

CITY OF WESTMINSTER SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

CITY OF WESTMINSTER, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2019

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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, 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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Correction of Error

As discussed in Note I.B in the notes to the financial statements, in the year ended June 30, 2019 the City realized that the Westminster Local Development Corporation (“WLDC”) was a fiduciary component unit of the City and has changed its policy for accounting and reporting the WLDC from a subfund of the General Fund to a fiduciary 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 January 30, 2020 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
January 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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, 2019 ("FY 2019" or "2019") compared to the fiscal year ended June 30, 2018 ("FY 2018" or "2018"). 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 \$10,282,993. Unrestricted net position was a deficit of \$1,499,133 primarily due to the City's net pension liability, which was \$3,230,009 at June 30, 2019.
- The City's total net position increased by \$1,289,620 compared to the prior year net position, as revenues of \$10,009,786 exceeded expenses of \$8,720,166.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$1,190,086, an increase of \$155,736.
- At the end of the current year, unassigned fund balance for the General Fund was \$424,366, 25% of total General Fund expenditures for 2019.
- The City's capital assets increased by \$437,970 (4%). The increase in capital assets was primarily due to the Pritchard/Park Avenue project and purchase of the Knuckleboom truck.
- The City's total debt decreased by \$378,428 (21%) during 2019 due to normally scheduled principal payments of \$578,428, partially offset by a new capital lease obligation of \$200,000.
- The City's net pension liability decreased by \$583,336 (15%) to \$3,230,009 at June 30, 2019.

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 sewer, water, 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 four 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, Firemen's 1% Fund, and Recreation 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 sewer, water, 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.

Fiduciary Fund – The City maintains one type of fiduciary fund. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 1,264,693	\$ 1,092,782	\$ 2,224,821	\$ 2,053,315	\$ 3,489,514	\$ 3,146,097
Capital Assets	2,566,470	2,529,691	9,933,228	9,532,036	12,499,698	12,061,727
Total Assets	3,831,163	3,622,473	12,158,049	11,585,351	15,989,212	15,207,824
Deferred Outflows of Resources	297,674	602,778	585,815	854,325	883,489	1,457,103
Current Liabilities	55,864	58,432	669,743	734,056	725,607	792,488
Long-Term Liabilities	221,682	100,109	1,404,289	1,876,077	1,625,971	1,976,186
Net Pension Liability	1,312,187	2,157,904	1,917,822	1,655,441	3,230,009	3,813,345
Total Liabilities	1,589,733	2,316,445	3,991,854	4,265,574	5,581,587	6,582,019
Deferred Inflows of Resources	538,936	358,490	469,185	731,045	1,008,121	1,089,535
Net Investment in Capital Assets	2,406,470	2,529,691	8,635,701	7,841,088	11,042,171	10,370,779
Restricted	728,476	635,367	11,479	-	739,955	635,367
Unrestricted	(1,134,778)	(1,614,742)	(364,355)	(398,031)	(1,499,133)	(2,012,773)
Total Net Position	\$ 2,000,168	\$ 1,550,316	\$ 8,282,825	\$ 7,443,057	\$ 10,282,993	\$ 8,993,373

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

The City's total assets increased \$781,388 from the prior year. Current and other assets increased \$343,417 primarily due to an increase in cash and cash equivalents and accounts receivable. Capital assets increased \$437,971 from the prior year due to capital asset additions exceeding capital asset depreciation. Total liabilities decreased \$1,000,432 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 \$1,289,620 during the current fiscal year primarily due to revenues exceeding expenses in 2019. Please see the discussion following the next table regarding this increase.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$10,282,993 as of June 30, 2019. \$11,042,171 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.

\$739,955 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 \$1,499,133.

