

# CITY OF WESTMINSTER, SOUTH CAROLINA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**CITY OF WESTMINSTER, SOUTH CAROLINA**

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**YEAR ENDED JUNE 30, 2018**

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# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council  
City of Westminster  
Westminster, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westminster, South Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westminster, South Carolina, as of June 30, 2018, 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.

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### ***Correction of Errors***

As discussed in Note 9 in the notes to the financial statements, in the year ended June 30, 2018 the City discovered several errors relating to the reporting of its receivables that impacted its enterprise funds and government-wide financial statements as of June 30, 2017. As a result, the beginning net position has been restated in the current year financial statements to correct these errors. Our opinion is not modified with respect to these matters.

### ***Change in Accounting Principle – Solid Waste Fund***

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2018 the City has elected to change its policy for accounting and reporting its solid waste activities from a subfund of the General Fund to an enterprise fund. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information (including management's discussion and analysis), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
March 14, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

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The management of the City of Westminster ("City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018 ("FY 2018" or "2018") compared to the fiscal year ended June 30, 2017 ("FY 2017" or "2017"). The intent of this management's discussion and analysis ("MD&A") is to look at the City's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the City's overall financial performance.

**Financial Highlights**

- In the Statement of Net Position, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$9,036,314. Unrestricted net position was a deficit of \$1,969,832 primarily due to the City's net pension liability, which was \$3,813,345 at June 30, 2018.
- The City's total net position increased by \$53,958 compared to the prior year net position, as revenues of \$9,352,114 exceeded expenses of \$9,298,156.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$1,077,291, an increase of \$134,165.
- At the end of the current year, unassigned fund balance for the General Fund was \$398,983, 20% of total General Fund expenditures for 2018.
- The City's capital assets decreased by \$528,305 (4%). The decrease in capital assets was primarily due to depreciation expense of \$702,724.
- The City's total debt decreased by \$355,525 (16%) during 2018 due to normally scheduled principal payments.
- The City's net pension liability decreased by \$141,325 (4%) to \$3,813,345 at June 30, 2018.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of two parts – *Financial Section* (which includes the MD&A, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section*.

**Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the City.

**Government-Wide Financial Statements.** The financial statements include two statements that present different views of the City. These are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

## OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 as soon as 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 only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include administrative and general, judicial services, public safety (police and fire), public works, and recreation and tourism. The business-type activities are the City's water, sewer, electric, and solid waste operations. The government-wide financial statements can be found as listed in the table of contents.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the City's most significant activities. 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 all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – The City uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund. The Hospitality Tax Fund and Firemen's 1% Fund are non-major funds and are combined for presentation purposes. The governmental funds financial statements can be found as listed in the table of contents.

**Proprietary Funds** – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City uses an enterprise fund to account for its water, sewer, and electric activities and a separate fund to account for its solid waste operations. The proprietary fund financial statements can be found as listed in the table of contents.

**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. The notes to the financial statements can be found as listed in the table of contents.

**Required Supplementary Information** – A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with their budgets. Required pension plan schedules have been included which provide relevant information regarding the City's participation in the State retirement plans. Required supplementary information can be found as listed in the table of contents.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Supplementary Information** – In addition to the financial statements, notes, and required supplementary information, this report includes certain supplementary information which is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Figure A-1 Major Features of the City's Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses, in the City's case, all activities related to the water, sewer, electric, and solid waste operations.
Required Financial Statements	<ul style="list-style-type: none"> <li>Statement of Net Position.</li> <li>Statement of Activities.</li> </ul>	Balance Sheet. Statement of Revenues, Expenditures, and Changes in Fund Balances.	<ul style="list-style-type: none"> <li>Statement of Net Position.</li> <li>Statement of Revenues, Expenses and Change in Net Position.</li> <li>Statement of Cash Flows.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.



**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position at June 30, 2018 and 2017:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and Other Assets	\$ 1,135,723	\$ 961,872	\$ 2,053,315	\$ 1,959,830	\$ 3,189,038	\$ 2,921,702
Capital Assets	2,529,691	2,585,029	9,532,036	10,005,003	12,061,727	12,590,032
Total Assets	3,665,414	3,546,901	11,585,351	11,964,833	15,250,765	15,511,734
Deferred Outflows of Resources	602,778	503,404	854,325	1,374,259	1,457,103	1,877,663
Current Liabilities	58,432	18,746	734,056	798,925	792,488	817,671
Long-Term Liabilities	100,109	126,368	1,876,077	2,255,203	1,976,186	2,381,571
Net Pension Liability	2,157,904	1,834,470	1,655,441	2,120,200	3,813,345	3,954,670
Total Liabilities	2,316,445	1,979,584	4,265,574	5,174,328	6,582,019	7,153,912
Deferred Inflows of Resources	358,490	129,789	731,045	1,123,340	1,089,535	1,253,129
Net Investment in Capital Assets	2,529,691	2,585,029	7,841,088	7,813,523	10,370,779	10,398,552
Restricted	635,367	573,484	-	-	635,367	573,484
Unrestricted	(1,571,801)	(1,217,581)	(398,031)	(772,099)	(1,969,832)	(1,989,680)
Total Net Position	\$ 1,593,257	\$ 1,940,932	\$ 7,443,057	\$ 7,041,424	\$ 9,036,314	\$ 8,982,356

\* Certain amounts have been reclassified and restated; see Note 1-B and Note 9 in the notes to the financial statements for more details.

The City's total assets decreased \$260,969 from the prior year. Current and other assets increased \$267,336 primarily due to an increase in cash and cash equivalents and accounts receivable. Capital assets decreased \$528,305 from the prior year due to capital asset depreciation exceeding capital asset additions. Total liabilities decreased \$571,893 from the prior year primarily due to scheduled principal payments on debt and a decrease in the net pension liability. The changes in deferred outflows and inflows of resources was primarily due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the City's share of the net pension liability in the State retirement plans.

The City's net position increased by \$53,958 during the current fiscal year primarily due to revenues exceeding expenses in 2018. Please see the discussion following the next table regarding this increase.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$9,036,314 as of June 30, 2018. \$10,370,779 of total net position reflects the City's net investment in capital assets (i.e., land, buildings, water, sewer, and electric utility system, equipment, vehicles, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$635,367 of net position represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenses (hospitality taxes) and public safety expenses.

