407	126,481,063
Utility Plant & Equipment			33,846,842	33,789,917	33,846,842	33,789,917
Vehicles	3,367,045	3,314,836	1,254,148	1,178,688	4,621,193	4,493,524
Water Use Rights	1,400,000	1,400,000			1,400,000	1,400,000
Accumulated Depreciation	(48,600,008)	(45,515,769)	(42,406,804)	(39,715,907)	(91,006,812)	(85,231,676)
Total Capital Assets	\$ 57,146,920	\$ 51,135,749	\$ 99,250,067	\$ 81,021,469	\$ 156,396,987	\$ 132,157,218

Major capital asset activities during fiscal year 2020 included the following:

- Acquisition of 17-25 West Main Street;
- Replacement of Public Safety and Public Works vehicles;
- Renovations to 45 West Main Street building;
- Road paving and sidewalk curb replacement;
- Storm water management facilities improvements;
- Improvements to City Hall;
- Improvements to City retaining walls;
- Continued construction of the Westminster Fiber Network.
- Wastewater Treatment Plant ENR and Biosolids Upgrade Project;
- Sewer pump station upgrades; and,
- Continued construction of the Gesell Well and Stream Reconstruction Project.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2020

The City is committed under the following contracts for projects as of June 30, 2020:

Project	Contract amount	Amount outstanding at June 30, 2020
Governmental activities, 45 West Main Street renovations	\$ 5,066,341	\$ 2,335,691
Sewer Fund, enhanced nutrients removal and biosolids upgrade to wastewater treatment plant	\$ 68,343,931	\$ 42,431,374
Water Fund, Water Re-Use Pilot Testing Project	147,000	94,486
Business-type activities	\$ 68,490,931	\$ 42,525,860

Under federal court order, the U.S. Environmental Protection Agency was ordered to implement a Chesapeake Bay clean up. The State of Maryland established a stormwater management fee program to fund projects to direct nitrogen away from streams that feed into the Chesapeake Bay. This program will be implemented through a National Pollutant Discharge Elimination System (NPDES) permit for Carroll County, Maryland (the County). In October 2014, the City, along with seven other municipalities, entered into a cost-sharing arrangement with the County for a stormwater mitigation project to comply with NPDES requirements. The annual amount for each municipality was calculated based on \$25,000 per impervious acre and on the total number of impervious acres required to be restored/mitigated by the permit over the five-year period of this project. For its share of this project, the City is required to pay 20% and the County is covering the remaining 80%. For the year ended June 30, 2020, the City's portion of these costs was \$198,497, which were capitalized as an infrastructure asset. Over the five-year term of the agreement, the City paid a total of \$902,358. These funds are funding the design and construction of various stormwater management facilities. Construction of these facilities is ongoing. The County and municipalities agreed to continue the current agreement by extending for one additional year, while working towards the issuance of the Fifth Generation Permit. As such, the City made its next committed payment under this extension subsequent to year end in the amount of \$198,497, which will be applied to the next permit and funds going to future projects.

See Note 4 in the notes to financial statements section for more detailed information on the City's capital assets.

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED JUNE 30, 2020

Long-Term Debt

At the end of fiscal year 2020, the City had total bonds outstanding of \$36,459,485, backed by the full faith and credit of the City. Of this amount, \$5,762,900 represents General Fund infrastructure bonds. Water Fund Drinking Water bonds totaled \$5,813,242; while Sewer Fund Water Quality Bonds totaled \$8,983,343. Fiber Fund infrastructure construction bonds equaled \$15,900,000. The Fiber Fund also has an outstanding loan in the amount of \$503,458.

See Note 8 of the notes to financial statements section for more detailed information concerning the debt issuances and debt outstanding of the City.

The City has five other types of long-term obligations that do not have mandatory payment terms:

- A non-interest obligation to the Carroll County Commissioners of Maryland related to agreements to provide sewer service totaling \$188,568.
- Compensated absences in the amount of \$761,906. Compensated absences are the total amount of leave liability that the City would owe employees upon their termination.
- Other post-employment benefits (OPEB) liability totaling \$3,465,384. This is a liability identified per the requirements of GASB 75 for retiree benefits.
- Net pension liability totaling \$11,162,935. This is a liability identified per the requirement of GASB 68 related to the City's share of the total liability of the Maryland State Retirement and Pension System, in which the City participates.
- The City owes the Westminster Town Center Corporation \$100,000 once it is re-established.

Subsequent Events and Economic Factors

General Fund

In August 2020, the City issued an Infrastructure Bond, 2020 Series A as a general obligation of the City in the amount of \$1,186,800 to finance the community pool improvements project.

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

CITY OF WESTMINSTER

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2020

Request for Information

This financial report is designed to provide a general overview of the City of Westminster's, finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Lydia Colston, CPA, Director of Finance, City of Westminster, 56 West Main Street, Suite 1, Westminster, Maryland, 21157.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION JUNE 30, 2020

	Governmental activities	Business-type activities	Total
Assets:			
Current assets:			
Pooled cash and cash equivalents:			
Unrestricted	\$ 13,537,084	\$ 20,227,029	\$ 33,764,113
Restricted	2,506,158	5,608,456	8,114,614
Non-pooled cash and cash equivalents, unrestricted	193,539		193,539
Receivables:			
Accrued interest	23,571	74,678	98,249
Taxes	365,552		365,552
Taxes, restricted	12,944		12,944
Loan receivable	1,650		1,650
Accounts:			
Unrestricted, net of allowance for doubtful accounts of \$317,665 and \$0 for the governmental and business-type activities, respectively	167,691	1,733,900	1,901,591
Restricted	15,360	132,188	147,548
Unbilled services		952,336	952,336
Prepays and other assets	211,487	138,512	349,999
Inventory	63,998	356,102	420,100
Internal balances	75,707	(75,707)	-
Due from:			
Other governments	289,300	2,524,666	2,813,966
Other governments, restricted	168,412		168,412
Total current assets	17,632,453	31,672,160	49,304,613
Noncurrent assets:			
Capital assets:			
Construction in progress	2,679,643	30,453,001	33,132,644
Land and land rights	3,056,463	543,054	3,599,517
Buildings	16,690,428	624,963	17,315,391
Furniture and fixtures	233,606		233,606
Improvements other than buildings	10,205,632		10,205,632
Infrastructure	63,989,667	69,774,740	133,764,407
Machinery and equipment	4,124,444	5,160,123	9,284,567
Utility plant and equipment		33,846,842	33,846,842
Vehicles	3,367,045	1,254,148	4,621,193
Water use rights	1,400,000		1,400,000
Accumulated depreciation	(48,600,008)	(42,406,804)	(91,006,812)
Net capital assets	57,146,920	99,250,067	156,396,987
Non-pooled cash and cash equivalents, restricted	213,366	20,000	233,366
Accounts receivable, unrestricted		8,250	8,250
Due from other governments		626,081	626,081
Loan receivable	12,050		12,050
Total noncurrent assets	57,372,336	99,904,398	157,276,734
Total assets	75,004,789	131,576,558	206,581,347
Deferred outflows of resources:			
For pensions	2,282,400	808,778	3,091,178
For other postemployment benefits	103,674	17,415	121,089
Total deferred outflows of resources	2,386,074	826,193	3,212,267
Total assets and deferred outflows of resources	\$ 77,390,863	\$ 132,402,751	\$ 209,793,614

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental activities	Business-type activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	\$ 296,157	\$ 2,323,726	\$ 2,619,883
Accrued:			
Interest	41,369	289,201	330,570
Payroll	144,545	76,012	220,557
Compensated absences	17,474	11,382	28,856
Unearned revenue	195,025	146,901	341,926
Due to other governments		1,247	1,247
Current portion of general obligation bonds	580,900	1,178,749	1,759,649
Payable from restricted assets:			
Accounts payable	124,485		124,485
Deposits and escrows	922,836		922,836
Due to other governments	10,690	244,826	255,516
Loan payable	100,000		100,000
Total current liabilities	2,433,481	4,272,044	6,705,525
Long-term liabilities:			
Due to other governments		188,568	188,568
Retainage payable		1,166,973	1,166,973
General obligation bonds	5,182,000	29,517,836	34,699,836
Total other postemployment benefits liability	2,015,467	1,449,917	3,465,384
Accrued compensated absences	437,191	295,859	733,050
Net pension liability	8,555,080	2,607,855	11,162,935
Note payable		503,458	503,458
Total long-term liabilities	16,189,738	35,730,466	51,920,204
Total liabilities	18,623,219	40,002,510	58,625,729
Deferred inflows of resources:			
For bond refunding	8,340		8,340
For pensions	1,129,717	319,194	1,448,911
For other postemployment benefits	1,143,030	261,092	1,404,122
Total deferred inflows of resources	2,281,087	580,286	2,861,373
Net position:			
Net investment in capital assets	51,275,772	66,594,017	117,869,789
Restricted	2,011,321	5,495,818	7,507,139
Unrestricted	3,199,464	19,730,120	22,929,584
Total net position	56,486,557	91,819,955	148,306,512
Total liabilities, deferred inflows of resources and net position	\$ 77,390,863	\$ 132,402,751	\$ 209,793,614

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Proprietary funds
Primary government:						
Governmental activities:						
General government	\$ 1,817,551	\$ 536,880			\$ (1,280,671)	\$ (1,280,671)
Public safety	6,989,661	90,478	\$ 433,497		(6,465,686)	(6,465,686)
Culture and recreation	1,588,380	536,941	20,381		(1,031,058)	(1,031,058)
Public works	5,248,054	239,401	12,655	\$ 5,110,391	114,393	114,393
Community development and public housing	2,656,679	22,618	2,473,323		(160,738)	(160,738)
Interest on long-term debt	192,831				(192,831)	(192,831)
Total governmental activities	18,493,156	1,426,318	2,939,856	5,110,391	(9,016,591)	(9,016,591)
Business-type activities:						
Sewer operations	5,555,226	6,693,401		12,022,331	\$ 13,160,506	13,160,506
Water operation	4,772,537	5,331,305		640,223	1,198,991	1,198,991
Fiber operations	1,812,257	689,151			(1,123,106)	(1,123,106)
Total business-type activities	12,140,020	12,713,857		12,662,554	13,236,391	13,236,391
Total primary government	\$ 30,633,176	\$ 14,140,175	\$ 2,939,856	\$ 17,772,945	(9,016,591)	13,236,391
General revenues:						
Taxes:						
Income					2,392,066	2,392,066
Real estate					10,200,029	10,200,029
Personal property					818,562	818,562
Other					265,915	265,915
Grants, contributions and franchise fees not restricted to specific programs					1,644,418	1,644,418
Interest earnings					176,868	351,515
Net transfers					(144,178)	144,178
Rents					37,958	314,215
Miscellaneous revenues					87,240	28,602
Total general revenues					15,478,878	838,510
Changes in net position					6,462,287	14,074,901
Net position:						
Beginning of year					50,024,270	77,745,054
End of year					\$ 56,486,557	\$ 91,819,955
						\$ 148,306,512

See notes to financial statements.

CITY OF WESTMINSTER

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General Fund</u>	<u>Public Housing Agency Fund</u>	<u>Total governmental funds</u>
Assets:			
Pooled cash and cash equivalents:			
Unrestricted	\$ 13,537,084		\$ 13,537,084
Restricted	2,506,158		2,506,158
Non-pooled cash and cash equivalents:			
Unrestricted	2,500	\$ 191,039	193,539
Restricted	169,260	44,106	213,366
Receivables:			
Taxes	365,552		365,552
Taxes, restricted	12,944		12,944
Accrued Interest	23,571		23,571
Loans:			
Short-term	1,650		1,650
Long-term	12,050		12,050
Accounts, net of allowance for doubtful accounts of \$50,594 and \$267,071 for the General and Public Housing Agency Funds, respectively	120,561	47,130	167,691
Accounts, restricted	15,360		15,360
Inventory	63,998		63,998
Prepaid expenses	203,020	8,467	211,487
Due from other:			
Governments	289,300		289,300
Governments, restricted Funds	168,412		168,412
	82,761		82,761
	<u>82,761</u>	<u>47,130</u>	<u>129,891</u>
Total assets	<u>\$ 17,574,181</u>	<u>\$ 290,742</u>	<u>\$ 17,864,923</u>

See notes to financial statements.