The following table shows the changes in the City's net position for the years ended June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 608,110	\$ 578,348	\$ 7,414,786	\$ 7,293,723	\$ 8,022,896	\$ 7,872,071
Operating Grants and Contributions	285,000	285,000	-	-	285,000	285,000
Capital Grants and Contributions	10,000	97,456	551,850	-	561,850	97,456
General Revenues:						
Taxes	861,087	833,174	-	-	861,087	833,174
Other	198,522	205,221	80,431	59,192	278,953	264,413
Total Revenues	<u>1,962,719</u>	<u>1,999,199</u>	<u>8,047,067</u>	<u>7,352,915</u>	<u>10,009,786</u>	<u>9,352,114</u>
Expenses:						
Administrative and General	323,797	655,810	-	-	323,797	655,810
Judicial Services	-	-	-	-	-	-
Public Safety	789,055	1,155,824	-	-	789,055	1,155,824
Public Works	119,232	252,492	-	-	119,232	252,492
Recreation and Tourism	461,092	519,150	-	-	461,092	519,150
Interest on Long-Term Obligations	-	-	-	-	-	-
Sewer	-	-	1,047,998	916,524	1,047,998	916,524
Water	-	-	2,065,789	1,897,089	2,065,789	1,897,089
Electric	-	-	3,503,451	3,581,367	3,503,451	3,581,367
Solid Waste	-	-	409,752	319,900	409,752	319,900
Total Expenses	<u>1,693,176</u>	<u>2,583,276</u>	<u>7,026,990</u>	<u>6,714,880</u>	<u>8,720,166</u>	<u>9,298,156</u>
Change in Net Position Before Transfers	269,543	(584,077)	1,020,077	638,035	1,289,620	53,958
Transfers	180,309	236,402	(180,309)	(236,402)	-	-
Change in Net Position	449,852	(347,675)	839,768	401,633	1,289,620	53,958
Net Position - Beginning of Year	1,550,316	1,897,991	7,443,057	7,041,424	8,993,373	8,939,415
Net Position - End of Year - Restated	<u>\$ 2,000,168</u>	<u>\$ 1,550,316</u>	<u>\$ 8,282,825</u>	<u>\$ 7,443,057</u>	<u>\$ 10,282,993</u>	<u>\$ 8,993,373</u>

* Certain amounts have been restated and may not be comparable with the amounts for the year ended June 30, 2019; see Note 1-B in the notes to the financial statements for more details.

Governmental Activities: Governmental activities had an increase in net position of \$449,852. Governmental activities revenues decreased by \$36,480 (2%) from the prior year, primarily due to a reduction in capital grants and contributions.

Expenses related to total governmental activities decreased by \$890,100, or 34%, from the prior year. This decrease was primarily due to the reduction in public safety and administrative and general expenses.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities: Net position related to business-type activities (i.e., water, sewer, electric, and solid waste operations) increased by \$839,768. This increase was primarily due to revenues of \$8,047,067 exceeding expenses of \$7,026,990 and transfers out of \$180,309. Revenues increased by \$694,152 when compared to the prior year due to an increase in capital grants and contributions. Expenses decreased by \$312,110 from the prior year.

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.

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 \$1,190,086, an increase of \$155,736, or 15% higher than the prior year restated fund balance.

\$424,366 (36%) 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/committed to indicate that it is not available for new spending: (1) for tourism-related expenditures (\$576,352), (2) for public safety (\$152,124), and (3) for recreation (\$37,244). Total unassigned fund balance of the governmental funds (General Fund) represents 25% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by \$276,164 from the prior year, primarily due to lower intergovernmental revenues and lower licenses, permits and fee revenue from the transfer of recreation activity to a special revenue fund.
- Total General Fund expenditures decreased by \$354,989 from the prior year, primarily due to lower public works costs and the transfer of recreation activity to a special revenue 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 2019 was \$8,282,825. 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.