The remaining portion of the City's net position is an unrestricted net deficit of \$1,969,832.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City's net position for the years ended June 30, 2018 and 2017:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues:						
Program Revenues:						
Charges for Services	\$ 578,348	\$ 853,930	\$ 7,293,723	\$ 7,083,667	\$ 7,872,071	\$ 7,937,597
Operating Grants and Contributions	285,000	285,000	-	-	285,000	285,000
Capital Grants and Contributions	97,456	533,448	-	519,355	97,456	1,052,803
General Revenues:						
Taxes	833,174	824,176	-	-	833,174	824,176
Other	205,221	175,012	59,192	50,592	264,413	225,604
Total Revenues	<u>1,999,199</u>	<u>2,671,566</u>	<u>7,352,915</u>	<u>7,653,614</u>	<u>9,352,114</u>	<u>10,325,180</u>
Expenses:						
Administrative and General	655,810	602,269	-	-	655,810	602,269
Judicial Services	-	64,606	-	-	-	64,606
Public Safety	1,155,824	1,594,757	-	-	1,155,824	1,594,757
Public Works	252,492	365,083	-	-	252,492	365,083
Recreation and Tourism	519,150	478,411	-	-	519,150	478,411
Interest on Long-Term Obligations	-	4,606	-	-	-	4,606
Sewer	-	-	916,524	874,433	916,524	874,433
Water	-	-	1,897,089	1,798,905	1,897,089	1,798,905
Electric	-	-	3,581,367	3,736,732	3,581,367	3,736,732
Solid Waste	-	-	319,900	-	319,900	-
Total Expenses	<u>2,583,276</u>	<u>3,109,732</u>	<u>6,714,880</u>	<u>6,410,070</u>	<u>9,298,156</u>	<u>9,519,802</u>
Change in Net Position Before Transfers	(584,077)	(438,166)	638,035	1,243,544	53,958	805,378
Transfers	<u>236,402</u>	<u>673,815</u>	<u>(236,402)</u>	<u>(958,155)</u>	<u>-</u>	<u>(284,340)</u>
Change in Net Position	(347,675)	235,649	401,633	285,389	53,958	521,038
Net Position - Beginning of Year	<u>1,940,932</u>	<u>1,705,283</u>	<u>7,041,424</u>	<u>6,756,035</u>	<u>8,982,356</u>	<u>8,461,318</u>
Net Position - End of Year - Restated	<u>\$ 1,593,257</u>	<u>\$ 1,940,932</u>	<u>\$ 7,443,057</u>	<u>\$ 7,041,424</u>	<u>\$ 9,036,314</u>	<u>\$ 8,982,356</u>

\* Certain amounts have been reclassified and restated and may not be comparable with the amounts for the year ended June 30, 2018; see Note 1-B and Note 9 in the notes to the financial statements for more details.

**Governmental Activities:** Governmental activities had a decrease in net position of \$347,675. Governmental activities revenues decreased by \$672,367 (25%) from the prior year due to a reduction in capital grants and contributions.

Expenses related to total governmental activities decreased by \$526,456, or 17%, from the prior year. This decrease was primarily due to the transfer of solid waste activity from the General Fund (governmental activities) to an enterprise fund (business-type activities).

**Business-Type Activities:** Net position related to business-type activities (i.e., water, sewer, electric, and solid waste operations) increased by \$401,633. This increase was primarily due to revenues of \$7,352,915 exceeding expenses of \$6,714,880 and transfers out of \$236,402. Revenues decreased by \$300,699 when compared to the prior year due to a reduction in capital grants and contributions. Expenses increased by \$304,810 from the transfer of solid waste activity to an enterprise fund (as noted above).

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Governmental funds.** The focus 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 financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported ending fund balance of \$1,077,291, an increase of \$134,165, or 14% higher than the prior year fund balance.

\$398,983 (37%) of the total fund balance of the governmental funds constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted/assigned to indicate that it is not available for new spending: (1) for tourism-related expenditures (\$547,577), and (2) for public safety (\$130,731). Total unassigned fund balance of the governmental funds (General Fund) represents 19% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by \$691,473 from the prior year, primarily due to lower intergovernmental revenues and the transfer of solid waste revenue to an enterprise fund.
- Total General Fund expenditures decreased by \$1,338,996 from the prior year, primarily due to the lower capital expenditures and the transfer of solid waste expenses to the enterprise fund.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Net position of the proprietary funds at the end of 2018 was \$7,443,057. Please see "Business-Type Activities" discussion in the previous section for details.

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

The City's capital assets as of June 30, 2018 amounted to \$12,061,727. The City's capital assets include land, construction in progress, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water, sewer, and electric utility system. The City's capital assets (net of depreciation) as of June 30, 2018 and 2017 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 472,000	\$ 472,000	\$ 53,025	\$ 53,025	\$ 525,025	\$ 525,025
Construction in Progress	-	-	-	-	-	-
Buildings and Improvements	918,531	962,362	1,769,756	1,918,251	2,688,287	2,880,613
Vehicles and Equipment	307,373	408,769	254,183	328,462	561,556	737,231
Infrastructure	831,787	741,898	7,455,072	7,705,265	8,286,859	8,447,163
Total	<u>\$ 2,529,691</u>	<u>\$ 2,585,029</u>	<u>\$ 9,532,036</u>	<u>\$ 10,005,003</u>	<u>\$ 12,061,727</u>	<u>\$ 12,590,032</u>

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

The total decrease in the City's capital assets for 2018 was \$528,305. Major capital asset events during 2018 included the following:

- Capital asset additions of approximately \$174,000 consisted primarily of:
  - Completion of the Hampton Street Sewer Improvements – approximately \$42,000.
  - Completion of Legion Drive project - approximately \$124,000.
  - Other equipment - approximately \$8,000.
- Depreciation expense of approximately \$187,000 for governmental activities and \$515,000 for business-type activities.

Additional information on the City's capital assets can be found in Note 4 in the notes to the financial statements.

***Debt***

As of June 30, 2018, the City had total outstanding debt of \$1,835,955. The City's total debt as of June 30, 2018 and 2017 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Capital Lease Payable	\$ -	\$ -	\$ 295,098	\$ 178,174	\$ 295,098	\$ 178,174
Revenue Bonds	-	-	1,540,857	2,013,306	1,540,857	2,013,306
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,835,955</u>	<u>\$ 2,191,480</u>	<u>\$ 1,835,955</u>	<u>\$ 2,191,480</u>

The total decrease in the City's debt for 2018 was \$355,525 or 16%. Major events during 2018 included the following:

***Business-Type Activities:***

- Scheduled principal payments on revenue bonds and capital leases of approximately \$500,000.
- Borrowing of approximately \$145,000 for knuckleboom truck acquisition.

Additional information regarding the City's long-term obligations can be found in Note 5 in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's elected officials and staff considered many factors when setting the fiscal year 2019 budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the City's residents were all taken into account.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Westminster's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. Please contact the City of Westminster Administration Department, PO Box 399, Westminster, South Carolina 29693, with any questions or to request additional information.

## GOVERNMENT - WIDE FINANCIAL STATEMENTS

## CITY OF WESTMINSTER, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 410,759	\$ 502,609	\$ 913,368
Accounts Receivable	117,245	1,287,764	1,405,009
Taxes Receivable	11,227	-	11,227
Interfund Balances	(27,200)	27,200	-
Inventory	-	90,735	90,735
<b>RESTRICTED ASSETS:</b>			
Cash and Cash Equivalents	623,692	145,007	768,699
<b>CAPITAL ASSETS:</b>			
Non Depreciable	472,000	53,025	525,025
Depreciable	4,055,738	20,696,724	24,752,462
Less Accumulated Depreciation	(1,998,047)	(11,217,713)	(13,215,760)
<b>TOTAL ASSETS</b>	<b>3,665,414</b>	<b>11,585,351</b>	<b>15,250,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	602,778	854,325	1,457,103
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>602,778</b>	<b>854,325</b>	<b>1,457,103</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 55,694	\$ 398,000	\$ 453,694
Employee Benefits Withheld and Accrued	2,738	2,965	5,703
Customer Deposits	-	333,091	333,091
<b>NON-CURRENT LIABILITIES:</b>			
<b>DUE WITHIN ONE YEAR:</b>			
Compensated Absences	10,011	4,012	14,023
Capital Leases Payable	-	56,296	56,296
Bonds Payable	-	482,132	482,132
<b>DUE IN MORE THAN ONE YEAR:</b>			
Compensated Absences	90,098	36,110	126,208
Capital Leases Payable	-	238,802	238,802
Bonds Payable	-	1,058,725	1,058,725
Net Pension Liability	2,157,904	1,655,441	3,813,345
<b>TOTAL LIABILITIES</b>	<b>2,316,445</b>	<b>4,265,574</b>	<b>6,582,019</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	358,490	731,045	1,089,535
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>358,490</b>	<b>731,045</b>	<b>1,089,535</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,529,691	7,841,088	10,370,779
<b>RESTRICTED FOR:</b>			
Public Safety	130,731	-	130,731
Recreation and Tourism	504,636	-	504,636
Unrestricted	(1,571,801)	(398,031)	(1,969,832)
<b>TOTAL NET POSITION</b>	<b>\$ 1,593,257</b>	<b>\$ 7,443,057</b>	<b>\$ 9,036,314</b>

The accompanying notes are an integral part of the financial statements  
See accompanying independent auditor's report.