CITY OF WESTMINSTER

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Public Housing Agency Fund	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
Liabilities:			
Accounts payable	\$ 295,924	\$ 233	\$ 296,157
Accrued payroll	144,545		144,545
Payable from restricted assets:			
Accounts payable	16,237		16,237
Due to other governments	10,690		10,690
Deposits and escrows	922,836		922,836
Loan payable	100,000		100,000
Unearned revenue	150,919	44,106	195,025
Due to other funds	5,198	1,856	7,054
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,646,349</u>	<u>46,195</u>	<u>1,692,544</u>
Deferred inflows of resources:			
Property taxes receivables	55,091		55,091
Fines and penalties receivables	11,980		11,980
Housing assistance reimbursement receivable		47,130	47,130
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>67,071</u>	<u>47,130</u>	<u>114,201</u>
Fund balances:			
Nonspendable	280,718	8,467	289,185
Restricted	1,822,371	188,950	2,011,321
Committed	18,497		18,497
Assigned	4,648,764		4,648,764
Unassigned	9,090,411		9,090,411
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>15,860,761</u>	<u>197,417</u>	<u>16,058,178</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,574,181</u>	<u>\$ 290,742</u>	<u>\$ 17,864,923</u>

See notes to financial statements.

CITY OF WESTMINSTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balance, governmental funds	\$ 16,058,178
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,146,920
Retainage payable not payable within the current period and, therefore, not reported as a liability in the fund financial statements.	(108,248)
Property tax revenues are recognized in the period for which levied rather than when "available." A portion of the property tax revenues is not an available financial resource and, therefore, is not reported in the fund financial statements.	55,091
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred inflows of resources related to these receivables.	59,110
Net pension liability and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	(7,402,397)
Total other postemployment benefits liability and related deferred amounts are not payable in the current period and, therefore, are reported as employee benefits in the period during which the benefit occurs in the fund financial statements.	(3,054,823)
Accrued compensated absences are not payable in the current period and, therefore, are reported as wages in the period during which the absence occurs in the fund financial statements.	(454,665)
Bond refunding premium is not a current available financial resource and, therefore, is not reported in the fund financial statements.	(8,340)
Long-term liabilities, including both current and noncurrent portions of bonds and interest payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(5,804,269)
Total net position, governmental activities	\$ 56,486,557

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Public Housing Agency Fund	Total governmental funds
Revenues:			
Taxes	\$ 13,621,481		\$ 13,621,481
Licenses and permits	587,808		587,808
Fines and forfeitures	98,026		98,026
Interest	176,783	\$ 85	176,868
Rent	37,958		37,958
Intergovernmental revenues	2,295,914	2,473,323	4,769,237
Charges for services	1,246,606		1,246,606
Miscellaneous revenues	96,568	18,123	114,691
Total revenues	18,161,144	2,491,531	20,652,675
Expenditures:			
General government	1,714,538		1,714,538
Public safety	6,597,452		6,597,452
Culture and recreation	1,191,745		1,191,745
Public works	2,844,416		2,844,416
Community development and public housing	12,927	2,616,125	2,629,052
Capital outlay	4,766,555		4,766,555
Debt service:			
Principal	564,800		564,800
Interest	199,729		199,729
Total expenditures	17,892,162	2,616,125	20,508,287
Revenues over (under) expenditures	268,982	(124,594)	144,388
Other financing sources (uses):			
Proceeds from sale of capital assets	19,231		19,231
Interfund transfers	(219,178)	75,000	(144,178)
Total other financing sources (uses)	(199,947)	75,000	(124,947)
Net changes in fund balances	69,035	(49,594)	19,441
Fund balances:			
Beginning of year	15,791,726	247,011	16,038,737
End of year	\$ 15,860,761	\$ 197,417	\$ 16,058,178

See notes to financial statements.

CITY OF WESTMINSTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances, governmental funds **\$ 19,441**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation in the period is as follows:

Capital outlays	\$ 4,766,555	
Depreciation expense	<u>(3,252,832)</u>	1,513,723

Capital asset contributions are revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenue in the governmental funds. 4,389,200

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 57,746

The change in the deferred outflows and inflows of the net pension and total other postemployment benefits liabilities is not reported in governmental funds. (1,583,209)

Principal payments on long-term debt is reported as expense on fund financial statements, but not included on the statement of activities. 564,800

The change in accrued interest expense is not reported in the governmental funds. 6,898

The change in the net pension and total other postemployment liabilities is not reported in governmental funds. 1,539,477

The increase in the accrued compensated absence liability is not reflected as an expense in the fund statements, but is included in the statement of activities. (45,789)

Change in net position of governmental activities **\$ 6,462,287**

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2020

	Sewer Fund	Water Fund	Fiber Fund	Total proprietary funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Current assets:				
Pooled cash and cash equivalents:				
Unrestricted	\$ 10,767,739	\$ 8,953,144	\$ 506,146	\$ 20,227,029
Restricted	5,608,456			5,608,456
Accounts receivable:				
Unrestricted	898,637	760,702	74,561	1,733,900
Restricted	132,188			132,188
Accrued interest receivable	47,331	25,889	1,458	74,678
Inventory	93,656	54,842	207,604	356,102
Unbilled services	513,537	438,799		952,336
Due from other:				
Governments	2,506,443	18,223		2,524,666
Funds			5,198	5,198
Prepaid expenses	70,846	62,932	4,734	138,512
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	20,638,833	10,314,531	799,701	31,753,065
Noncurrent assets:				
Capital assets:				
Land and land rights	405,741	137,313		543,054
Buildings	503,946	121,017		624,963
Machinery and equipment	3,682,169	1,477,954		5,160,123
Vehicles	608,049	646,099		1,254,148
Construction in progress	30,342,541	110,460		30,453,001
Infrastructure	21,324,442	31,315,261	17,135,037	69,774,740
Utility plant and equipment	16,590,555	17,256,287		33,846,842
Accumulated depreciation	(24,604,753)	(16,351,107)	(1,450,944)	(42,406,804)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net capital assets	48,852,690	34,713,284	15,684,093	99,250,067
Non-pooled cash and cash equivalents, restricted			20,000	20,000
Accounts receivable, unrestricted	4,125	4,125		8,250
Due from other governments	626,081			626,081
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total noncurrent assets	49,482,896	34,717,409	15,704,093	99,904,398
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	70,121,729	45,031,940	16,503,794	131,657,463
Deferred outflows of resources:				
For pensions	401,230	374,880	32,668	808,778
For other postemployment benefits	7,007	10,408		17,415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources	408,237	385,288	32,668	826,193
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets and deferred outflows of resources	\$ 70,529,966	\$ 45,417,228	\$ 16,536,462	\$ 132,483,656

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2020

	Sewer Fund	Water Fund	Fiber Fund	Total proprietary funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 1,801,916	\$ 231,926	\$ 289,884	\$ 2,323,726
Accrued:				
Payroll	38,028	34,179	3,805	76,012
Accrued compensated absences	5,495	5,640	247	11,382
Interest	69,381	74,078	145,742	289,201
Due to other:				
Governments		1,247		1,247
Governments, restricted	244,826			244,826
Funds	44,270	36,635		80,905
Unearned revenue	113,037	33,864		146,901
Current portion of general obligation bonds		833,749	345,000	1,178,749
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	2,316,953	1,251,318	784,678	4,352,949
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Long-term liabilities:				
Due to other governments	188,568			188,568
Retainage payable	1,166,973			1,166,973
Total OPEB liability	680,255	769,662		1,449,917
Accrued compensated absences	145,023	138,167	12,669	295,859
General obligation bonds	8,983,343	4,979,493	15,555,000	29,517,836
Net pension liability	1,353,985	1,236,083	17,787	2,607,855
Note payable			503,458	503,458
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	12,518,147	7,123,405	16,088,914	35,730,466
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	14,835,100	8,374,723	16,873,592	40,083,415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred inflows of resources:				
For pensions	158,825	148,462	11,907	319,194
For other postemployment benefits	124,076	137,016		261,092
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	282,901	285,478	11,907	580,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net position:				
Net investment in capital assets	38,702,374	28,876,502	(984,859)	66,594,017
Restricted	5,495,818			5,495,818
Unrestricted	11,213,773	7,880,525	635,822	19,730,120
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net position	55,411,965	36,757,027	(349,037)	91,819,955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and net position	\$ 70,529,966	\$ 45,417,228	\$ 16,536,462	\$ 132,483,656
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2020

	Sewer Fund	Water Fund	Fiber Fund	Total proprietary funds
Operating revenues, billings	\$ 6,693,401	\$ 5,331,305	\$ 689,151	\$ 12,713,857
Operating expenses:				
Administrative and general	1,323,673	1,329,943		2,653,616
Fiber			428,045	428,045
Transmission and distribution	830,619	697,037		1,527,656
Treatment and pumping	2,292,430	1,482,940		3,775,370
Depreciation	986,562	1,093,392	690,750	2,770,704
Total operating expenses	5,433,284	4,603,312	1,118,795	11,155,391
Operating income (loss)	1,260,117	727,993	(429,644)	1,558,466
Nonoperating revenues (expenses):				
Intergovernmental revenues	1,286	768		2,054
Rental income	54,463	259,752		314,215
Miscellaneous	14,562	(11)	14,051	28,602
Interest expense and fiscal charges	(124,892)	(171,776)	(693,462)	(990,130)
Interest income	215,361	126,977	9,177	351,515
Gain on asset disposal	2,950	2,551		5,501
Total nonoperating revenues (expenses)	163,730	218,261	(670,234)	(288,243)
Income (loss) before transfers and capital contributions	1,423,847	946,254	(1,099,878)	1,270,223
Interfund transfers			144,178	144,178
Capital contributions	12,021,045	639,455		12,660,500
Changes in net position	13,444,892	1,585,709	(955,700)	14,074,901
Net position:				
Beginning of year	41,967,073	35,171,318	606,663	77,745,054
End of year	\$ 55,411,965	\$ 36,757,027	\$ (349,037)	\$ 91,819,955

See notes to financial statements.

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Sewer Fund	Water Fund	Fiber Fund	Total proprietary funds
Cash flows from operating activities:				
Inflows:				
Cash received from customers	\$ 6,984,769	\$ 5,551,137	\$ 743,542	\$ 13,279,448
Rental income received	54,463	259,752		314,215
	<u>7,039,232</u>	<u>5,810,889</u>	<u>743,542</u>	<u>13,593,663</u>
Outflows:				
Cash paid to:				
Suppliers	2,921,219	1,963,505	251,330	5,136,054
Employees	1,503,366	1,466,342	160,051	3,129,759
	<u>4,424,585</u>	<u>3,429,847</u>	<u>411,381</u>	<u>8,265,813</u>
Net cash provided by operating activities	<u>2,614,647</u>	<u>2,381,042</u>	<u>332,161</u>	<u>5,327,850</u>
Cash flows provided by non-capital financing activities, inflows, cash received from other funds	<u>4,742</u>	<u>619</u>	<u>146,303</u>	<u>151,664</u>
Cash flows from capital and related financing activities:				
Inflows:				
Cash received from capital contributions	11,201,319	418,956		11,620,275
Proceeds from sales of capital assets	2,950	2,551		5,501
Proceeds from debt	7,210,999		503,458	7,714,457
	<u>18,415,268</u>	<u>421,507</u>	<u>503,458</u>	<u>19,340,233</u>
Outflows:				
Cash paid for:				
Acquisition of capital assets	20,403,117	791,251	450,508	21,644,876
Interest	55,511	146,251	547,720	749,482
Payments on long-term debt		980,485	315,000	1,295,485
	<u>20,458,628</u>	<u>1,917,987</u>	<u>1,313,228</u>	<u>23,689,843</u>
Net cash used by capital and related financing activities	<u>(2,043,360)</u>	<u>(1,496,480)</u>	<u>(809,770)</u>	<u>(4,349,610)</u>
Cash flows provided by investing activities, inflows, interest received	<u>211,431</u>	<u>123,093</u>	<u>9,709</u>	<u>344,233</u>
Net increase (decrease) in cash and cash equivalents	<u>787,460</u>	<u>1,008,274</u>	<u>(321,597)</u>	<u>1,474,137</u>
Cash and cash equivalents:				
Beginning of year	15,588,735	7,944,870	847,743	24,381,348
End of year	<u>\$ 16,376,195</u>	<u>\$ 8,953,144</u>	<u>\$ 526,146</u>	<u>\$ 25,855,485</u>