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2019 amounted to \$12,499,698. The City's capital assets include land, 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, 2019 and 2018 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 672,000	\$ 472,000	\$ 53,025	\$ 53,025	\$ 725,025	\$ 525,025
Buildings and Improvements	874,700	918,531	1,631,510	1,769,756	2,506,210	2,688,287
Vehicles and Equipment	223,335	307,374	358,343	254,183	581,678	561,557
Infrastructure	796,435	831,787	7,890,350	7,455,072	8,686,785	8,286,859
Total	<u>\$ 2,566,470</u>	<u>\$ 2,529,692</u>	<u>\$ 9,933,228</u>	<u>\$ 9,532,036</u>	<u>\$ 12,499,698</u>	<u>\$ 12,061,728</u>

The total increase in the City's capital assets for 2019 was \$437,970. Major capital asset events during 2019 included the following:

- Capital asset additions of approximately \$1,100,000 consisted primarily of:
 - Prichard/Park Avenue Rehabilitation – approximately \$631,000.
 - Knuckleboom Truck - approximately \$148,000.
 - Recreation Facility Land - approximately \$200,000.
 - Other projects/equipment - approximately \$121,000.
- Depreciation expense of approximately \$163,000 for governmental activities and \$527,000 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, 2019, the City had total outstanding debt of \$1,457,527. The City's total debt as of June 30, 2019 and 2018 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital Lease Payable	\$ 160,000	\$ -	\$ 238,802	\$ 295,098	\$ 398,802	\$ 295,098
Revenue Bonds	-	-	1,058,725	1,540,857	1,058,725	1,540,857
Total	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 1,297,527</u>	<u>\$ 1,835,955</u>	<u>\$ 1,457,527</u>	<u>\$ 1,835,955</u>

The total decrease in the City's debt for 2019 was \$378,428 or 21%. Major events during 2019 included the following:

Business-Type Activities:

- Scheduled principal payments on revenue bonds and capital leases of approximately \$578,000.
- Borrowing of approximately \$200,000 for recreation facility land acquisition.

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

CITY OF WESTMINSTER, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials and staff considered many factors when setting the fiscal year 2020 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, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 464,041	\$ 729,226	\$ 1,193,267
Accounts Receivable	67,850	1,395,180	1,463,030
Taxes Receivable	36,119	-	36,119
Interfund Balances	(27,200)	27,200	-
Inventory	-	61,736	61,736
RESTRICTED ASSETS:			
Cash and Cash Equivalents	723,883	11,479	735,362
CAPITAL ASSETS:			
Non Depreciable	672,000	53,025	725,025
Depreciable	4,055,738	21,576,482	25,632,220
Less Accumulated Depreciation	(2,161,268)	(11,696,279)	(13,857,547)
TOTAL ASSETS	3,831,163	12,158,049	15,989,212
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	297,674	585,815	883,489
TOTAL DEFERRED OUTFLOWS OF RESOURCES	297,674	585,815	883,489
LIABILITIES			
Accounts Payable	\$ 53,816	\$ 326,979	\$ 380,795
Employee Benefits Withheld and Accrued	2,048	4,938	6,986
Customer Deposits	-	337,826	337,826
NON-CURRENT LIABILITIES:			
DUE WITHIN ONE YEAR:			
Compensated Absences	30,841	53,381	84,222
Capital Leases Payable	-	57,626	57,626
Bonds Payable	-	491,954	491,954
DUE IN MORE THAN ONE YEAR:			
Compensated Absences	30,841	53,381	84,222
Capital Leases Payable	160,000	181,176	341,176
Bonds Payable	-	566,771	566,771
Net Pension Liability	1,312,187	1,917,822	3,230,009
TOTAL LIABILITIES	1,589,733	3,991,854	5,581,587
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	538,936	469,185	1,008,121
TOTAL DEFERRED INFLOWS OF RESOURCES	538,936	469,185	1,008,121
NET POSITION			
Net Investment in Capital Assets	2,406,470	8,635,701	11,042,171
RESTRICTED FOR:			
Public Safety	152,124	-	152,124
Recreation and Tourism	576,352	-	576,352
Other	-	11,479	11,479
Unrestricted	(1,134,778)	(364,355)	(1,499,133)
TOTAL NET POSITION	\$ 2,000,168	\$ 8,282,825	\$ 10,282,993