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ 655,810	\$ 338,221	\$ -	\$ -	\$ (317,589)	\$ -	\$ (317,589)
Public Safety	1,155,824	110,912	285,000	3,757	(756,155)	-	(756,155)
Public Works	252,492	-	-	44,497	(207,995)	-	(207,995)
Recreation and Tourism	519,150	129,215	-	49,202	(340,733)	-	(340,733)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,583,276</b>	<b>578,348</b>	<b>285,000</b>	<b>97,456</b>	<b>(1,622,472)</b>	<b>-</b>	<b>(1,622,472)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Sewer System	916,524	662,294	-	-	-	(254,230)	(254,230)
Water System	1,897,089	2,064,250	-	-	-	167,161	167,161
Electric System	3,581,367	4,251,512	-	-	-	670,145	670,145
Solid Waste	319,900	315,667	-	-	-	(4,233)	(4,233)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>6,714,880</b>	<b>7,293,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>578,843</b>	<b>578,843</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,298,156</b>	<b>\$ 7,872,071</b>	<b>\$ 285,000</b>	<b>\$ 97,456</b>	<b>(1,622,472)</b>	<b>578,843</b>	<b>(1,043,629)</b>
<b>GENERAL REVENUES:</b>							
<b>TAXES:</b>							
Property Taxes, Levied for General Purposes					627,761	-	627,761
Hospitality Tax					138,869	-	138,869
Accommodation Taxes					7,937	-	7,937
Payments in Lieu of Taxes and Franchise Fees					58,607	-	58,607
Grants and Contributions not Restricted to Specific Programs					71,504	-	71,504
Interest Income					2,608	676	3,284
Miscellaneous					131,109	58,516	189,625
Interfund Transfers					236,402	(236,402)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>1,274,797</b>	<b>(177,210)</b>	<b>1,097,587</b>
<b>CHANGE IN NET POSITION</b>					<b>(347,675)</b>	<b>401,633</b>	<b>53,958</b>
<b>NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>					<b>1,656,592</b>	<b>6,963,562</b>	<b>8,620,154</b>
Prior Period Adjustments - Note 9					-	362,202	362,202
Change in Fund Type - Solid Waste Fund - Note 1B					284,340	(284,340)	-
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>					<b>1,940,932</b>	<b>7,041,424</b>	<b>8,982,356</b>
<b>NET POSITION, ENDING</b>					<b>\$ 1,593,257</b>	<b>\$ 7,443,057</b>	<b>\$ 9,036,314</b>

The accompanying notes are an integral part of the financial statements.  
See accompanying independent auditor's report.

## FUND FINANCIAL STATEMENTS



## CITY OF WESTMINSTER, SOUTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 410,759	\$ -	\$ 410,759
Restricted Assets - Cash and Cash Equivalents	130,252	493,440	623,692
Accounts Receivable	105,570	11,675	117,245
Taxes Receivable	11,227	-	11,227
<b>TOTAL ASSETS</b>	<b>\$ 657,808</b>	<b>\$ 505,115</b>	<b>\$ 1,162,923</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 55,694	\$ -	\$ 55,694
Employee Benefits Withheld and Accrued	2,738	-	2,738
Interfund Payable	27,200	-	27,200
<b>TOTAL LIABILITIES</b>	<b>85,632</b>	<b>-</b>	<b>85,632</b>
<b>FUND BALANCES:</b>			
<b>RESTRICTED FOR:</b>			
Public Safety	97,683	33,048	130,731
Tourism Related Expenditures	32,569	472,067	504,636
<b>ASSIGNED TO:</b>			
Tourism Related Expenditures	42,941	-	42,941
<b>UNASSIGNED:</b>	<b>398,983</b>	<b>-</b>	<b>398,983</b>
<b>TOTAL FUND BALANCES</b>	<b>572,176</b>	<b>505,115</b>	<b>1,077,291</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 657,808</b>	<b>\$ 505,115</b>	<b>\$ 1,162,923</b>

The accompanying notes are an integral part of the financial statements.  
See accompanying independent auditor's report.

CITY OF WESTMINSTER, SOUTH CAROLINA

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

JUNE 30, 2018

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Fund balances - total governmental funds	\$	1,077,291
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$4,527,738 and the accumulated depreciation was \$1,998,047.	2,529,691
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The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(1,913,616)
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Long-term liabilities, debt and capital lease obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds.  
Long-term liabilities consisted of the following:

Compensated absences	<u>(100,109)</u>
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Net position of governmental activities	\$	<u><u>1,593,257</u></u>
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## CITY OF WESTMINSTER, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Property Taxes	\$ 627,761	\$ -	\$ 627,761
Intergovernmental Revenues	452,513	12,435	464,948
Licenses, Permits and Fees	459,959	138,869	598,828
Fines and Forfeitures	98,411	-	98,411
Miscellaneous and Other	131,146	-	131,146
Payments in Lieu of Taxes and Franchise Fees	58,607	-	58,607
Interest Income	2,601	-	2,601
<b>TOTAL REVENUES</b>	<b>1,830,998</b>	<b>151,304</b>	<b>1,982,302</b>
<b>EXPENDITURES</b>			
<b>CURRENT OPERATING:</b>			
General Government	401,821	-	401,821
Public Safety	1,001,322	4,850	1,006,172
Public Works	140,517	-	140,517
Recreation and Tourism	361,697	58,981	420,678
Capital Outlay	132,241	-	132,241
<b>TOTAL EXPENDITURES</b>	<b>2,037,598</b>	<b>63,831</b>	<b>2,101,429</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(206,600)</b>	<b>87,473</b>	<b>(119,127)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Capital Contributions	16,890	-	16,890
Interfund Transfers In	413,179	-	413,179
Interfund Transfers Out	(167,547)	(9,230)	(176,777)
<b>NET CHANGE IN FUND BALANCES</b>	<b>55,922</b>	<b>78,243</b>	<b>134,165</b>
<b>FUND BALANCES, BEGINNING</b>	<b>516,254</b>	<b>426,872</b>	<b>943,126</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 572,176</b>	<b>\$ 505,115</b>	<b>\$ 1,077,291</b>

The accompanying notes are an integral part of the financial statements.

See accompanying independent auditor's report.