(continued)

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

	Sewer Fund	Water Fund	Fiber Fund	Total proprietary funds
Reconciliation of cash and cash equivalents to the statement of net position:				
Current assets:				
Pooled cash and cash equivalents:				
Unrestricted	\$ 10,767,739	\$ 8,953,144	\$ 506,146	\$ 20,227,029
Restricted	5,608,456			5,608,456
Total current assets	16,376,195	8,953,144	506,146	25,835,485
Noncurrent assets, non-pooled cash and cash equivalents, restricted			20,000	20,000
Cash and cash equivalents, end of year	\$ 16,376,195	\$ 8,953,144	\$ 526,146	\$ 25,855,485
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,260,117	\$ 727,993	\$ (429,644)	\$ 1,558,466
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	986,562	1,093,392	690,750	2,770,704
Rental income	54,463	259,752		314,215
Miscellaneous income	14,562	(11)	14,051	28,602
Interfund transfers				
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(119,219)	(35,526)	40,340	(114,405)
Inventory	(1,700)	8,631	32,181	39,112
Unbilled services	281,185	253,388		534,573
Due from other governments		(18,223)		(18,223)
Prepaid expenses	1,340	3,593	(1,348)	3,585
Deferred amounts from:				
Pensions	(21,757)	(20,183)	(1,879)	(43,819)
Other postemployment benefits	4,575	6,501		11,076
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(65,909)	(3,591)	(24,528)	(94,028)
Accrued:				
Payroll	16,384	11,237	1,366	28,987
Compensated absences	26,601	19,577	3,189	49,367
Due to other governments	1,803			1,803
Unearned revenue	113,037	20,204		133,241
Total OPEB liability	(105,244)	(114,833)		(220,077)
Net pension liability	85,189	79,533		164,722
Deferred amounts from:				
Pensions	3,995	3,729	7,339	15,063
Other postemployment benefits	78,663	85,879	344	164,886
Net cash provided by operating activities	\$ 2,614,647	\$ 2,381,042	\$ 332,161	\$ 5,327,850
Non-cash capital and related financing transaction:				
Contribution of capital assets	\$ 279,667			\$ 279,667

See notes to financial statements.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

1. Nature of operations and summary of significant accounting policies:

Reporting entity:

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

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

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

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

Basic financial statements - government-wide financial statements:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Basic financial statements - government-wide financial statements:

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

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function or business-type activity. Program revenues include revenues from fines, licenses and permit fees and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants. Taxes and other general revenues not restricted to specific program functions are reported instead as general revenues.

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

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

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

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Basic financial statements - fund financial statements:

Governmental funds:

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

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

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

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

Proprietary funds:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Basic financial statements - fund financial statements:

Proprietary funds:

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

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

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

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

Basis of accounting:

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

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Basis of accounting:

Modified accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or within 60 days after year end. The City considers all revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

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

Cash and cash equivalents:

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

Receivables:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Unbilled services:

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

Prepaid items:

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

Inventory:

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

Capital assets:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Capital assets:

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

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

Government-wide financial statements:

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

Additions are recorded at cost or, if contributed property, at their acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund financial statements:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Long-term obligations:

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

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

Deferred outflows and inflows of resources:

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

Interfund activity:

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

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

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

Compensated absences:

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Compensated absences:

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

Unearned revenue:

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

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

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

Net position:

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

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

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

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Net position:

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

Fund balance:

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

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

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

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

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

Unassigned - This category includes the residual fund balance of the General Fund, which has not been classified within the other above-mentioned categories.

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Budgets and budgetary analysis:

The City prepares an annual operating budget for all funds on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations for salaries and operating expenses lapse at the fiscal year end. Budget revisions require approval of the Mayor and Common Council. There were several budget revisions approved by the Mayor and Common Council during the year ended June 30, 2020. Both original and final budgets of the General Fund and Public Housing Agency Fund have been included in the presentation of the City's required supplementary information.

Pensions:

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

Use of estimates:

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

Change in accounting estimate:

During the year ended June 30, 2020, the City assessed its estimate of the unbilled services. The City has revised its original estimate to decrease the unbilled services based on its reevaluation of previous utility services calculations covering current year usage but billed subsequent to year end. The effects of reflecting this change in accounting estimate resulted in a decrease in the unbilled services and billing revenue for Sewer Fund and Water Fund of \$273,933 and \$231,552, respectively, for the year ended June 30, 2020. As a result, the change in net position was decreased by these same amounts.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

New GASB pronouncements:

The GASB issued several pronouncements prior to the year ended June 30, 2020 that have effective dates that may impact future financial statement presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

GASB Statement No. 87, *Leases*, will be effective for the City beginning with the fiscal year ending June 30, 2022. This Statement removes the traditional classifications of leases as operating or capital and recognizes all leases as financing tools, resulting in the reporting of lease transactions as both a liability and an intangible right to use the leased asset. This Statement defines lease transactions and establishes the new accounting and financial reporting requirements.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the City beginning with the fiscal year ending June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with 1) commitments extended by issuers, 2) arrangement associated with conduit debt obligations and 3) related note disclosures.

2. Deposits and investments:

The deposits and investments held as of June 30, 2020 are as follows:

Type	Rating/ interest rate (unaudited)	Maturities (unaudited)	Carrying value
Deposits:			
Cash on hand	N/A	N/A	\$ 2,500
Held with escrow agent	N/A	N/A	20,000
Demand deposits	0.00% - 0.75%	N/A	16,430,921
Certificate of deposits	1.98% - 2.35%	7/2020 - 2/2021	10,358,384
Investments, Maryland local government investment pool	AAAm/0.42%	N/A	<u>15,493,827</u>
Total deposits and investments			<u><u>\$ 42,305,632</u></u>

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

2. Deposits and investments (continued):

The reconciliation to the statement of net position as of June 30, 2020 is as follows:

Current assets:	
Cash and cash equivalents:	
Unrestricted	\$ 193,539
Restricted	233,366
	<hr/>
Total cash and cash equivalents	426,905
	<hr/>
Equity in pooled cash and cash equivalents:	
Unrestricted	33,764,113
Restricted	8,114,614
	<hr/>
Total equity in pooled cash and cash equivalents	41,878,727
	<hr/>
Total current assets	\$ 42,305,632
	<hr/> <hr/>

The City follows Government Accounting Standards Board Statement 79, *Certain External Investment Pools and Pool Participants*, which requires disclosure of specific criteria regarding external investment pools. The City maintains a cash and investment pool that is available for use by all funds. The City is governed by the deposit and investment limitations of Maryland law. The City is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state an investment vehicle for short-term investment of funds. The MLGIP is rated "AAAm" by Standard and Poor's (their highest rating). The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single financial institution. A MLGIP Advisory Committee of current participants reviews, on a quarterly basis, the activities of the fund and provides suggestions to enhance the pool. The fair value of the pool is the same as the value of the pool shares. As of June 30, 2020, all pool holdings were in cash and cash equivalents with a weighted average maturity of 42 days. The pool is managed in a "Rule 2(a)-7 like" manner and is reported at amortized cost pursuant to Rule 2(a)-7 under the Investment Company Act of 1940 and also issues a publicly available financial report that includes financial statements and required supplemental information for the MLGIP. This report can be obtained in writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160, or the website, www.mlgip.com. As of June 30, 2020, the City had total investments in MLGIP of \$15,493,827, which have been reflected as equity in pooled cash and cash equivalents.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

2. Deposits and investments (continued):

Restricted cash and cash equivalents at June 30, 2020 consisted of the following:

	Governmental activities	Business-type activities
Bay Restoration Fee		\$ 152,650
Capital improvements projects	\$ 376,091	
City program commitments	771,593	
Debt service reserve fund		20,000
Developer deposits	239,245	
Employee flexible spending accounts	7,798	
Future infrastructure growth	1,108,081	5,455,806
HUD CARES Act	44,106	
Judicial mandates	168,410	
Other escrows	4,200	
	\$ 2,719,524	\$ 5,628,456
Total restricted cash and cash equivalents		

Custodial credit risk:

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$30,575,182 at June 30, 2020, of which \$8,656,225 was covered by federal depository insurance. The remaining amount of \$21,918,957 was fully collateralized by securities pledged and held by financial institution's trust department or agent, not in the City's name.

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, 2020 are disclosed under deposits and investments.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

2. Deposits and investments (continued):

Credit risk:

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

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, 2020, the City had no concentration of credit risk.

3. Loan receivable and related forgiveness:

In February 1998, the City loaned \$50,000 to Human Services Program of Carroll County, Inc., a local not-for-profit organization, to assist with the organization's project to rehabilitate a shelter building. The agreement provided that no payments of principal or interest shall be due under the note and the principal shall be forgiven at the rate of \$1,650 per year while the property is utilized as a shelter for low- and moderate-income families and individuals. If not paid off by the organization due to modification of use, the entire indebtedness will be forgiven by February 25, 2028. As of June 30, 2020, \$13,700 remains outstanding on the loan, \$1,650 of which has been classified as a current asset.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

4. Capital assets:

A summary of governmental activities follows:

	Balance July 1, 2019	Increases	Decreases	Transferred to active status	Balance June 30, 2020
Capital assets not being depreciated:					
Land and land rights	\$ 2,470,906	\$ 585,557			\$ 3,056,463
Construction in progress	268,455	2,470,427		\$ (59,239)	2,679,643
Total capital assets, not being depreciated	<u>2,739,361</u>	<u>3,055,984</u>		<u>(59,239)</u>	<u>5,736,106</u>
Capital assets, being depreciated:					
Buildings	16,417,136	214,053		59,239	16,690,428
Machinery and equipment	4,068,069	56,375			4,124,444
Furniture and fixtures	233,606				233,606
Improvements other than buildings	10,205,632				10,205,632
Infrastructure	58,272,878	5,716,789			63,989,667
Vehicles	3,314,836	220,802	\$ 168,593		3,367,045
Water use rights	1,400,000				1,400,000
Total capital assets, being depreciated	<u>93,912,157</u>	<u>6,208,019</u>	<u>168,593</u>	<u>59,239</u>	<u>100,010,822</u>
Less accumulated depreciation for:					
Buildings	6,469,377	480,805			6,950,182
Machinery and equipment	3,271,117	202,408			3,473,525
Furniture and fixtures	167,503	21,113			188,616
Improvements other than buildings	5,884,883	379,963			6,264,846
Infrastructure	27,271,400	1,840,832			29,112,232
Vehicles	2,331,906	292,711	168,593		2,456,024
Water use rights	119,583	35,000			154,583
Total accumulated depreciation	<u>45,515,769</u>	<u>3,252,832</u>	<u>168,593</u>		<u>48,600,008</u>
Total capital assets, being depreciated, net	<u>48,396,388</u>	<u>2,955,187</u>	<u>-</u>	<u>59,239</u>	<u>51,410,814</u>
Total capital assets, net	<u>\$ 51,135,749</u>	<u>\$ 6,011,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,146,920</u>

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

4. Capital assets (continued):

Depreciation expense for the year ended June 30, 2020 was charged to governmental activities as follows:

General government	\$ 251,945
Public safety	249,532
Culture and recreation	373,395
Public works	2,359,213
Community development and public housing	<u>18,747</u>
 Total depreciation expense	 <u><u>\$ 3,252,832</u></u>

A summary of business-type activities follows:

	Balance July 1, 2019	Increases	Decreases	Transferred to active status	Balance June 30, 2020
Capital assets not being depreciated:					
Land and land rights	\$ 542,455	\$ 599			\$ 543,054
Construction in progress	<u>11,891,828</u>	<u>19,170,136</u>		<u>\$ (608,963)</u>	<u>30,453,001</u>
Total capital assets, not being depreciated	<u>12,434,283</u>	<u>19,170,735</u>		<u>(608,963)</u>	<u>30,996,055</u>
Capital assets, being depreciated:					
Buildings	605,717	19,246			624,963
Machinery and equipment	4,520,586	639,537			5,160,123
Infrastructure	68,208,185	1,026,875	\$ 26,533	566,213	69,774,740
Utility plant and equipment	33,789,917	14,175		42,750	33,846,842
Vehicles	<u>1,178,688</u>	<u>155,267</u>	<u>79,807</u>		<u>1,254,148</u>
Total capital assets, being depreciated	<u>108,303,093</u>	<u>1,855,100</u>	<u>106,340</u>	<u>608,963</u>	<u>110,660,816</u>
Less accumulated depreciation for:					
Buildings	33,853	30,927			64,780
Machinery and equipment	3,617,954	187,037			3,804,991
Infrastructure	19,349,008	1,688,075			21,037,083
Utility plant and equipment	16,005,686	749,151			16,754,837
Vehicles	<u>709,406</u>	<u>115,514</u>	<u>79,807</u>		<u>745,113</u>
Total accumulated depreciation	<u>39,715,907</u>	<u>2,770,704</u>	<u>79,807</u>		<u>42,406,804</u>
Total capital assets, being depreciated, net	<u>68,587,186</u>	<u>(915,604)</u>	<u>26,533</u>	<u>608,963</u>	<u>68,254,012</u>
Total capital assets, net	<u><u>\$ 81,021,469</u></u>	<u><u>\$ 18,255,131</u></u>	<u><u>\$ 26,533</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 99,250,067</u></u>

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

4. Capital assets (continued):

Depreciation expense for the year ended June 30, 2020 was charged to business-type activities as follows:

Sewer Fund	\$ 986,562
Water Fund	1,093,392
Fiber Fund	<u>690,750</u>
Total depreciation expense	<u><u>\$ 2,770,704</u></u>

5. Loan payable:

In February 2007, the City received \$100,000 in zero-interest financing from the Westminster Town Center Corporation to be used for the purchase and rehabilitation of certain properties to be sold as affordable housing to qualified buyers. The loan is payable upon the sale of the related properties. During 2015, the related properties were sold and the conditions for repayment were satisfied. As of June 30, 2020, the loan remains outstanding and will be paid upon the reestablishment of the Westminster Town Center Corporation and approval by City Council.

6. Due to other governments:

In prior years, the City received \$478,000 from the Carroll County Commissioners of Maryland in relation to agreements to provide sewer service to the County Airport and County Industrial Park Complex in the amount of \$228,000 for project costs for expanding permanent sewage infrastructure along Maryland Route 31 and \$250,000 for the Adams Mill Road vicinity (the Avondale area). Both amounts bear no interest. The City has assessed increased special benefit assessment charges for permits issued in these areas, of which the increased portions are to be used for repayment of the loans; therefore, the loans have been classified as noncurrent obligations of the City. As of June 30, 2020, \$39,531 and \$149,037, respectively, were outstanding on the County Airport and County Avondale obligations, respectively.

7. Deposits and escrows:

In May 2017, the City entered into agreements with various entities for improvements along MD 97, a state-owned road. Under these agreements, the City is collecting funds from other entities and holding them in escrow until they are remitted to the state as they submit allowable costs for reimbursement. Under the agreements, \$500,000 of the escrow balance will be held by the City until the completion of construction. As of June 30, 2020, \$585,595 was held in escrow related to this project.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

8. Long-term debt:

Bonds and loan payable as of June 30, 2020 consist of the following:

Bonds payable:	
Governmental activities general obligation bonds payable:	
\$4,820,000 Infrastructure Bonds - 2005 Series A due in annual principal payments of \$207,500-\$232,500, plus interest paid semi-annually at rates of 4.37%-4.45%.The bond matures on May 1, 2025.	\$ 1,012,000
\$1,541,400 Infrastructure Bonds - 2012 Series B due in annual principal payments of \$162,400-\$165,500, plus interest paid semi-annually at rates of 2.41%-2.53%. The bond matures on May 1, 2022.	327,900
\$5,000,000 Infrastructure Bonds - 2017 Series A-1 and Series A-2 due in annual principal payments of \$211,000-\$329,500, plus interest paid semi-annually at rates of 2.90%-3.34%. The bonds mature on April 1, 2037.	<u>4,423,000</u>
Total governmental activities general obligation bonds payable	\$ 5,762,900
Business-type activities general obligation bonds payable:	
Water Fund:	
\$9,850,906 Drinking Water Bonds - Series 2007 due in annual principal payments of \$592,184-\$622,392, plus interest paid semi-annually at a rate of 1.00%. The bond matures on February 1, 2027.	3,710,359
\$4,415,138 Drinking Water Bonds - Series 2008 due in annual principal payments of \$241,565-\$285,190, plus interest paid semi-annually at a rate of 2.40%. The bond matures on February 1, 2028.	2,102,883
Sewer Fund:	
\$27,606,475 Water Quality Bonds - Series 2019A of which \$7,483,343 is drawn. Due in annual principal payments of \$805,680-\$1,044,736, plus interest paid semi-annually at a rate of 0.90%. The bond matures on February 1, 2052.	7,483,343
\$1,500,000 Water Quality Bonds - Series 2019B accrues interest at a rate of 0.00%.The bonds will be forgiven on March 28, 2029 as long as the City is in compliance with the loan agreement.	1,500,000
Fiber Fund:	
\$16,215,000 Infrastructure Bonds - 2019 Series A-1 and Series A-2 due in annual principal payments of \$345,000-\$890,000, plus interest paid semi-annually at rates of 3.62%-3.98%. The bonds matures on April 1, 2049.	<u>15,900,000</u>
Total business-type activities general obligation bonds payable	<u>30,696,585</u>
Total bonds payable	36,459,485
Loan payable	
Fiber Fund:	
\$1,300,000 MD DHCD Loan - 2019 deferred loan to be received over three years to provide for operating expenses. Interest accrues at a rate of 0.0%. The loan is due in full on June 1, 2049. If the City sells, assigns or transfers more than 25% of fiber assets, the loan is payable immediately. The loan is subject to certain covenants requiring insurance coverage, current payment of taxes and financial reporting.	<u>503,458</u>
Total bonds and loan payable	<u>\$ 36,962,943</u>

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

8. Long-term debt (continued):

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Beginning of year	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds payable	\$ 6,327,700		\$ 564,800	\$ 5,762,900	\$ 580,900
Other long-term liabilities, compensated absences	414,990	\$ 45,789	6,114	454,665	17,474
Total governmental activities	<u>\$ 6,742,690</u>	<u>\$ 45,789</u>	<u>\$ 570,914</u>	<u>\$ 6,217,565</u>	<u>\$ 598,374</u>
Business activities:					
General obligation bonds payable	\$ 24,781,071	\$ 7,210,999	\$ 1,295,485	\$ 30,696,585	\$ 1,178,749
Loan payable		503,458		503,458	
Other long-term liabilities, compensated absences	257,874	49,367		307,241	11,382
Due to other governments	188,568			188,568	
Total business-type activities	<u>\$ 25,227,513</u>	<u>\$ 7,763,824</u>	<u>\$ 1,295,485</u>	<u>\$ 31,695,852</u>	<u>\$ 1,190,131</u>

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

The credit and taxing powers of the City are pledged in payment of any deficiency in the funding of the principal and interest payments of all general obligation bonds and the loan from the Maryland Department of Housing and Community Development.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

8. Long-term debt (continued):

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

Years ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2021	\$ 580,900	\$ 184,083	\$ 1,178,749	\$ 778,896
2022	597,000	167,340	1,195,469	759,482
2023	445,000	148,954	2,023,067	739,654
2024	456,500	134,420	2,052,438	711,785
2025	358,500	119,496	2,077,081	682,857
2026-2030	1,237,000	464,668	9,288,606	2,869,605
2031-2035	1,440,000	261,388	3,236,175	2,216,606
2036-2040	648,000	35,708	2,870,000	1,732,462
2041-2045			3,465,000	1,122,813
2046-2050			3,813,458	368,966
	<u>\$ 5,762,900</u>	<u>\$ 1,516,057</u>	<u>\$ 31,200,043</u>	<u>\$ 11,983,126</u>

Interest costs incurred and charged to expense for the year ended June 30, 2020 for governmental activities and business-type activities were \$192,831 and \$990,130, respectively.

9. Conduit debt:

From time to time, the City has issued Economic Development and Educational Facilities Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, there were various series of Economic Development Revenue Bonds and Educational Facilities Revenue Bonds outstanding, with an aggregate principal amount payable of \$139,340,000.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

10. Interfund transactions:

Interfund receivable and payable balances at June 30, 2020 consisted of the following:

Due to	Due from				Total
	Governmental funds		Enterprise funds		
	General Fund	Public housing agency fund	Sewer Fund	Water Fund	
Governmental funds, General Fund	\$	1,856	\$ 44,270	\$ 36,635	\$ 82,761
Enterprise funds, Fiber Fund	\$ 5,198				5,198
Total	\$ 5,198	\$ 1,856	\$ 44,270	\$ 36,635	\$ 87,959

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

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

Significant interfund transfers for the year ended June 30, 2020 include a transfer of \$75,000 from the General Fund to the Public Housing Agency Fund to support the Public Housing Agency Fund's activities and a \$144,178 from the General Fund to the Fiber Fund to support Fiber Fund activities.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

11. Fund balances and net position:

The governmental fund balances at June 30, 2020, are summarized as follows:

	General Fund	Public Housing Agency Fund	Total
Nonspendable, not in spendable form:			
Prepaid expenses	\$ 203,020	\$ 8,467	\$ 211,487
Inventory	63,998		63,998
Loan receivable	13,700		13,700
	280,718	8,467	289,185
Restricted:			
Benefit assessments	1,123,441		1,123,441
Capital improvements	541,210		541,210
Housing voucher program		188,950	188,950
Police non-budgeted	157,720		157,720
	1,822,371	188,950	2,011,321
Committed to police discretionary use	18,497		18,497
Assigned:			
Community development	475,953		475,953
Emergency reserve	1,467,321		1,467,321
Fiscal year 2021 budget	2,705,490		2,705,490
	4,648,764		4,648,764
Unassigned	9,090,411		9,090,411
Total fund balance	\$ 15,860,761	\$ 197,417	\$ 16,058,178

Restricted net assets in business-type activities are limited to \$5,495,818 restricted in the Sewer Fund for future infrastructure growth from benefit assessment revenue.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

12. Property taxes:

The amount of the tax levy in the corresponding tax year shall constitute a determination of the amount to be raised. Property taxes are due and payable on the first day of July in the year for which they are levied and become overdue and in arrears on the first day of the following October. The Mayor and Common Council also have the authority to levy a half-year tax on new construction due and payable on January 1 in the year such tax is levied. The tax rate for the year ended June 30, 2020 was \$0.56 per \$100 of assessed property value.

Personal property taxes are levied annually and are due within 30 days of billing, which occurs as assessment information is received by the state. Assessed values are established by the Maryland State Department of Assessments and Taxation. For tangible business and personal property, the rate per \$100 of assessed value was \$1.10 in fiscal year 2020. For tangible utility property, the rate per \$100 of assessed value was \$1.40 in fiscal year 2020.

13. Rental income agreements:

The City has entered into lease agreements for real estate at market rates with various unrelated parties. Additionally, the City leases two pieces of real estate to unrelated parties at a rate of \$1 per year. Rental income for the year ended June 30, 2020 was \$37,958. Future minimum annual rental receipts for the General Fund for the years ended June 30 is as follows:

2021	\$ 13,202
2022	4,202
2023	4,202
2024	4,202
2025	4,202
2026-2030	<u>1,759</u>
	<u>\$ 31,769</u>

The cost of the leased properties presented in building and improvements was \$812,446 with accumulated depreciation of \$434,882 as of June 30, 2020.

On February 5, 2019, the City entered into a purchase contract with the lessee for one of the real estate properties leased to an unrelated party for \$1 per year. The property is at 7 Schoolhouse Avenue, Westminster, and the sales price is \$430,000. Settlement on the sale (closing) will occur no later than 18 months after February 5, 2019, except that the deadline for closing may be extended by three additional 180 day periods. The sale of the property was completed in December 2020.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

13. Rental income agreements (continued):

In December 2018, the City entered into a lease agreement with the construction company who is building the new sewer facility for the property located next to the facility. The intention is that the construction company will be able to use the property during construction. The lease agreement expires in June 2022. Rental income for the year ended June 30, 2020 was \$54,463. According to the lease agreement, future minimum rental revenue for the Sewer Fund consist of \$36,869 for the years ended June 30, 2021 and \$30,566 for the year ended June 30, 2022. The cost of the leased property, presented in building and improvements and land and land rights, was \$813,989 with accumulated depreciation of \$25,049 as of June 30, 2020.