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, 2019

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
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 323,797	\$ 336,934	\$ -	\$ -	\$ 13,137	\$ -	\$ 13,137
Public Safety	789,055	98,641	285,000	-	(405,414)	-	(405,414)
Public Works	119,232	-	-	-	(119,232)	-	(119,232)
Recreation and Tourism	461,092	172,535	-	10,000	(278,557)	-	(278,557)
TOTAL GOVERNMENTAL ACTIVITIES	1,693,176	608,110	285,000	10,000	(790,066)	-	(790,066)
BUSINESS-TYPE ACTIVITIES:							
Sewer System	1,047,998	662,243	-	551,850	-	166,095	166,095
Water System	2,065,789	2,006,072	-	-	-	(59,717)	(59,717)
Electric System	3,503,451	4,406,780	-	-	-	903,329	903,329
Solid Waste	409,752	339,691	-	-	-	(70,061)	(70,061)
TOTAL BUSINESS-TYPE ACTIVITIES	7,026,990	7,414,786	-	551,850	-	939,646	939,646
TOTAL PRIMARY GOVERNMENT	\$ 8,720,166	\$ 8,022,896	\$ 285,000	\$ 561,850	(790,066)	939,646	149,580
GENERAL REVENUES:							
TAXES:							
Property Taxes, Levied for General Purposes					656,845	-	656,845
Hospitality Tax					137,871	-	137,871
Accommodation Taxes					6,909	-	6,909
Payments in Lieu of Taxes and Franchise Fees					59,462	-	59,462
Grants and Contributions not Restricted to Specific Programs					55,285	-	55,285
Interest Income					4,311	849	5,160
Miscellaneous					138,926	79,582	218,508
Interfund Transfers					180,309	(180,309)	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,239,918	(99,878)	1,140,040
CHANGE IN NET POSITION					449,852	839,768	1,289,620
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED					1,593,257	7,443,057	9,036,314
Change in Fund Type - Local Development Agency Fund - Note 1B					(42,941)	-	(42,941)
NET POSITION, BEGINNING OF YEAR, RESTATED					1,550,316	7,443,057	8,993,373
NET POSITION, ENDING					\$ 2,000,168	\$ 8,282,825	\$ 10,282,993

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, 2019

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 414,803	\$ 49,238	\$ 464,041
Restricted Assets - Cash and Cash Equivalents	147,403	576,480	723,883
Accounts Receivable	58,257	9,593	67,850
Taxes Receivable	36,119	-	36,119
TOTAL ASSETS	\$ 656,582	\$ 635,311	\$ 1,291,893
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 37,171	\$ 16,645	\$ 53,816
Employee Benefits Withheld and Accrued	1,699	349	2,048
Interfund Payable	27,200	-	27,200
TOTAL LIABILITIES	66,070	16,994	83,064
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	18,743	-	18,743
TOTAL DEFERRED INFLOWS OF RESOURCES	18,743	-	18,743
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	84,813	16,994	101,807
FUND BALANCES:			
RESTRICTED FOR:			
Public Safety	110,724	41,400	152,124
Tourism Related Expenditures	36,679	539,673	576,352
COMMITTED TO:			
Recreation and Tourism	-	37,244	37,244
UNASSIGNED:	424,366	-	424,366
TOTAL FUND BALANCES	571,769	618,317	1,190,086
TOTAL LIABILITIES AND FUND BALANCES	\$ 656,582	\$ 635,311	\$ 1,291,893

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, 2019

Fund balances - total governmental funds	\$ 1,190,086
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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 \$4,727,738 and the accumulated depreciation was \$2,161,268.	2,566,470
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	18,743
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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.	(1,553,449)
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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:

Capital lease payable	(160,000)
Compensated absences	(61,682)

Net position of governmental activities	<u>\$ 2,000,168</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, 2019