CITY OF WESTMINSTER, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2018

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Net change in fund balances - total governmental funds	\$ 134,165
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Amounts reported for the governmental activities in the Statement of Activities are different  
because:

The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenses that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$187,578 was exceeded by capital asset additions of \$132,240, in the current period.	(55,338)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	26,259
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Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	<u>(452,761)</u>
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Change in net position of governmental activities	<u>\$ (347,675)</u>
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## CITY OF WESTMINSTER, SOUTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2018

	UTILITY	SOLID WASTE	TOTAL
	FUND	FUND	ENTERPRISE
ASSETS			FUNDS
<b>CURRENT ASSETS:</b>			
Cash	\$ 349,156	\$ 153,453	\$ 502,609
Restricted Assets - Cash and Cash Equivalents	-	145,007	145,007
Accounts Receivable	1,234,243	53,521	1,287,764
Interfund Receivables	24,202	2,998	27,200
Inventory	90,735	-	90,735
<b>TOTAL CURRENT ASSETS</b>	<b>1,698,336</b>	<b>354,979</b>	<b>2,053,315</b>
<b>CAPITAL ASSETS:</b>			
Land and Land Rights	53,025	-	53,025
Buildings and Improvements	5,358,134	10,000	5,368,134
Equipment and Vehicles	1,494,982	531,732	2,026,714
Infrastructure	13,301,876	-	13,301,876
Less Accumulated Depreciation	(10,749,990)	(467,723)	(11,217,713)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,458,027</b>	<b>74,009</b>	<b>9,532,036</b>
<b>TOTAL ASSETS</b>	<b>11,156,363</b>	<b>428,988</b>	<b>11,585,351</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	739,474	114,851	854,325
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>739,474</b>	<b>114,851</b>	<b>854,325</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	\$ 397,681	\$ 319	\$ 398,000
Employee Benefits Withheld and Accrued	2,523	442	2,965
Customer Deposits	333,091	-	333,091
Compensated Absences	3,922	90	4,012
Capital Leases Payable	-	56,296	56,296
Bonds Payable	482,132	-	482,132
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,219,349</b>	<b>57,147</b>	<b>1,276,496</b>
<b>NON-CURRENT LIABILITIES:</b>			
Compensated Absences	35,295	815	36,110
Capital Leases Payable after One Year	-	238,802	238,802
Bonds Payable after One Year	1,058,725	-	1,058,725
Net Pension Liability	1,432,892	222,549	1,655,441
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,526,912</b>	<b>462,166</b>	<b>2,989,078</b>
<b>TOTAL LIABILITIES</b>	<b>3,746,261</b>	<b>519,313</b>	<b>4,265,574</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	632,767	98,278	731,045
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>632,767</b>	<b>98,278</b>	<b>731,045</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,917,170	(76,082)	7,841,088
<b>RESTRICTED FOR:</b>			
Unrestricted	(400,361)	2,330	(398,031)
<b>TOTAL NET POSITION</b>	<b>\$ 7,516,809</b>	<b>\$ (73,752)</b>	<b>\$ 7,443,057</b>

The accompanying notes are an integral part of the financial statements.

See accompanying independent auditor's report.

## CITY OF WESTMINSTER, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
<b>OPERATING REVENUES</b>			
Utility Billings	\$ 6,943,391	\$ 308,949	\$ 7,252,340
Other Customer Fees	20,256	-	20,256
Other	72,928	6,718	79,646
<b>TOTAL OPERATING REVENUES</b>	<b>7,036,575</b>	<b>315,667</b>	<b>7,352,242</b>
<b>OPERATING EXPENSES</b>			
Electric	3,332,715	-	3,332,715
Sewer	695,056	-	695,056
Water	1,317,583	-	1,317,583
Solid Waste	-	283,480	283,480
Administrative	529,214	-	529,214
Depreciation	478,727	36,419	515,146
<b>TOTAL OPERATING EXPENSES</b>	<b>6,353,295</b>	<b>319,899</b>	<b>6,673,194</b>
<b>OPERATING INCOME (LOSS)</b>	<b>683,280</b>	<b>(4,232)</b>	<b>679,048</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	677	6	683
Interest Expense	(38,383)	(3,313)	(41,696)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(37,706)</b>	<b>(3,307)</b>	<b>(41,013)</b>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>645,574</b>	<b>(7,539)</b>	<b>638,035</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers	(403,949)	167,547	(236,402)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(403,949)</b>	<b>167,547</b>	<b>(236,402)</b>
<b>CHANGE IN NET POSITION</b>	<b>241,625</b>	<b>160,008</b>	<b>401,633</b>
<b>NET POSITION, BEGINNING OF YEAR - As Previously Reported</b>	<b>6,963,562</b>	<b>-</b>	<b>6,963,562</b>
<b>Prior Period Adjustment</b>	<b>311,622</b>	<b>50,580</b>	<b>362,202</b>
<b>Change in Fund Type - Solid Waste Fund - Note 1B</b>	<b>-</b>	<b>(284,340)</b>	<b>(284,340)</b>
<b>NET POSITION, BEGINNING OF YEAR - As Restated</b>	<b>7,275,184</b>	<b>(233,760)</b>	<b>7,041,424</b>
<b>NET POSITION, ENDING</b>	<b>\$ 7,516,809</b>	<b>\$ (73,752)</b>	<b>\$ 7,443,057</b>

The accompanying notes are an integral part of the financial statements.

See accompanying independent auditor's report.

## CITY OF WESTMINSTER, SOUTH CAROLINA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	UTILITY FUND	SOLID WASTE FUND	ENTERPRISE FUNDS
<b>CASH FLOWS FROM OPERATIONS:</b>			
Receipts from Customers	\$ 7,049,343	\$ 309,728	\$ 7,359,071
Payments to Employees and Related Benefits	(1,005,310)	(152,603)	(1,157,913)
Payments to Suppliers	(5,316,903)	(139,830)	(5,456,733)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>727,130</b>	<b>17,295</b>	<b>744,425</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund Transfers of Cash In	-	167,547	167,547
Interfund Transfers of Cash Out	(403,949)	-	(403,949)
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(403,949)</b>	<b>167,547</b>	<b>(236,402)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds on Long-Term Debt	-	145,000	145,000
Principal Paid on Long-Term Debt	(472,449)	(28,076)	(500,525)
Interest Paid on Long-Term Debt	(38,383)	(3,313)	(41,696)
Purchase of Capital Assets	(42,179)	-	(42,179)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(553,011)</b>	<b>113,611</b>	<b>(439,400)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on Investments	676	7	683
Investment Maturity	14,158	-	14,158
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>14,834</b>	<b>7</b>	<b>14,841</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(214,996)</b>	<b>298,460</b>	<b>83,464</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>564,152</b>	<b>-</b>	<b>564,152</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 349,156</b>	<b>\$ 298,460</b>	<b>\$ 647,616</b>
<b>CLASSIFIED AS:</b>			
Current Assets	\$ 349,156	\$ 153,453	\$ 502,609
Restricted Assets	-	145,007	145,007
<b>TOTALS</b>	<b>\$ 349,156</b>	<b>\$ 298,460</b>	<b>\$ 647,616</b>

The accompanying notes are an integral part of the financial statements.  
See accompanying independent auditor's report.

(continued)

## CITY OF WESTMINSTER, SOUTH CAROLINA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
OPERATING INCOME (LOSS)	\$ 683,280	\$ (4,232)	\$ 679,048
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation	478,727	36,419	515,146
CHANGE IN ASSETS AND LIABILITIES:			
Accounts Receivable	12,768	(5,939)	6,829
Inventory	(31,007)	-	(31,007)
Accounts Payable	(31,432)	319	(31,113)
Interest Payable	-	(678)	(678)
Customer Deposits	(33,628)	-	(33,628)
Compensated Absences	(24,506)	905	(23,601)
Employee Benefits Withheld and Accrued	107	442	549
Net Pension Liability	(451,730)	(13,029)	(464,759)
CHANGE IN DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:			
Deferred Pension Charges	490,308	29,626	519,934
Deferred Pension Credits	(365,757)	(26,538)	(392,295)
TOTAL ADJUSTMENTS	43,850	21,527	65,377
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 727,130	\$ 17,295	\$ 744,425

The accompanying notes are an integral part of the financial statements.

See accompanying independent auditor's report.