The City has entered into communication tower lease agreements with various unrelated parties. All lease agreements have renewable terms for successive five-year periods at the lessees' discretion. Rental income for the year ended June 30, 2020 was \$259,752. Future minimum annual rental income for the Water Fund for the years ended June 30 is as follows:

2021	\$ 263,435
2022	163,830
2023	<u>37,210</u>
	<u>\$ 464,475</u>

14. Fiber network infrastructure lease:

Effective February 9, 2015, the City entered into a ten-year lease agreement with an unrelated party, Ting Fiber, Inc., for the leasing of the City's fiber network infrastructure. The agreement offers an option to renew for two consecutive ten-year extensions. On a monthly basis, the lessee is charged by the City per subscriber to the internet and per possible subscriber (i.e., the fiber network infrastructure is in place on the street where the possible subscriber is located).

For the year ended June 30, 2020, the City generated revenue of \$689,151 from this agreement. The income is recognized as operating income because the purpose of the Fiber Fund is to provide a high-speed fiber optic network to residential and commercial users in the City.

15. Operating leases:

Effective August 1, 2018, the City entered into a one-year lease agreement with an unrelated party for the leasing of office space. This lease was extended through March 31, 2021 with monthly minimum lease payments of \$14,300.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

15. Operating leases (continued):

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

The following is a schedule of future minimum rental payments required under the operating leases as of June 30, 2020:

<u>Years ending June 30,</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2021	\$ 50,681	\$ 95,691
2022	5,596	7,880
2023	3,409	3,505
2024	1,656	
2025	138	
	<u>\$ 61,480</u>	<u>\$ 107,076</u>

Rent expense for governmental and business-type activities for the year ended June 30, 2020 was \$66,908 and \$125,239, respectively.

16. Defined contribution plans:

The City, in accordance with Common Council approval, has two defined contribution plans created in accordance with Internal Revenue Code Sections 457(b) and 401(a), respectively. The 457(b) plan is available to all regular full-time and part-time employees, and the 401(a) plan is available to those employees who are not members of the Law Enforcement Officers' Pension System (LEOPS) of Maryland with at least six months of employment service. Employees are fully vested in both plans immediately upon becoming eligible to participate in the plans. The 457(b) and 401(a) plans have 11 and 107 active participants, respectively, as of June 30, 2020.

The 457(b) plan permits employees to defer a portion of their salary until future years. Employees can defer the lesser of \$19,500, adjusted annually for cost-of-living increases, and up to an additional \$6,500 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 \$6,000, with an additional \$1,000 catch-up for employees age 50 or over. The City contributed \$3,694 to the 457(b) plan for the year ended June 30, 2020.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

16. Defined contribution plans (continued):

The 401(a) plan permits the City to contribute 2% of eligible employee's salary to a maximum of \$57,000 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 \$82,122 to the 401(a) plan for the year ended June 30, 2020.

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

17. Pension plans:

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

General information about the pension plans:

Employees' pension system:

Plan description - City employees that work a minimum of 500 regular hours, excluding overtime, are provided with pensions through the Maryland State Retirement and Pension System, a cost-sharing multiple-employer defined benefit pension plan administered by the State Retirement Agency (the Agency). Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: <https://sra.maryland.gov/sites/main/files/file-attachments/2019-srps-cafr-web.pdf>.

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

General information about the pension plans:

Employees' pension system:

For individuals who are members of the pension systems on or before June 30, 2011, retirement benefits equal 1.2% of average final compensation (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued prior to July 1, 1998 plus 1.8% of the (AFC) for the three highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 1998. Members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances: 1) age 62, and five years of eligibility service; 2) age 63, and four years of eligibility service; 3) age 64, and three years of eligibility service or 4) age 65 or older, and two years of eligibility service. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members is 42%.

For individuals who are members of the pension systems on or after July 1, 2011, retirement benefits equal 1.5% of (AFC) for the five highest consecutive years as an employee multiplied by the number of years of creditable service accrued on or after July 1, 2011. Members are eligible for full service pension allowances when their combined age and eligibility service equals at least 90 years or they attain age 65 after 10 years of eligibility service. Members are eligible for early service pension allowances upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members is 30%.

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

General information about the pension plans:

Employees' pension system:

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

Contributions - Members are required to contribute 7.00% of their wages under the Plan. The City is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The City's required contribution rate for the year ended June 30, 2020 was 9.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$518,454 for the year ended June 30, 2020.

Law Enforcement Officers' Pension System:

Plan description - Law enforcement officers are provided with pensions through the Maryland State Retirement and Pension System's Law Enforcement Officers' Pension System (LEOPS), a cost-sharing multiple-employer defined benefit pension plan administered by the Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at: <https://sra.maryland.gov/sites/main/files/file-attachments/2019-srps-cafr-web.pdf>.

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

General information about the pension plans:

Law Enforcement Officers' Pension System:

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

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

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

Contributions - LEOPS plan members are required to contribute 7.00% of their wages under the plan. The City is required to make a contribution which is established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. The City's required contribution rate for the year ended June 30, 2020 was 32.22% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$724,830 for the year ended June 30, 2020.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

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

At June 30, 2020, the City reported a liability of \$11,162,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 0.0541%, which was an increase of 0.0005% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,731,627. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Change of assumptions	\$ 171,122	\$ 303,804
Change in proportionate share	1,455,233	421,150
Contributions subsequent to the measurement date	1,243,284	
Difference between expected and actual experience		723,957
Net difference between projected and actual earnings on pension plan investments	<u>221,539</u>	
	<u><u>\$ 3,091,178</u></u>	<u><u>\$ 1,448,911</u></u>

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

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

The amount of \$1,243,284 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	\$ 351,645
2022	(59,484)
2023	41,517
2024	111,745
2025	<u>(46,440)</u>
	<u>\$ 398,983</u>

Actuarial assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 8.35%, including wage inflation
Investment rate of return	7.40%, net of pension plan investment expense, including inflation
Mortality	Fully generational - Pub-2010/MP2018

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study of the System for the period 2014-2018 after the completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board of Trustees for first use in the actuarial valuation as of June 30, 2019.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Public equity	37%	6.3%
Private equity	13%	7.5%
Rate sensitive	19%	1.3%
Credit opportunity	9%	3.9%
Real assets	14%	4.5%
Absolute return	8%	3.0%
	100%	

Discount Rate - A single discount rate of 7.40% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used for the June 30, 2018 valuation was 7.45%.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

17. Pension plans (continued):

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

Sensitivity of the net pension liability to changes in the discount rate - Regarding sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be in it were calculated using a single discount rate that is one-percentage point lower or one-percentage point higher:

	1% Decrease (6.40%)	Current discount rate (7.40%)	1% Increase (8.40%)
The City's proportionate share of net pension liability	\$ 16,157,231	\$ 11,162,935	\$ 7,003,316

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

18. Other postemployment benefits (OPEB) plan:

General information about the OPEB plan:

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

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

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

General information about the OPEB plan:

Under the Retiree Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for law enforcement and general employees, and the City, based on age and years of service, as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, as of July 1, 2008 can participate in City-sponsored coverage.

The City subsidizes the retirees' individual premium cost up to 100%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for the 100% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are eligible for a Medicare supplemental plan. Under the Retirement Medical Insurance Policy, all employees meeting the retirement eligibility requirements of the State Retirement and Pension System of Maryland, based on age and years of service for law enforcement and general employees, and the City, based on age and years of service, as well as retirement directly from the City and having continuous medical insurance coverage with the City after retirement, after July 1, 2008 can participate in City-sponsored coverage. The City subsidizes the retirees' individual premium cost up to 75%, based on the number of points (age plus years of service) at the age of retirement, and qualifying disabled participants all qualify for a 100% subsidy regardless of number of points. There is no City subsidy on spouses or dependents. Upon reaching eligibility for Medicare, retirees are no longer permitted to participate in the City's Plan.

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

Membership of the Plan consisted of 76 participants, 50 of which are active Plan members, 24 are retirees receiving benefits and 2 are inactive employees entitled to but not yet receiving benefits as of June 30, 2020.

General information about the OPEB plan:

The Plan is unfunded, with retirees' premium payments being made by the City on a pay-as-you-go basis. For the year ended June 30, 2020, the City paid premium costs of \$121,089 related to retirees. There are no employee contributions to the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB liability:

The City's total OPEB liability of \$3,465,384 was measured at June 30, 2019 and was determined by an actuarial valuation as of March 1, 2020.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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

Total OPEB liability:

Actuarial assumptions and other inputs - The total OPEB liability in the March 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	6.2% per annum for general employees 7.2% per annum for law enforcement officers
Retirees' coverage election	90% - 100% for the Retiree Insurance Policy, increasing with age and years of service 50% - 95% for the Retirement Medical Insurance Policy, increasing with age and years of service
Healthcare cost trend rates	Initially 4.70%, then increasing to 5.20% by 2030, and gradually decreasing to 4.00% in 2075

The discount rate of 3.13% for the June 30, 2019 roll forward was based on the municipal bond index as of June 30, 2019.

Mortality rates were based on the Pub-2010 General Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

The actuarial assumptions used in the March 1, 2020 valuation were based on past experience under the Plan and reasonable future expectation which represents the best estimate of anticipated experience under the Plan. A recent actuarial experience study has not been performed. Actuarial assumptions are approved by the Mayor and Common Council based on recommendations from the consulting actuaries.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

Changes in the total OPEB liability:

	Total OPEB liability
Balance at June 30, 2019	\$ 4,974,664
Changes for the year:	
Service cost	84,133
Interest	176,402
Experience gains	(1,504,694)
Changes in assumptions	(106,130)
Benefit payments	(158,991)
Net changes for the year	(1,509,280)
Balance at June 30, 2020	\$ 3,465,384

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% for June 30, 2019 to 3.13% for June 30, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current discount rate:

1% decrease (2.13%)	Current discount rate (3.13%)	1% increase (4.13%)
\$ 3,771,768	\$ 3,465,384	\$ 3,189,555

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

Changes in the total OPEB liability:

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

1% decrease (3.00%)	Current healthcare cost trend rates (4.00%)	1% increase (5.00%)
\$ 3,155,276	\$ 3,465,384	\$ 3,821,876

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$231,673. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 1,155,282
Change of assumptions		248,840
Contributions subsequent to the measurement date	\$ 121,089	
	\$ 121,089	\$ 1,404,122

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

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

The amount of \$121,089 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as reductions in OPEB expense as follows for the years ending June 30:

2021	\$ 494,312
2022	494,311
2023	415,499
	<hr/>
	\$ 1,404,122
	<hr/> <hr/>

19. Commitments and contingencies:

The City participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2020, 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 involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the City's management and counsel, the ultimate disposition of these matters will not have a material adverse effect on the City's net position or changes therein.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

19. Commitments and contingencies (continued):

The City is committed under the following contracts for projects as of June 30, 2020:

Project	Contract amount	Amount outstanding at June 30, 2020
Governmental activities, 45 West Main Street renovations	\$ 5,066,341	\$ 2,335,691
Sewer Fund, enhanced nutrients removal and biosolids upgrade to wastewater treatment plant	\$ 68,343,931	\$ 42,431,374
Water Fund, Water Re-Use Pilot Testing Project	147,000	94,486
Business-type activities	\$ 68,490,931	\$ 42,525,860

Under federal court order, the U.S. Environmental Protection Agency was ordered to implement a Chesapeake Bay clean up. The State of Maryland established a stormwater management fee program to fund projects to direct nitrogen away from streams that feed into the Chesapeake Bay. This program will be implemented through a National Pollutant Discharge Elimination System (NPDES) permit for Carroll County, Maryland (the County). In October 2014, the City along with seven other municipalities entered into a cost-sharing of stormwater mitigation project with the County to comply with NPDES requirements. The annual amount for each municipality was calculated based on \$25,000 per impervious acre and on total number of impervious acres required to be restored/mitigated by the permit over the five-year period of this project. For its share of this project, the City is required to pay 20% and the County is covering the remaining 80%. For the year ended June 30, 2020, the City's portion of these costs was \$198,497, which were capitalized as an infrastructure asset. Over the five-year term of the agreement, the City paid a total of \$902,358. These funds are funding the design and construction of various stormwater management facilities. The construction of these facilities are ongoing. The County and municipalities agreed to continue the current agreement by extending for one additional year, while working towards the issuance of the Fifth Generation Permit. As such, the City made its next committed payment under this agreement subsequent to year end in the amount of \$198,497, which will be applied to the next permit and funds going to future projects.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

20. Risk and uncertainties:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Local Government Insurance Trust (LGIT), a public-entity risk pool, which is owned and directed by local governments (participants) that subscribe to its insurance coverages. LGIT is managed by a Board of Trustees and a contract administration company. The trustees are elected by a majority vote of the participants with each participant having one vote. The City does not exercise any control over LGIT's operations. The maximum coverage under the liability pool of LGIT is \$1,000,000 per claim. The City also participates in an excess liability pool, which has maximum coverage of \$5,000,000. Settled claims resulting from these risks have not exceeded insurance coverage for each of the past three years.