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 638,102	\$ -	\$ 638,102
Intergovernmental Revenues	345,080	32,106	377,186
Licenses, Permits and Fees	339,473	300,406	639,879
Fines and Forfeitures	83,682	-	83,682
Miscellaneous and Other	84,724	16,630	101,354
Payments in Lieu of Taxes and Franchise Fees	59,462	-	59,462
Interest Income	4,311	-	4,311
TOTAL REVENUES	1,554,834	349,142	1,903,976
EXPENDITURES			
CURRENT OPERATING:			
General Government	366,888	-	366,888
Public Safety	1,027,089	3,754	1,030,843
Public Works	88,632	-	88,632
Recreation and Tourism	-	442,186	442,186
Capital Outlay	200,000	-	200,000
DEBT SERVICE:			
Principal Retirement	-	40,000	40,000
TOTAL EXPENDITURES	1,682,609	485,940	2,168,549
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(127,775)	(136,798)	(264,573)
OTHER FINANCING SOURCES AND (USES)			
Sale of Assets	40,000	-	40,000
Capital Lease Proceeds	200,000	-	200,000
Interfund Transfers In	336,000	250,000	586,000
Interfund Transfers Out	(405,691)	-	(405,691)
NET CHANGE IN FUND BALANCES	42,534	113,202	155,736
FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED	572,176	505,115	1,077,291
Change in Fund Type - Local Development Agency Fund - Note 1B	(42,941)	-	(42,941)
FUND BALANCES, BEGINNING OF YEAR, RESTATED	529,235	505,115	1,034,350
FUND BALANCES, ENDING	\$ 571,769	\$ 618,317	\$ 1,190,086

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, 2019

Net change in fund balances - total governmental funds	\$ 155,736
Amounts reported for the governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	18,743
Repayment of bond principal (including refunding principal payments) is recognized in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	40,000
Capital lease proceeds provide current financial resources to the governmental fund, but issuing debt or entering into notes payable increases long-term liabilities in the Statement of Net Position.	(200,000)
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 \$163,222 was exceeded by capital asset additions of \$200,000 in the current period.	36,778
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.	38,427
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>360,168</u>
Change in net position of governmental activities	<u>\$ 449,852</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2019

	UTILITY	SOLID WASTE	TOTAL
	FUND	FUND	ENTERPRISE
ASSETS			FUNDS
CURRENT ASSETS:			
Cash	\$ 462,020	\$ 267,206	\$ 729,226
Restricted Assets - Cash and Cash Equivalents	11,479	-	11,479
Accounts Receivable	1,332,169	63,011	1,395,180
Interfund Receivables	24,202	2,998	27,200
Inventory	61,736	-	61,736
TOTAL CURRENT ASSETS	1,891,606	333,215	2,224,821
CAPITAL ASSETS:			
Land and Land Rights	53,025	-	53,025
Buildings and Improvements	5,364,384	10,000	5,374,384
Equipment and Vehicles	1,540,783	631,651	2,172,434
Infrastructure	14,029,664	-	14,029,664
Less Accumulated Depreciation	(11,223,522)	(472,757)	(11,696,279)
TOTAL NON-CURRENT ASSETS	9,764,334	168,894	9,933,228
TOTAL ASSETS	11,655,940	502,109	12,158,049
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	506,014	79,801	585,815
TOTAL DEFERRED OUTFLOWS OF RESOURCES	506,014	79,801	585,815
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable	\$ 316,479	\$ 10,500	\$ 326,979
Employee Benefits Withheld and Accrued	4,285	653	4,938
Customer Deposits	337,826	-	337,826
Compensated Absences	52,438	943	53,381
Capital Leases Payable	-	57,626	57,626
Bonds Payable	491,954	-	491,954
TOTAL CURRENT LIABILITIES	1,202,982	69,722	1,272,704
NON-CURRENT LIABILITIES:			
Compensated Absences	52,438	943	53,381
Capital Leases Payable after One Year	-	181,176	181,176
Bonds Payable after One Year	566,771	-	566,771
Net Pension Liability	1,656,572	261,250	1,917,822
TOTAL NON-CURRENT LIABILITIES	2,275,781	443,369	2,719,150
TOTAL LIABILITIES	3,478,763	513,091	3,991,854
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	405,271	63,914	469,185
TOTAL DEFERRED INFLOWS OF RESOURCES	405,271	63,914	469,185
NET POSITION			
Net Investment in Capital Assets	8,705,609	(69,908)	8,635,701
Restricted - Other	11,479	-	11,479
Unrestricted	(439,168)	74,813	(364,355)
TOTAL NET POSITION	\$ 8,277,920	\$ 4,905	\$ 8,282,825