## NOTES TO FINANCIAL STATEMENTS

**CITY OF WESTMINSTER, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

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The City of Westminster ("City"), South Carolina was incorporated in 1874. Section 47-26 of the 1962 Code of Laws, as amended ("Home Rule Act"), requires that municipalities adopt a specific form of government. The City operates under a council form of government. The Mayor and Council are vested with the legislative and policymaking powers of the City. The Council appoints a City Administrator who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the financial statements must present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity ("component unit") is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's financial statements to be misleading. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

**Major Operations**

The City's major governmental operations include: general government, public safety (police and fire), public works, and recreation and tourism. In addition, the City provides water, sewer, electric, and solid waste operations through its enterprise funds.

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The government-wide financial statements are prepared using a different measurement focus from the manner in which the governmental fund financial statements are prepared (see further detail below). Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources. Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

**Governmental Fund Types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's governmental funds and its major fund are as follows:

The **General Fund, a major fund and a budgeted fund**, is the general operating fund of the City and accounts for most governmental revenues and expenditures of the City. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Hospitality Tax Fund**, is used to account for the City's hospitality tax collections and expenses. These funds are legally restricted for tourism related expenditures.

The **Fireman's 1% Fund** is used to account for the City's 1% premium collections and expenses. These funds are restricted for eligible fire fighter expenditures.

**Proprietary Fund Types** are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has two enterprise funds.

A proprietary fund distinguishes 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 a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for the enterprise fund include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting these general definitions are reported as non-operating revenues and expenses. The City's proprietary fund type and major funds are as follows:

**Enterprise Fund** is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following enterprise funds:

The **Utility Fund, a major fund**, is used to account for the City's water, sewer, and electric operations.

The **Solid Waste Fund, a major fund**, is used to account for the City's solid waste operations.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

**Change in Fund Type**

Effective July 1, 2017, the City began reporting its solid waste activities in an enterprise fund so that it could more clearly monitor these activities. These activities had previously been reported as part of the General Fund. This change in fund type (accounting principle) resulted in a decrease to beginning net position of its enterprise Solid Waste Fund of approximately \$284,000, representing the net book value of its assets and liabilities. On its government wide financial statements, the City recognized an increase and decrease to beginning net position for governmental activities and business-type activities of approximately \$284,000, respectively. There was no change in total net position for the City's government-wide financial statements as a result of this change.

**C. Cash, Cash Equivalents, and Investments**

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types, and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**C. Cash, Cash Equivalents, and Investments (Continued)**

- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments in its operating activities:

South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any City treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB Statement No. 72 *"Fair Value Measurement and Application,"* investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

**D. Receivables and Payables**

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, electric, and other fees and charges.

**E. Inventories and Prepaid Items**

Inventories of materials, supplies, and gasoline are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

**F. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**F. Capital Assets (Continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Level</u>
Land and Land Rights	N/A	N/A
Buildings and Improvements	10-60 Years	\$ 25,000
Vehicles and Equipment	5-20 Years	\$ 5,000
Infrastructure	10-50 Years	\$ 25,000

**G. Compensated Absences**

The City accrues accumulated unpaid vacation when earned by the employee, with a maximum of 520 hours available to be accrued. The current portion is the amount estimated to be used in the following year. The City does not provide sick leave.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16 "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary funds is also recorded in the enterprise funds. The governmental funds will not recognize a liability for compensated absences unless they have matured, for example, as a result of employee resignation or retirement prior to fiscal year end (if material).

**H. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portions applicable to the proprietary funds are also recorded in the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums and discounts are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

**I. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of deferred outflow of resources, *deferred pension charges*. The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System.

These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflow of resources, *deferred pension credits*. The City reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"). These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

**K. Fund Balance**

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the City classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and for which such assignments are made before the report issuance date. City Council formally granted the City Administrator the right to make assignments of fund balance for the City.



CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**K. Fund Balance (Continued)**

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**L. Net Position**

Net position represents the difference between assets and deferred outflows (if any) and liabilities and deferred inflows (if any) in the statement of net position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**M. Property Tax**

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Oconee County ("County"). The County generally levies its real property taxes in October based upon assessed valuations on January 1st of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 15th	3%
February 2nd	an additional 7%
March 17th	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**N. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

**O. Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, disclosures of contingent balances at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**P. Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**Q. Pensions**

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for its participation in the Plans, which represents the City's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the City's preceding fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**R. Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**R. Fair Value (continued):**

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

***Deposits***

Custodial credit risk for deposits - Custodial credit risk is the risk that the City's deposits will not be returned to it. The City has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. From time to time during the year, the City may have cash on deposit with banks that exceeds the balance insured by the FDIC. However, at June 30, 2018, none of the City's bank balances of approximately \$1,732,000 (with a carrying value of approximately \$1,518,000) were exposed to custodial credit risk.

***Investments***

As of June 30, 2018, the City had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs
State Government Local Investment Pool	Unrated	\$ 163,607	\$ 163,607	-	-	-

**Interest Rate Risk:** The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

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**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED):**

***Investments (Continued)***

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments:** The City places no limit on the amount the City may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain deposits and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2018 were those imposed by the revenue source (i.e. hospitality fees, grants, etc.).

**NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Interfund balances at June 30, 2018, consisted of the following individual fund receivables and payables. The City expects that these amounts will be repaid within one year:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 27,200
Utility	24,202	-
Solid Waste	2,998	
<b>Total</b>	<u>\$ 27,200</u>	<u>\$ 27,200</u>

The outstanding balances represent insurance refunds deposited in the General Fund that were related to insurance premiums paid from the Utility and Solid Waste Funds.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Fund:</b>		
General	\$ 413,179	\$ 167,547
Utility	-	403,949
Solid Waste	167,547	-
<b>Other Non-Major Funds:</b>		
Hospitality Tax	-	9,230
<b>Total</b>	<u>\$ 580,726</u>	<u>\$ 580,726</u>

Funds are transferred to the General Fund from the Utility Fund in lieu of property taxes and franchise fees (that would be collected if a private utility company provided water, sewer, and electric services), and from the Hospitality Tax Fund to the General Fund for reimbursement for certain capital projects. The General Fund also transferred funds to the Solid Waste Fund to help support its ongoing operations. Council approves the amounts transferred annually during the budget process.

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the City's governmental activities for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 472,000	\$ -	\$ -	\$ 472,000
<b>Total Capital Assets not being Depreciated</b>	<u>472,000</u>	<u>-</u>	<u>-</u>	<u>472,000</u>
<b>Capital Assets being Depreciated:</b>				
Buildings & Improvements	1,477,861	-	-	1,477,861
Infrastructure	821,912	123,798	-	945,710
Vehicles & Equipment	1,623,725	8,442	-	1,632,167
<b>Total Capital Assets being Depreciated</b>	<u>3,923,498</u>	<u>132,240</u>	<u>-</u>	<u>4,055,738</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(515,499)	(43,831)	-	(559,330)
Infrastructure	(80,014)	(33,909)	-	(113,923)
Vehicles & Equipment	(1,214,956)	(109,838)	-	(1,324,794)
<b>Total Accumulated Depreciation</b>	<u>(1,810,469)</u>	<u>(187,578)</u>	<u>-</u>	<u>(1,998,047)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>2,113,029</u>	<u>(55,338)</u>	<u>-</u>	<u>2,057,691</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 2,585,029</u>	<u>\$ (55,338)</u>	<u>\$ -</u>	<u>\$ 2,529,691</u>

\* Certain amounts have changed from the amounts in the prior year financial statements; see Note 1B in the notes to the financial statements for more details.