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

21. Concentrations and economic dependencies:

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

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

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

22. Subsequent events:

In August 2020, the City issued Infrastructure Bond, 2020 Series A as a general obligation of the City in the amount of \$1,186,800 to finance the community pool improvements project.

CITY OF WESTMINSTER

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

22. Subsequent events (continued):

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 23, 2021, the date the financial statements were available to be issued.

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

(Required supplementary information)

(unaudited)

YEAR ENDED JUNE 30, 2020

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Taxes	\$ 13,451,814	\$ 13,451,814	\$ 13,621,481	\$ 169,667
Licenses and permits	587,200	605,130	587,808	(17,322)
Fines and forfeitures	102,500	105,500	98,026	(7,474)
Interest	80,000	180,000	176,783	(3,217)
Rent	29,400	29,400	37,958	8,558
Intergovernmental revenues	3,169,728	3,250,856	2,295,914	(954,942)
Charges for services	1,276,780	1,478,033	1,246,606	(231,427)
Miscellaneous revenues	36,000	54,500	96,568	42,068
Total revenues	18,733,422	19,155,233	18,161,144	(994,089)
Expenditures:				
General government	2,800,925	2,840,125	1,714,538	1,125,587
Public safety	7,221,848	7,277,048	6,597,452	679,596
Culture and recreation	1,431,217	1,474,537	1,191,745	282,792
Highways and streets	3,271,377	3,271,377	2,844,416	426,961
Community development and public housing	37,422	37,422	12,927	24,495
Capital outlay	8,109,843	8,965,827	4,766,555	4,199,272
Debt service:				
Principal	564,800	564,800	564,800	-
Interest	234,057	234,057	199,729	34,328
Total expenditures	23,671,489	24,665,193	17,892,162	6,773,031
Other financing sources (uses):				
Proceeds from sale of capital assets	20,000	20,000	19,231	(769)
Interfund transfers	(692,078)	(692,078)	(219,178)	472,900
Total other financing sources (uses)	(672,078)	(672,078)	(199,947)	472,131
Net changes in fund balances	\$ (5,610,145)	\$ (6,182,038)	69,035	\$ 6,251,073
Fund balances:				
Beginning of year			15,791,726	
End of year			\$ 15,860,761	

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE – PUBLIC HOUSING AGENCY FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2020

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Interest			\$ 85	\$ 85
Intergovernmental	\$ 2,401,233	\$ 2,504,233	2,473,323	(30,910)
Miscellaneous	16,000	19,934	18,123	(1,811)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	2,417,233	2,524,167	2,491,531	(32,636)
 Expenditures, community development and public housing	 2,492,459	 2,594,234	 2,616,125	 (21,891)
 Other financing sources (uses), interfund transfers	 75,000	 75,000	 75,000	 -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net changes in fund balances	<u> (226)</u>	<u> 4,933</u>	<u> (49,594)</u>	<u> (54,527)</u>
 Fund balances:				
Beginning of year			<u>247,011</u>	
 End of year			<u> \$ 197,417</u>	

CITY OF WESTMINSTER

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

LAST THREE FISCAL YEARS*
(Required supplementary information)
(unaudited)

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 84,133	\$ 81,676	\$ 91,537
Interest	176,402	173,077	147,458
Experience gains	(1,504,694)	(44,604)	
Changes of assumptions	(106,130)	(19,372)	(394,049)
Benefit payments	(158,991)	(145,958)	(178,101)
Net change in total OPEB liability	(1,509,280)	44,819	(333,155)
Total OPEB liability:			
Beginning of year	4,974,664	4,929,845	5,263,000
End of year	\$ 3,465,384	\$ 4,974,664	\$ 4,929,845
Covered employee payroll	\$ 3,147,834	\$ 3,020,987	\$ 3,161,863
Total OPEB liability as a percentage of the covered employee payroll	110.09%	164.67%	155.92%

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

Notes to Schedule:

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

2020	3.13%
2019	3.62%
2018	3.58%
2017	2.85%

In 2020, the medical trend was updated to the latest model released by the SOA and excludes the impact of the Cadillac Tax.

In 2020, the mortality assumption was updated to the latest experience study on public sector employees and retirees released by the SOA.

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

CITY OF WESTMINSTER

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX FISCAL YEARS*
(Required supplementary information)
(unaudited)

	2020	2019	2018	2017	2016	2015
City's proportionate share (%) of collective net pension liability	0.0541%	0.0536%	0.0482%	0.0488%	0.0469%	0.0447%
City's proportionate share (\$) of collective net pension liability	\$ 11,162,935	\$ 11,241,148	\$ 10,431,551	\$ 11,509,127	\$ 9,745,109	\$ 7,892,118
City's covered payroll	\$ 7,429,146	\$ 7,083,850	\$ 6,584,160	\$ 6,272,473	\$ 6,304,421	\$ 6,255,414
City's proportionate share of collective net pension liability as a percentage of its covered payroll	150.26%	158.69%	158.43%	183.49%	154.58%	126.16%
Pension plan's fiduciary net position as a percentage of the total pension liability	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

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

Notes to schedule:

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

	2020	2019	2018	2017	2016	2015
	Pub-2010/ MP2018	RP-2014	RP-2014	RP-2014	RP-2014	RP-2010
Mortality table	7.40%	7.45%	7.50%	7.55%	7.55%	7.65%
Investment return	2.60%	2.60%	2.65%	2.70%	2.70%	2.90%
Inflation						

CITY OF WESTMINSTER

SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS
 LAST TEN FISCAL YEARS
 (Required supplementary information)
 (unaudited)

<u>Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2020	\$ 1,243,284	\$ (1,243,284)		\$ 7,776,860	16.0%
2019	1,125,444	(1,125,444)		7,429,146	15.1%
2018	1,055,351	(1,055,351)		7,083,850	14.9%
2017	984,874	(984,874)		6,584,160	15.0%
2016	950,272	(950,272)		6,272,473	15.1%
2015	988,374	(988,374)		6,304,421	15.7%
2014	1,036,331	(1,036,331)		6,255,414	16.6%
2013	769,674	(769,674)		6,268,030	12.3%
2012	934,238	(934,238)		6,088,635	15.3%
2011	1,000,560	(1,000,560)		6,441,749	15.5%

CITY OF WESTMINSTER, MARYLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures	Amount passed through to subrecipients
U.S. Department of Housing and Urban Development:				
Direct funding:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 2,378,108	
Passed through Carroll County government:				
Section 8 Housing Choice Vouchers	14.871	Portability	<u>95,215</u>	
Total Section 8 Housing Choice Vouchers			<u>2,473,323</u>	
Total U.S. Department of Housing and Urban Development			2,473,323	
U.S. Department of Labor:				
Passed through Maryland Department of Labor, Division of Unemployment Insurance:				
Unemployment Insurance	17.225	N/A	6,360	
U.S. Department of Treasury:				
Passed through Carroll County Commissioners:				
Coronavirus Relief Fund	21.019	03/01/20 - 12/30/20	124,951	
U.S. Department of Transportation:				
Passed through Maryland Highway Safety Office:				
State and Community Highway Safety	20.600	LE 19-093, 19-038	<u>482</u>	
Total federal expenditures			<u>\$ 2,605,116</u>	

CITY OF WESTMINSTER, MARYLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

Independent 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Westminster, Maryland, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Westminster's basic financial statements, and have issued our report thereon dated July 23, 2021.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

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

City of Westminster's Response to Findings

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

Purpose of this Report

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



Westminster, Maryland
July 23, 2021

Independent Auditor's Report on Compliance
for each Major Program and on
Internal Control Over Compliance in Accordance
with the Uniform Guidance

Mayor and Common Council
City of Westminster, Maryland

Report on Compliance for Each Major Federal Program

We have audited the City of Westminster's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Westminster's major federal program for the year ended June 30, 2020. The City of Westminster's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Westminster complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on the major federal program is not modified with respect to this matter.

The City of Westminster's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Westminster's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a significant deficiency.

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

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

Brown Schultz Steidman & Fritz

Westminster, Maryland
July 23, 2021

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes <u> </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes <u> </u> No

Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported under Section 200.516 of the Uniform Guidance?	<u> X </u> Yes <u> </u> No

Identification of major program tested:

CFDA Numbers

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers

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

\$ 750,000

Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No
----------------------------------------	-------------------------------------------

(continued)

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2020

II. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding reference: 2020-001

Material weakness in internal control over financial reporting—financial reporting system errors

Condition: 1) Depreciation on capital assets was posted directly to net position instead of depreciation expense and 2) the parks and recreation department had recorded numerous accounts receivable that were for fiscal year 2021, with the offset being to deferred revenue.

Criteria: 1) Assets over the capitalization threshold and having an estimated useful life of more than one year should be capitalized and depreciated over the estimated useful life of the asset and 2) deferred revenue is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. Accounts receivable are funds due to an entity for goods or services delivered or used, but not yet paid for by customers.

Context: 1) When recording depreciation expense for fiscal year 2020, all the postings that should have been posted to depreciation expense were posted to the net position account "net investment in capital assets" instead and 2) when a customer signs up for a family center membership, ActiveNet creates a receivable for the full length of the membership, and the portion that relates to future fiscal years is recorded as deferred revenue. In the situation where the customer does not pay in advance, this causes the balances in accounts receivable and deferred revenue to be overstated as the consideration for the memberships in deferred revenue has not been received as of the statement of financial position date.

Effect or Potential Effect: Material adjustments were required to correct equity, depreciation expense, accounts receivable and deferred revenue due to system posting errors.

Cause: System mapping and posting errors

Recommendation: We recommend the City 1) review how the posting of depreciation expense is mapped in Eden to ensure it is posted to depreciation expense instead of net investment in capital assets and 2) record the memberships for the next fiscal year as of July 1 of the next year instead of June of the current fiscal year.

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

(continued)

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2020

II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding reference: 2020-002

Significant deficiency in internal control over financial reporting—cash and equity restrictions

Condition: Numerous modifications were required to properly state restricted cash and various nonspendable, restricted and assigned fund balances.

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

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

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

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

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

Unassigned - This category includes the residual fund balance of the General Fund, which has not been classified within the other above-mentioned categories.

Context: The City prepares a reconciliation of restricted cash and nonspendable, restricted, committed and assigned fund balance. These reconciliations were not complete and contained several errors that required adjustment to properly state the balances as of June 30, 2020.

Effect or Potential Effect: Numerous adjustments were necessary to properly state fund balance and restricted cash at fiscal year end.

Cause: Management oversight and lack of procedures in place.

(continued)

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2020

II. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding reference: 2020-002 (continued):

Recommendation: We recommend the City review the balances that were restricted and assigned as of the prior year financial statements and determine if similar situations exist in the current year. In most circumstances, the restricted and assigned balances will be similar from year-to-year. Reviewing the prior year balances reported in the financial statements should serve as a good starting place for preparing the current year reconciliation. Additionally, prepare a reconciliation of restricted cash against restricted liabilities and restricted equity to ensure these balance to zero.

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

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

Finding reference: 2020-003

Federal Agency: Department of Housing and Urban Development
Federal Program: 14.871 Housing Choice Vouchers
Grant Period: 07/01/19 – 06/30/20
Requirement: Allowable Costs and Cost Principles
Type of Finding: Significant deficiency in internal control over major programs

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

Criteria: Administrative costs should be allocated to the Public Housing Agency consistently. These allocations should be reviewed annually to determine if changes are necessary.