Depreciation expense for governmental activities was charged to functions/programs as follows:

General Government	\$ 26,701
Public Safety	99,071
Public Works	33,578
Recreation and Tourism	28,228
<b>Total Depreciation Expense</b>	<u>\$ 187,578</u>

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the City's business-type activities for the year ended June 30, 2018, was as follows:

	<b>Beginning Balance*</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land and Land Rights	\$ 53,025	\$ -	\$ -	\$ 53,025
Construction in Progress	-	-	-	-
<b>Total Capital Assets not being Depreciated</b>	<u>53,025</u>	<u>-</u>	<u>-</u>	<u>53,025</u>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements	5,368,134	-	-	5,368,134
Equipment and Vehicles	2,026,714	-	-	2,026,714
Infrastructure	13,259,697	42,179	-	13,301,876
<b>Total Capital Assets being Depreciated</b>	<u>20,654,545</u>	<u>42,179</u>	<u>-</u>	<u>20,696,724</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(3,449,883)	(148,495)	-	(3,598,378)
Equipment and Vehicles	(1,698,252)	(74,279)	-	(1,772,531)
Infrastructure	(5,554,432)	(292,372)	-	(5,846,804)
<b>Total Accumulated Depreciation</b>	<u>(10,702,567)</u>	<u>(515,146)</u>	<u>-</u>	<u>(11,217,713)</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>9,951,978</u>	<u>(472,967)</u>	<u>-</u>	<u>9,479,011</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 10,005,003</u>	<u>\$ (472,967)</u>	<u>\$ -</u>	<u>\$ 9,532,036</u>

\* Certain amounts have changed from the amounts in the prior year financial statements; see Note 1B in the notes to the financial statements for more details.

Depreciation expense for business-type activities was charged to functions/programs as follows:

Water System	\$ 361,406
Sewer System	45,072
Electric System	72,249
Solid Waste	36,419
<b>Total Depreciation Expense</b>	<u>\$ 515,146</u>

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 5 – LONG-TERM OBLIGATIONS**

The City may issue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds and other long-term liabilities directly related to and intended to be paid from proprietary funds of the primary government are included in the accounts of such funds. All other long-term indebtedness of the primary government is accounted for in the governmental column of the government-wide Statement of Net Position.

Summarized below are the City's individual bond issues which are outstanding at June 30, 2018:

Series 2014 Waterworks System Revenue Bond dated April 2014 with annual principal payments ranging from \$21,000 to \$25,000 plus interest at 2.36 percent payable monthly through May 2022.	\$ 1,131,462
Series 2015 Waterworks System Revenue Bond dated July, 2015 with annual principal payments ranging from \$16,000 to \$17,300 plus interest at 1.58 percent payable monthly through June 2020.	<u>409,395</u>
<b>Total Revenue Bonds Payable</b>	<u><u>\$ 1,540,857</u></u>

Summarized below are the City's individual capital leases which are outstanding at June 30, 2018:

\$284,460 lease purchase agreement entered into May 2013 with annual payments of \$32,067 beginning May 2014 through May 2023, with interest at 2.24 percent. The proceeds of this lease purchase obligation were used to purchase a garbage truck.	\$ 150,098
\$145,000 lease purchase agreement entered into January 2018 with annual payments of \$31,202 beginning January 2019 through January 2023, with interest at 2.5 percent. The proceeds of this lease purchase obligation were used to purchase a knuckleboom truck.	<u>145,000</u>
<b>Total Capital Leases Payable</b>	<u><u>\$ 295,098</u></u>

Presented below is a summary of changes in long-term obligations for the City's governmental activities for the year ended June 30, 2018:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Other Liabilities - Compensated Absences	\$ 126,368	\$ -	\$ (26,259)	\$ 100,109	\$ 10,011
<b>Governmental Activities Long-term Liabilities</b>	<u><u>\$ 126,368</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (26,259)</u></u>	<u><u>\$ 100,109</u></u>	<u><u>\$ 10,011</u></u>

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 5 – LONG-TERM OBLIGATIONS (Continued)**

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended June 30, 2018:

<u>Long-Term Obligations</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<b>Business - Type Activities:</b>					
Revenue Bond - 10/14	\$ 1,403,978	\$ -	\$ (272,516)	\$ 1,131,462	\$ 279,017
Revenue Bond - 7/15	609,328	-	(199,933)	409,395	203,115
Capital Lease - Garbage Truck	178,174	-	(28,076)	150,098	28,705
Capital Lease - Knuckleboom Truck	-	145,000	-	145,000	27,591
<b>Total Debt</b>	<u>2,191,480</u>	<u>145,000</u>	<u>(500,525)</u>	<u>1,835,955</u>	<u>538,428</u>
Other Liabilities - Compensated Absences	63,723	-	(23,601)	40,122	4,012
<b>Business-Type Activities Long- term Liabilities</b>	<u>\$ 2,255,203</u>	<u>\$ 145,000</u>	<u>\$ (524,126)</u>	<u>\$ 1,876,077</u>	<u>\$ 542,440</u>

The revenue bonds require the City to maintain user rates sufficient to generate net revenues, as defined by the agreements, ranging from 100% to 120% of the annual principal and interest payments on the revenue bonds. The revenue bonds contain significant requirements for annual debt service, various restrictive covenants which requires the City to maintain various restricted cash and investment accounts and to meet various other general requirements.

The City had no general obligation debt outstanding against its eight percent debt limit of approximately \$497,000 as of June 30, 2018.

Presented below is a summary of debt service requirements to maturity by year for the City's business-type activities as of June 30, 2018:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 538,428	\$ 35,670	\$ 574,098
2020	549,581	24,516	574,097
2021	351,476	14,505	365,981
2022	334,665	6,090	340,755
2023	61,805	1,461	63,266
2024-2028	-	-	-
<b>Total</b>	<u>\$ 1,835,955</u>	<u>\$ 82,242</u>	<u>\$ 1,918,197</u>

**NOTE 6 – PENSION PLANS:**

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division.

Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission ("RSIC") as co-trustees of the Retirement Trust Funds.



**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 6 – PENSION PLANS (CONTINUED):**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP.

For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at value.

The PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

**Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below:

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two Member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 6 – PENSION PLANS (CONTINUED):**

**Plan Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below:

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's credible service equals at least 90 years. Both Class Two and Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**Plan Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage in SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 6 – PENSION PLANS (CONTINUED):**

**Plan Contributions (Continued)**

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for POR, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

- Required employee contribution rates (1) for the following fiscal years are as follows:

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
<b>PORS</b>		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

- Required employer contributions rates (1) for the following fiscal years are as follows:

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

(1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 6 – PENSION PLANS (CONTINUED):**

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2017.

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.5% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the July 1, 2017, valuations for SCRS and PORS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

**Net Pension Liability of the Plan**

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2017 measurement date, for SCRS and PORS are as follows:

<b>Plan</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability (Asset)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
SCRS	\$48,244,437,494	\$25,732,829,268	\$22,511,608,226	53.3%
PORS	\$7,013,684,001	\$4,274,123,178	\$2,739,560,823	60.9%

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 6 – PENSION PLANS (CONTINUED):**

**Net Pension Liability of the Plan (Continued)**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>45.0%</b>		
Global Public Equity	31.0%	6.72%	2.07%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
<b>Opportunistic</b>	<b>17.0%</b>		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 6 – PENSION PLAN (CONTINUED):**

**Discount Rate**

The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System'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 TPL.