Cause: Management does not have procedures in place to review allocations being utilized for the Public Housing Agency Fund.

Effect: Administrative costs could be charged to the program at an improper allocation rate or could be charged to the program when they should not be.

Context: A sample of 17 transactions posted to non-payroll administrative accounts in the Public Housing Agency Fund were tested. Of the 17 transactions tested, three invoices did not have support for the allocation utilized. Two transactions utilized allocations that had not been updated for several years, and it was unclear if the allocations were reasonable during the period under audit.

Repeat Finding: This finding was reported for the year ended June 30, 2019 as 2019-006.

(continued)

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2020

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

Finding reference: 2020-003 (continued)

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

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

Finding reference: 2020-004

Federal Agency: Department of Housing and Urban Development
Federal Program: 14.871 Housing Choice Vouchers
Grant Period: 07/01/19 – 06/30/20
Requirement: Reporting
Type of Finding: Material weakness in internal control over major programs; Noncompliance

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

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

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

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

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

Repeat Finding: This finding was reported for the year ended June 30, 2019 as 2019-008.

(continued)

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

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

Finding reference: 2020-004 (continued)

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

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

CITY OF WESTMINSTER
56 West Main Street, Suite 1
Westminster, Maryland 21157



TELEPHONE:
(410) 848-9000
(410) 876-1313
www.westminstermd.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

July 23, 2021

U.S. Department of Housing and Urban Development

City of Westminster respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2020.

Name and address of independent accounting firm:

Brown Shultz Sheridan & Fritz
205 Eat Main Street
Westminster, MD 21157

Please see below for the findings noted in the audit for the year ended June 30, 2019.

If you require additional information or have concerns, please contact Lydia Colston, Director of Finance (410-848-3274 or email: LColston@westgov.org).

Sincerely,

Tammy Palmer
Special Projects Coordinator

PRIOR YEAR FINDINGS

Finding number 2019-001

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

Current Status: The Finance Department reviewed the June 30, 2020 balances and ensured all receivables were recognized in the correct period. Deferred outflows related to the change in proportionate share of the net pension liability has been amortized over the expected remaining service lives of all employees provided pensions through the plan.

Finding number 2019-002

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

Current Status: Employee position transitions were completed, which provided the training needed to ensure proper reporting at June 30, 2020.

Finding number 2019-003

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

Current Status: The Finance Department staff collects all capital invoices for equipment and enters into the fixed assets system in the appropriate period. The Director of Public Works provides a written report of which capital construction projects were complete at year end. All completed projects were entered into fixed assets from the work in progress schedule. All incomplete projects were added to the work in progress schedule. All assets are entered with the in-service date to ensure proper depreciation.

Finding number 2019-004

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

Current Status: All inventory is checked by the acquiring department as it arrives from the manufacturer and the Finance Department uses the most current pricing from the most current invoices to value inventory. All inventory counts were performed at year end.

Finding number 2019-005

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

Current Status: Accounts have been closed and no new accounts will be set up without specific authorization by the Mayor and Common Council, along with the establishment of proper reporting and controls.

Finding number 2019-006

Housing Voucher Program, CFDA 14.871

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

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

Current Status: The Finance Department performed an analysis of administrative costs to determine proper allocations between funds for the year ended June 30, 2021. This was not corrected for the year ended June 30, 2020 due to the audit report not being finalized until April 9, 2020 and the effects on the City due to the COVID-19 pandemic. The Finance Department ensured all invoices had authorizing signatures before they went to the check signers or the ACH transaction was completed. During the COVID-19 pandemic, invoices were reviewed and approved via email.

Finding number 2019-007

Housing Voucher Program, CFDA 14.871

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

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

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

Finding number 2019-008

Housing Voucher Program, CFDA 14.871

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

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

Current Status: This was not corrected for the year ended June 30, 2020 due to the COVID-19 pandemic.

CITY OF WESTMINSTER
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TELEPHONE:
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(410) 876-1313
www.westminstermd.gov

CORRECTIVE ACTION PLAN

July 23, 2021

Department of Housing and Urban Development

The City of Westminster, Maryland respectively submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent accounting firm:

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

Audit Period: July 1, 2019 to June 30, 2020

The findings from the schedule of questioned costs for the year ended June 30, 2020 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding reference: 2020-001 – Material weakness – financial reporting system errors

Recommendation: We recommend the City 1) review how the posting of depreciation expense is mapped in Eden to ensure it is posted to depreciation expense instead of net investment in capital assets and 2) record the memberships for the next fiscal year as of July 1 of the next year instead of June of the current fiscal year.

Action taken: We will contact Tyler Technologies support to correct the mapping of depreciation expense posting. Memberships will be recorded as of July 1 of the proper year.

Finding reference: 2020-002 – Significant deficiency – cash and equity restrictions

Recommendation: We recommend the City review the balances that were restricted and assigned as of the prior year financial statements and determine if similar situations exist in the current year. In most circumstances, the restricted and assigned balances will be similar from year-to-year. Reviewing the prior year balances reported in the financial statements should serve as a good starting place for preparing the current year reconciliation. Additionally, prepare a reconciliation of restricted cash against restricted liabilities and restricted equity to ensure these balance to zero.

Action taken: The City will review the balances that were restricted and assigned as of the prior year financial statements and prepare a reconciliation of restricted cash against restricted liabilities and restricted equity to ensure they balance to zero.

FINDINGS – FEDERAL AWARD PROGRAM AUDIT

Finding reference: 2020-003 – 14.871 Housing Choice Vouchers – Significant deficiency

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

Action Taken: An analysis of administrative costs allocated across funds will be performed to ensure proper allocations for each type of cost and then distributed to the Finance Department and employees responsible for authorizing invoices.

Finding reference: 2020-004 – 14.871 Housing Choice Vouchers – Material weakness; noncompliance

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

Action taken: Monthly reconciliations will be performed between the Finance and Housing Department figures used for VMA reporting. In addition, a year-end reconciliation will be performed.

If the Department of Housing and Urban Development has any questions regarding this response, please call Lydia Colston, CPA, Director of Finance at 410-848-3274.

Sincerely,

A handwritten signature in black ink that reads "Lydia A. Colston, CPA". The signature is written in a cursive style with a large initial 'L'.

Lydia A. Colston, CPA
Director of Finance

CITY OF WESTMINSTER

FINANCIAL DATA SCHEDULES
PROGRAM BALANCE SHEET SUMMARY
JUNE 30, 2020

Submission Type: Audited/Uniform Guidance

Fiscal year end:

June 30, 2020

	14.871 Housing	14.HCC HCV	
	Choice Vouchers	CARES Act Funding	Total
111 Cash, unrestricted	\$ -	\$ -	\$ -
112 Cash, restricted, modernization and development	\$ -	\$ -	\$ -
113 Cash, other restricted	\$ 191,039	\$ 44,106	\$ 235,145
114 Cash, tenant security deposits	\$ -	\$ -	\$ -
115 Cash, restricted for payment of current liabilities	\$ -	\$ -	\$ -
100 Total cash	\$ 191,039	\$ 44,106	\$ 235,145
121 Accounts receivable, PHA projects	\$ -	\$ -	\$ -
122 Accounts receivable, HUD other projects	\$ -	\$ -	\$ -
124 Accounts receivable, other Government	\$ -	\$ -	\$ -
125 Accounts receivable, miscellaneous	\$ -	\$ -	\$ -
126 Accounts receivable, tenants	\$ -	\$ -	\$ -
126.1 Allowance for doubtful accounts, tenants	\$ -	\$ -	\$ -
126.2 Allowance for doubtful accounts, other	\$ -	\$ -	\$ -
127 Notes, loans and mortgages receivable, current	\$ -	\$ -	\$ -
128 Fraud recovery	\$ 314,201	\$ -	\$ 314,201
128.1 Allowance for doubtful accounts, fraud	\$ (267,071)	\$ -	\$ (267,071)
129 Accrued interest receivable	\$ -	\$ -	\$ -
120 Total receivables, net of allowances for doubtful accounts	\$ 47,130	\$ -	\$ 47,130
131 Investments, unrestricted	\$ -	\$ -	\$ -
132 Investments, restricted	\$ -	\$ -	\$ -
135 Investments, restricted for payment of current liability	\$ -	\$ -	\$ -
142 Prepaid expenses and other assets	\$ 8,467	\$ -	\$ 8,467
143 Inventories	\$ -	\$ -	\$ -
143.1 Allowance for obsolete inventories	\$ -	\$ -	\$ -
144 Inter program due from	\$ -	\$ -	\$ -
145 Assets held for sale	\$ -	\$ -	\$ -
150 Total current assets	\$ 246,636	\$ 44,106	\$ 290,742
161 Land	\$ -	\$ -	\$ -
162 Buildings	\$ -	\$ -	\$ -
163 Furniture, equipment and machinery; dwellings	\$ -	\$ -	\$ -
164 Furniture, equipment and machinery; administration	\$ -	\$ -	\$ -
165 Leasehold improvements	\$ -	\$ -	\$ -
166 Accumulated depreciation	\$ -	\$ -	\$ -
167 Construction in progress	\$ -	\$ -	\$ -
168 Infrastructure	\$ -	\$ -	\$ -
160 Total capital assets, net of accumulated depreciation	\$ -	\$ -	\$ -
171 Notes, loans and mortgages receivable, noncurrent	\$ -	\$ -	\$ -
172 Notes, loans and mortgages receivable, noncurrent, past	\$ -	\$ -	\$ -
173 Grants receivable, noncurrent	\$ -	\$ -	\$ -
174 Other assets	\$ -	\$ -	\$ -
176 Investments in joint ventures	\$ -	\$ -	\$ -
180 Total noncurrent assets	\$ -	\$ -	\$ -

(continued)

CITY OF WESTMINSTER

FINANCIAL DATA SCHEDULES
PROGRAM BALANCE SHEET SUMMARY (CONTINUED)
JUNE 30, 2020

Submission Type: Audited/Uniform Guidance	Fiscal year end:		June 30, 2020
	14.871 Housing	14.HCC HCV	
	Choice Vouchers	CARES Act Funding	Total
200 Deferred outflow of resources	\$ -	\$ -	\$ -
290 Total assets and deferred outflow of resources	\$ 246,636	\$ 44,106	\$ 290,742
311 Bank overdraft	\$ -	\$ -	\$ -
312 Accounts payable <= 90 days	\$ 233	\$ -	\$ 233
313 Accounts payable <= 90 days past due	\$ -	\$ -	\$ -
321 Accrued wage/payroll taxes payable	\$ -	\$ -	\$ -
322 Accrued compensated absences, current portion	\$ -	\$ -	\$ -
324 Accrued contingency liability	\$ -	\$ -	\$ -
325 Accrued interest payable	\$ -	\$ -	\$ -
331 Accounts payable, HUD PHA programs	\$ -	\$ -	\$ -
332 Accounts payable, PHA projects	\$ -	\$ -	\$ -
333 Accounts payable, other Government	\$ -	\$ -	\$ -
341 Tenant security deposits	\$ -	\$ -	\$ -
342 Unearned revenue	\$ -	\$ 44,106	\$ 44,106
343 Current portion of long-term debt, capital	\$ -	\$ -	\$ -
344 Current portion of long-term debt, operating borrowings	\$ -	\$ -	\$ -
345 Other current liabilities	\$ 1,856	\$ -	\$ 1,856
346 Accrued liabilities, other	\$ -	\$ -	\$ -
347 Inter program, due to	\$ -	\$ -	\$ -
348 Loan liability, current	\$ -	\$ -	\$ -
310 Total current liabilities	\$ 2,089	\$ 44,106	\$ 46,195
351 Long-term debt, net of current, capital projects/mortgage	\$ -	\$ -	\$ -
352 Long-term debt, net of current, operating borrowings	\$ -	\$ -	\$ -
353 Non-current liabilities, other	\$ -	\$ -	\$ -
354 Accrued compensated absences, non-current	\$ -	\$ -	\$ -
355 Loan liability, non-current	\$ -	\$ -	\$ -
356 FASB 5 liabilities	\$ -	\$ -	\$ -
357 Accrued pension and OPEB liabilities	\$ -	\$ -	\$ -
350 Total non-current liabilities	\$ -	\$ -	\$ -
300 Total liabilities	\$ 2,089	\$ 44,106	\$ 46,195
400 Deferred inflow of resources	\$ 47,130	\$ -	\$ 47,130
508.3 Nonspendable fund balance	\$ 8,467	\$ -	\$ 8,467
509.3 Restricted fund balance	\$ 188,950	\$ -	\$ 188,950
510.3 Committed fund balance	\$ -	\$ -	\$ -
511.3 Assigned fund balance	\$ -	\$ -	\$ -
512.3 Unassigned fund balance	\$ -	\$ -	\$ -
513 Total equity, net assets/position	\$ 197,417	\$ -	\$ 197,417
600 Total liabilities, deferred inflows of resources and equity	\$ 246,636	\$ 44,106	\$ 290,742