**Sensitivity Analysis**

The following table presents the proportionate share of the NPL of the plans calculated using the discount rate of 7.25 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
<b>SCRS</b>	\$2,886,930	\$2,239,905	\$1,847,313
<b>PORS</b>	2,124,442	1,573,440	1,139,422

**Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At June 30, 2018, the City reported a liability of \$2,157,904 for the governmental activities and \$1,655,441 for the business-type activities on the government wide financial statements for its proportionate share of the net pension liability. The NPL was measured as of June 30, 2017, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The City's proportion of the NPL was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the City's proportion for SCRS was 0.009950% (0.011029% at June 30, 2016). The City's proportion for PORS at June 30, 2017 was 0.05743% (0.06304% at June 30, 2016).

For the year ended June 30, 2018, the City recognized pension expense of approximately \$335,000 (approximately \$169,000 for the SCRS and approximately \$166,000 for the PORS).

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 9,985	\$ 1,242
Changes of assumptions	131,122	-
Net difference between projected and actual investment earnings	62,527	-
Change in allocated proportion	813,262	987,904
Contributions after the measurement date	139,055	-
<b>Total</b>	<b>\$ 1,155,951</b>	<b>\$ 989,146</b>

CITY OF WESTMINSTER, SOUTH CAROLINA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

**NOTE 6 – PENSION PLAN (CONTINUED):**

**Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

<b>PORS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 14,031	\$ -
Changes of assumptions	149,334	-
Net difference between projected and actual invest	56,068	-
Change in allocated proportion	1,384	100,389
Contributions after the measurement date	80,335	-
<b>Total</b>	<b>\$ 301,152</b>	<b>\$ 100,389</b>

The amount of \$139,055 and \$80,335 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year</b>	<b>Amount</b>		
	<b>SCRS</b>	<b>PORS</b>	<b>Total</b>
2019	\$ 3,258	\$ 36,581	\$ 39,839
2020	34,324	61,551	95,875
2021	11,225	32,990	44,215
2022	(21,057)	(10,694)	(31,751)
2023	-	-	-
Thereafter	-	-	-
<b>Total</b>	<b>\$ 27,750</b>	<b>\$ 120,428</b>	<b>\$ 148,178</b>

**Payable to Plans**

The City reported a payable of approximately \$42,000 to the PEBA as of June 30, 2018, representing required employer and employee contributions for the month of June 2018 for the SCRS and PORS.

**NOTE 7 – RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is carried for all these risks. Settled claims resulting from these risks have not exceeded the insurance coverage limits in any of the past three fiscal years.

**NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS:**

**Litigation**

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

**Grants**

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**CITY OF WESTMINSTER, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED):**

**Grants (Continued)**

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2018.

**Commitments**

The City received a loan for the purchase of a utility truck during the 2017/18 year. These funds were unspent at year-end. The loan proceeds of \$145,000 was used to purchase the utility truck in FY 2019.

**NOTE 9 – PRIOR PERIOD ADJUSTMENTS:**

During fiscal 2018, the City discovered that accounts receivable balances as of June 30, 2017 were understated by approximately \$311,622 in the Utility Fund and \$50,580 in the Solid Waste Fund. The total change to the enterprise funds was an increase to net position of approximately \$362,202. Each of these items were corrected when they were discovered during the year ended June 30, 2018.

**NOTE 10 – SUBSEQUENT EVENTS:**

In August 2018, the City entered into a contract with Tugaloo Pipeline, Inc. for sanitary sewer system improvements at Park Avenue and Pritchard Street. The total amount of the contract was approximately \$587,000. The City has secured a grant with the SC Rural Infrastructure Authority for approximately \$411,000 and funds from the Oconee Joint Regional Sewer Authority for approximately \$147,000 to partially fund this project. The remainder will be funded by the City.

In October 2018, the City sold a parcel of land for \$40,000.

In November 2018, the City entered into a Lease and Option agreement to lease a parcel of land for \$40,000 (paid \$40,000 in November 2018) until December 2020. The agreement also includes an option for the City to purchase the land for the cost of \$200,000. The City is currently exploring a few different options to finance the purchase, which could include grant funding and/or owner financing.

In December 2018, the City purchased an excavator and other equipment for approximately \$46,000.

In February 2019, the City entered into a loan agreement with the South Carolina Office of Regulatory Staff to borrow approximately \$415,000 to make improvements to the City's water plant.



REQUIRED SUPPLEMENTAL INFORMATION  
OTHER THAN MANAGEMENT'S  
DISCUSSION AND ANALYSIS

## CITY OF WESTMINSTER, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property Taxes	\$ 627,559	\$ 627,559	\$ 627,761	\$ 202
Intergovernmental Revenues	535,976	554,288	452,513	(101,775)
Licenses, Permits and Fees	411,122	419,754	459,959	40,205
Fines and Forfeitures	35,800	44,008	98,411	54,403
Miscellaneous and Other	18,951	141,915	131,146	(10,769)
Payments in Lieu of Taxes and Franchise Fees	53,500	53,500	58,607	5,107
Interest Income	100	1,025	2,601	1,576
<b>TOTAL REVENUES</b>	<u>1,683,008</u>	<u>1,842,049</u>	<u>1,830,998</u>	<u>(11,051)</u>
<b>EXPENDITURES</b>				
<b>CURRENT OPERATING:</b>				
<b>GENERAL GOVERNMENT:</b>				
Administration	376,504	443,373	366,673	76,700
<b>PUBLIC SAFETY:</b>				
Police	584,046	606,495	378,068	228,427
Fire	398,064	446,579	623,254	(176,675)
Code Enforcement	4,000	7,100	35,148	(28,048)
<b>PUBLIC WORKS:</b>				
Streets	128,419	149,113	140,517	8,596
<b>RECREATION AND TOURISM:</b>				
Recreation	353,669	403,291	361,697	41,594
Capital Expenditures	233,509	181,301	132,241	49,060
<b>TOTAL EXPENDITURES</b>	<u>2,078,211</u>	<u>2,237,252</u>	<u>2,037,598</u>	<u>199,654</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(395,203)	(395,203)	(206,600)	188,603
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Capital Contributions	-	-	16,890	16,890
Interfund Transfers In	263,654	263,654	413,179	149,525
Interfund Transfers Out	-	-	(167,547)	(167,547)
<b>NET CHANGE IN FUND BALANCES</b>	(131,549)	(131,549)	55,922	187,471
<b>FUND BALANCES, BEGINNING</b>	<u>516,254</u>	<u>516,254</u>	<u>516,254</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 384,705</u>	<u>\$ 384,705</u>	<u>\$ 572,176</u>	<u>\$ 187,471</u>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The City's original and final budget reflected an expected use of fund balance of approximately \$132,000.