CITY OF WESTMINSTER

FINANCIAL DATA SCHEDULES
PROGRAM REVENUE AND EXPENSE SUMMARY
YEAR ENDED JUNE 30, 2020

Submission Type: Audited/Uniform Guidance	Fiscal year end:		June 30, 2020
	14.871 Housing	14.HCC HCV	
	Choice Vouchers	CARES Act Funding	Total
70300 Net tenant rental revenue	\$ -	\$ -	\$ -
70400 Tenant revenue, other	\$ -	\$ -	\$ -
70500 Total tenant revenue	\$ -	\$ -	\$ -
70600 HUD PHA operating grants	\$ 2,473,323	\$ -	\$ 2,473,323
70610 Capital grants	\$ -	\$ -	\$ -
70710 Management fee	\$ -	\$ -	\$ -
70720 Asset management fee	\$ -	\$ -	\$ -
70730 Bookkeeping fee	\$ -	\$ -	\$ -
70740 Front line service fee	\$ -	\$ -	\$ -
70750 Other fees	\$ -	\$ -	\$ -
70700 Total fee revenue	\$ 2,473,323	\$ -	\$ 2,473,323
70800 Other government grants	\$ -	\$ -	\$ -
71100 Investment income, unrestricted	\$ -	\$ -	\$ -
71200 Mortgage interest income	\$ -	\$ -	\$ -
71300 Proceeds from disposition of assets held for sale	\$ -	\$ -	\$ -
71310 Cost of sale of assets	\$ -	\$ -	\$ -
71400 Fraud recovery	\$ 14,188	\$ -	\$ 14,188
71500 Other revenue	\$ 3,935	\$ -	\$ 3,935
71600 Gain or loss of sale of capital assets	\$ -	\$ -	\$ -
72000 Investment income, restricted	\$ 85	\$ -	\$ 85
70000 Total revenue	\$ 2,491,531	\$ -	\$ 2,491,531
91100 Administrative salaries	\$ 151,220	\$ -	\$ 151,220
91200 Auditing fees	\$ 12,868	\$ -	\$ 12,868
91300 Management fee	\$ -	\$ -	\$ -
91310 Bookkeeping fee	\$ -	\$ -	\$ -
91400 Advertising and marketing	\$ -	\$ -	\$ -
91500 Employee benefit contributions, administrative	\$ 59,118	\$ -	\$ 59,118
91600 Office expense	\$ 82,923	\$ -	\$ 82,923
91700 Legal expense	\$ -	\$ -	\$ -
91800 Travel	\$ -	\$ -	\$ -
91810 Allocated overhead	\$ -	\$ -	\$ -
91900 Other	\$ -	\$ -	\$ -
91000 Total operating, administrative	\$ 306,129	\$ -	\$ 306,129
92000 Asset management fee	\$ -	\$ -	\$ -
92100 Tenant services, salaries	\$ -	\$ -	\$ -
92200 Relocation costs	\$ -	\$ -	\$ -
92300 Employee benefit contributions, tenant services	\$ -	\$ -	\$ -
92400 Tenant services, other	\$ -	\$ -	\$ -
92500 Total tenant services	\$ -	\$ -	\$ -

(continued)

CITY OF WESTMINSTER

FINANCIAL DATA SCHEDULES
PROGRAM REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED JUNE 30, 2020

Submission Type: Audited/Uniform Guidance	Fiscal year end:		June 30, 2020
	14.871 Housing	14.HCC HCV	
	Choice Vouchers	CARES Act Funding	Total
93100 Water	\$ -	\$ -	\$ -
93200 Electricity	\$ 1,431	\$ -	\$ 1,431
93300 Gas	\$ 84	\$ -	\$ 84
93400 Fuel	\$ -	\$ -	\$ -
93500 Labor	\$ -	\$ -	\$ -
93600 Sewer	\$ -	\$ -	\$ -
93700 Employee benefit contributions, utilities	\$ -	\$ -	\$ -
93800 Other utilities expense	\$ -	\$ -	\$ -
93000 Total utilities	\$ 1,515	\$ -	\$ 1,515
94100 Ordinary maintenance and operations, labor	\$ -	\$ -	\$ -
94200 Ordinary maintenance and operations, materials and	\$ -	\$ -	\$ -
94300 Ordinary maintenance and operations contracts	\$ 745	\$ -	\$ 745
94500 Employee benefit contributions, ordinary maintenance	\$ -	\$ -	\$ -
94000 Total maintenance	\$ 745	\$ -	\$ 745
95100 Protective services, labor	\$ -	\$ -	\$ -
95200 Protective services, other contract costs	\$ -	\$ -	\$ -
95300 Protective services, other	\$ -	\$ -	\$ -
95500 Employee benefit contributions, protective services	\$ -	\$ -	\$ -
95000 Total protective services	\$ -	\$ -	\$ -
96110 Property insurance	\$ -	\$ -	\$ -
96120 Liability insurance	\$ -	\$ -	\$ -
96130 Workmen's compensation	\$ 4,523	\$ -	\$ 4,523
96140 All other insurance	\$ -	\$ -	\$ -
96100 Total insurance premiums	\$ 4,523	\$ -	\$ 4,523
96200 Other general expenses	\$ 2,647	\$ -	\$ 2,647
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	\$ 2,647	\$ -	\$ 2,647
96710 Interest of mortgage (or bonds) payable	\$ -	\$ -	\$ -
96720 Interest on notes payable (short and long term)	\$ -	\$ -	\$ -
96730 Amortization of bond issue costs	\$ -	\$ -	\$ -
96700 Total interest expense and amortization cost	\$ -	\$ -	\$ -
96900 Total operating expenses	\$ 315,559	\$ -	\$ 315,559
97000 Excess of operating revenue over operating expenses	\$ 2,175,972	\$ -	\$ 2,175,972

(continued)

CITY OF WESTMINSTER

FINANCIAL DATA SCHEDULES
PROGRAM REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED JUNE 30, 2020

Submission Type: Audited/Uniform Guidance	Fiscal year end:	June 30, 2020	
	14.871 Housing	14.HCC HCV	
	Choice Vouchers	CARES Act Funding	Total
97100 Extraordinary maintenance	\$ -	\$ -	\$ -
97200 Casualty losses, noncapitalized	\$ -	\$ -	\$ -
97300 Housing assistance payments	\$ 2,209,134	\$ -	\$ 2,209,134
97350 HAP portability, in	\$ 91,432	\$ -	\$ 91,432
97400 Depreciation expense	\$ -	\$ -	\$ -
97500 Fraud losses	\$ -	\$ -	\$ -
97600 Capital outlays, governmental funds	\$ -	\$ -	\$ -
97700 Debt principal payment, governmental funds	\$ -	\$ -	\$ -
97800 Dwelling units rent expense	\$ -	\$ -	\$ -
90000 Total expenses	\$ 2,616,125	\$ -	\$ 2,616,125
10010 Operating transfer in	\$ -	\$ -	\$ -
10020 Operating transfer out	\$ -	\$ -	\$ -
10030 Operating transfers from/to primary government	\$ 75,000	\$ -	\$ 75,000
10040 Operating transfers from/to component unit	\$ -	\$ -	\$ -
10050 Proceeds from notes, loans and bonds	\$ -	\$ -	\$ -
10060 Proceeds from property sales	\$ -	\$ -	\$ -
10070 Extraordinary items, net gain/loss	\$ -	\$ -	\$ -
10080 Special items (net gain/loss)	\$ -	\$ -	\$ -
10091 Inter project excess cash transfer in	\$ -	\$ -	\$ -
10092 Inter project excess cash transfer out	\$ -	\$ -	\$ -
10093 Transfers between program and project, in	\$ -	\$ -	\$ -
10094 Transfers between project and program, out	\$ -	\$ -	\$ -
10100 Total other financing sources (uses)	\$ 75,000	\$ -	\$ 75,000
10000 Excess (deficiency) of total revenue over (under) total	\$ (49,594)	\$ -	\$ (49,594)
11020 Required annual debt principal payments	\$ -	\$ -	\$ -
11030 Beginning equity	\$ 247,011	\$ -	\$ 247,011
11040 Prior period adjustments, equity transfers and correction	\$ -	\$ -	\$ -
11050 Changes in compensated absence balance	\$ -	\$ -	\$ -
11060 Changes in contingent liability balance	\$ -	\$ -	\$ -
11070 Changes in unrecognized pension transition liability	\$ -	\$ -	\$ -
11080 Changes in special term/severance benefits liability	\$ -	\$ -	\$ -
11090 Changes in allowance for doubtful accounts, dwelling	\$ -	\$ -	\$ -
11100 Changes in allowance for doubtful accounts, other	\$ -	\$ -	\$ -
11170 Administrative fee equity	\$ 183,181	\$ -	\$ 183,181
11180 Housing assistance payments equity	\$ 14,236	\$ -	\$ 14,236
11190 Unit months available	3,516		3,516
11210 Number of unit months leased	3,288		3,288
11270 Excess cash	\$ -	\$ -	\$ -
11610 Land purchases	\$ -	\$ -	\$ -
11620 Building purchases	\$ -	\$ -	\$ -
11630 Furniture and equipment, dwelling purchases	\$ -	\$ -	\$ -
11640 Furniture and equipment, administrative purchases	\$ -	\$ -	\$ -
11650 Leasehold improvements purchases	\$ -	\$ -	\$ -
11660 Infrastructure purchases	\$ -	\$ -	\$ -
13510 CFFP debt service payments	\$ -	\$ -	\$ -
13901 Replacement housing factor funds	\$ -	\$ -	\$ -

CITY OF WESTMINSTER

HAP AND ADMIN EQUITY CALCULATIONS
YEAR ENDED JUNE 30, 2020
(unaudited)

HAP excess/deficit calculation

<u>GL#</u>	<u>GL Description</u>	<u>Amount</u>
110.492102	Annual contributions earned	\$ 2,162,743
110.492103	Repayments, HAP	7,094
110.494305	FSS forfeitures	3,935
110.494201	Interest, operating	
110.911105	Interest, HAP	85
	Subsidy from admin	
	Total HAP revenue	<u>2,173,857</u>
110.65.100.5791	HAP, homeownerships	
110.65.100.5792	HAP, family unification	42,069
110.65.100.5793	HAP, tenant protection	
110.65.100.5795	HAP, all other	2,105,350
110.65.100.5796	HAP, FSS escrow	250
110.65.100.5797	HAP, port-out	<u>61,465</u>
	Total HAP expense	<u>2,209,134</u>
	Net HAP	(35,277)
 <u>HAP equity</u>		
Beginning of year		<u>49,513</u>
End of year		<u>\$ 14,236</u>

(continued)

CITY OF WESTMINSTER

HAP AND ADMIN EQUITY CALCULATIONS (CONTINUED)
 YEAR ENDED JUNE 30, 2020
 (unaudited)

Admin equity calculation

<u>GL#</u>	<u>GL Description</u>	<u>Amount</u>
110.492104	HUD admin fee distribution	\$ 215,365
110.494302	Port-in, HAP	89,866
110.494303	Port-in, admin fee receipts	5,349
110.494301	Repayment, admin	7,094
110.953100	Contributions/subsidy	<u>75,000</u>
	Total admin revenue	<u>392,674</u>
	Total PHA expenses	2,616,125
	Less, HAP related expenses	(2,209,134)
	Less, subsidy to HAP	<u> </u>
	Total admin expenses	<u>406,991</u>
	Net admin	(14,317)

Admin equity

Beginning of year	<u>197,498</u>
End of year	<u><u>\$ 183,181</u></u>
Total ending equity	<u><u>\$ 197,417</u></u>