**CITY OF WESTMINSTER**

**REQUIRED SUPPLEMENTAL INFORMATION – PENSION PLAN SCHEDULES**

**SCHEDULES OF THE CITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**

**SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM**

**YEAR ENDED JUNE 30, 2018**

The City’s proportionate share of the net pension liability for the SCRS is as follows:

	SCRS			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension liability (asset)	0.009950%	0.011029%	0.011240%	0.011173%
City's proportionate share of the net pension liability (asset)	\$ 2,239,905	\$ 2,355,778	\$ 2,131,720	\$ 1,923,621
City's covered payroll	\$ 1,003,884	\$ 1,068,002	\$ 1,053,881	\$ 1,014,312
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	223.12%	220.58%	202.27%	189.65%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	52.90%	57.00%	59.90%

The City’s proportionate share of the net pension liability for the PORS is as follows:

	PORS			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension liability (asset)	0.057430%	0.063040%	0.063330%	0.063150%
City's proportion share of the net pension liability (asset)	\$ 1,573,440	\$ 1,598,892	\$ 1,380,362	\$ 1,208,903
City's covered payroll	\$ 773,455	\$ 803,624	\$ 784,623	\$ 759,495
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	203.43%	198.96%	175.93%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	60.90%	60.40%	64.60%	67.50%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The City adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

**CITY OF WESTMINSTER, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS - SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM**

**YEAR ENDED JUNE 30, 2018**

The City's contributions to the SCRS cost sharing pension plan was as follows:

	SCRS			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 139,055	\$ 116,049	\$ 118,121	\$ 114,873
Contributions in relation to the contractually required contribution	(139,055)	(116,049)	(118,121)	(114,873)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,025,479	\$ 1,003,884	\$ 1,068,002	\$ 1,053,881
Contributions as a percentage of covered payroll	13.56%	11.56%	11.06%	10.90%

**Notes to SCRS Schedule:**

The City adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The contractually required contribution rate was increased from 11.56% to 13.56% of eligible payroll effective July 1, 2017.

The City's contributions to the PORS cost sharing pension plan was as follows:

	PORS			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 80,336	\$ 110,140	\$ 110,418	\$ 105,218
Contributions in relation to the contractually required contribution	(80,336)	(110,140)	(110,418)	(105,218)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 494,680	\$ 773,455	\$ 803,624	\$ 784,623
Contributions as a percentage of covered payroll	16.24%	14.24%	13.74%	13.41%

**Notes to PORS Schedule:**

The City adopted GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

The contractually required contribution rate was increased from 14.24% to 16.24% of eligible payroll effective July 1, 2017.

## SUPPLEMENTAL INFORMATION

CITY OF WESTMINSTER, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	HOSPITALITY TAX FUND	FIREMEN'S 1% FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
<b>ASSETS</b>			
Restricted Assets - Cash and Cash Equivalents	\$ 460,392	\$ 33,048	\$ 493,440
Accounts Receivable	11,675	-	11,675
<b>TOTAL ASSETS</b>	<u>\$ 472,067</u>	<u>\$ 33,048</u>	<u>\$ 505,115</u>
<b>FUND BALANCES:</b>			
<b>RESTRICTED FOR:</b>			
Public Safety	-	33,048	33,048
Recreation and Tourism	472,067	-	472,067
<b>TOTAL FUND BALANCES</b>	<u>472,067</u>	<u>33,048</u>	<u>505,115</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 472,067</u>	<u>\$ 33,048</u>	<u>\$ 505,115</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2018

	HOSPITALITY TAX FUND	FIREMEN'S 1% FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 213	\$ 12,222	\$ 12,435
Licenses, Permits and Fees	138,869	-	138,869
<b>TOTAL REVENUES</b>	<b>139,082</b>	<b>12,222</b>	<b>151,304</b>
<b>EXPENDITURES</b>			
<b>CURRENT OPERATING:</b>			
Public Safety	-	4,850	4,850
Recreation and Tourism	58,981	-	58,981
<b>TOTAL EXPENDITURES</b>	<b>58,981</b>	<b>4,850</b>	<b>63,831</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>80,101</b>	<b>7,372</b>	<b>87,473</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Interfund Transfer In (Out)	(9,230)	-	(9,230)
<b>NET CHANGE IN FUND BALANCES</b>	<b>70,871</b>	<b>7,372</b>	<b>78,243</b>
<b>FUND BALANCES, BEGINNING</b>	<b>401,196</b>	<b>25,676</b>	<b>426,872</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 472,067</b>	<b>\$ 33,048</b>	<b>\$ 505,115</b>

## CITY OF WESTMINSTER, SOUTH CAROLINA

## UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2018

## FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			\$ 91,002	\$ 91,002
Court fines and assessments remitted to State Treasurer			(56,473)	(56,473)
<b>Total Court Fines and Assessments retained</b>			<b>34,529</b>	<b>34,529</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			3,021	3,021
Assessments retained			4,130	4,130
<b>Total Surcharges and Assessments retained for victim services</b>			<b>\$ 7,151</b>	<b>\$ 7,151</b>

## FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	\$ -		\$ -
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	4,130		4,130
Victim Service Surcharges Retained by City/County Treasurer	3,021		3,021
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of			
(2) Town of			
(3) City of			
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>7,151</b>		<b>7,151</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	-		-
Operating Expenditures	-		-
<b>Victim Service Contract(s):</b>			
(1) Oconee County	7,151		7,151
(2) Entity's Name			
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>7,151</b>		<b>7,151</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
<b>Less: Prior Year Fund Deficit Repayment</b>			
<b>Carryforward Funds – End of Year</b>	<b>\$ -</b>		<b>\$ -</b>





# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## 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*

### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council  
City of Westminster  
Westminster, South Carolina

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, each major fund, and the aggregate remaining fund information of the City of Westminster, South Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2019.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 responses as 2018-001 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 responses as 2018-002 to be a significant deficiency.

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## **Compliance and Other Matters**

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

## **City's Responses to the Findings**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP  
Mauldin, South Carolina  
March 14, 2019

## CITY OF WESTMINSTER, SOUTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

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#### **2018-001: PRIOR PERIOD ADJUSTMENTS – RECEIVABLES**

<b>Condition:</b>	The receivable amounts recorded by the City in the Utility Fund and in the Solid Waste Fund were understated in the current year and in the prior year. The sanitation fees are billed on the City's combined utility fund monthly bills. The receivable for the Solid Waste Fund was being recorded in the Utility Fund with a corresponding liability being recorded in the Utility Fund at the same time. However, the receivable was not recorded in the Solid Waste Fund. This resulted in a prior period adjustment to beginning equity in the Solid Waste Fund for FY 2018 to properly state the receivable balance. The City also had only recorded one and a half months' worth of utility receivables in the Utility Fund when it should have been two months' worth. This resulted in a prior period adjustment to beginning equity in the combined Utility Fund in FY 2018 to properly state the receivable balance.
<b>Criteria:</b>	The City (along with the assistance of the contract accountant) should have adequate internal controls in place to ensure that all receivables are properly recorded when earned.
<b>Context, Cause and Effect:</b>	The sanitation fees are billed as part of the City's combined Utility Fund billings. The City inadvertently failed to record a solid waste receivable in the General Fund (where it was tracking its solid waste activity) and was instead booking the revenue when it was received. The City also recorded only one and a half months' worth of utility receivables in the Utility Fund when it should have been two months' worth.
<b>Recommendation:</b>	The City and its contract accountant should work together to ensure that the utility billings are properly accrued at year end.
<b>Response:</b>	The City will work through its contract accountant to properly train accounting technician how to book earned revenue in the proper time period. This issue has been addressed.

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#### **2018-002: CURRENT YEAR ADJUSTMENT – REFUNDS**

<b>Condition:</b>	The City received several refunds in FY 2018 relating to insurance that were inadvertently recorded all to the General Fund; however, it should have been split between multiple funds (based on the number of employees in the plans). This resulted in an audit adjustment in FY 2018.
<b>Criteria:</b>	The City (along with the assistance of the contract accountant) should have adequate internal controls in place that would ensure that refunds are properly recorded/allocated.
<b>Context, Cause and Effect:</b>	The City inadvertently failed to consider whether the refunds should be allocated between multiple funds.
<b>Recommendation:</b>	The City should keep track of original insurance premiums paid so it knows when to expect refunds, which funds paid the original premiums, and how to allocate the refunds when they occur.
<b>Response:</b>	Refunds emanating from sources such as insurance premiums should be properly allocated back to the respective funds from which the expense was budgeted.