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, 2019

	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
Utility Billings	\$ 7,036,399	\$ 331,633	\$ 7,368,032
Other Customer Fees	19,756	-	19,756
Other	98,523	8,058	106,581
TOTAL OPERATING REVENUES	7,154,678	339,691	7,494,369
OPERATING EXPENSES			
Electric	3,227,099	-	3,227,099
Sewer	793,092	-	793,092
Water	1,470,032	-	1,470,032
Solid Waste	-	356,718	356,718
Administrative	617,812	-	617,812
Depreciation	473,532	53,034	526,566
TOTAL OPERATING EXPENSES	6,581,567	409,752	6,991,319
OPERATING INCOME (LOSS)	573,111	(70,061)	503,050
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	849	-	849
Interest Expense	(28,699)	(6,973)	(35,672)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(27,850)	(6,973)	(34,823)
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	545,261	(77,034)	468,227
OTHER FINANCING SOURCES (USES)			
Grant Award	551,850	-	551,850
Interfund Transfers	(336,000)	155,691	(180,309)
TOTAL OTHER FINANCING SOURCES (USES)	215,850	155,691	371,541
CHANGE IN NET POSITION	761,111	78,657	839,768
NET POSITION, BEGINNING OF YEAR	7,516,809	(73,752)	7,443,057
NET POSITION, ENDING	\$ 8,277,920	\$ 4,905	\$ 8,282,825

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, 2019

	UTILITY FUND	SOLID WASTE FUND	ENTERPRISE FUNDS
CASH FLOWS FROM OPERATIONS:			
Receipts from Customers	\$ 7,056,752	\$ 330,201	\$ 7,386,953
Payments to Employees and Related Benefits	(1,153,078)	(200,902)	(1,353,980)
Payments to Suppliers	(4,705,361)	(105,055)	(4,810,416)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,198,313	24,244	1,222,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund Transfers of Cash In	-	155,691	155,691
Interfund Transfers of Cash Out	(336,000)	-	(336,000)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(336,000)	155,691	(180,309)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Grant Award	551,850	-	551,850
Principal Paid on Long-Term Debt	(482,132)	(56,296)	(538,428)
Interest Paid on Long-Term Debt	(28,699)	(6,973)	(35,672)
Purchase of Capital Assets	(779,838)	(147,920)	(927,758)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(738,819)	(211,189)	(950,008)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Investments	849	-	849
NET CASH FLOWS FROM INVESTING ACTIVITIES	849	-	849
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124,343	(31,254)	93,089
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	349,156	298,460	647,616
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 473,499	\$ 267,206	\$ 740,705
CLASSIFIED AS:			
Current Assets	\$ 462,020	\$ 267,206	\$ 729,226
Restricted Assets	11,479	-	11,479
TOTALS	\$ 473,499	\$ 267,206	\$ 740,705

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, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	UTILITY FUND	SOLID WASTE FUND	TOTAL ENTERPRISE FUNDS
OPERATING INCOME (LOSS)	\$ 573,111	\$ (70,061)	\$ 503,050
ADJUSTMENTS NOT AFFECTING CASH:			
Depreciation	473,532	53,034	526,566
CHANGE IN ASSETS AND LIABILITIES:			
Accounts Receivable	(97,926)	(9,490)	(107,416)
Inventory	28,999	-	28,999
Accounts Payable	(81,202)	10,181	(71,021)
Customer Deposits	4,735	-	4,735
Compensated Absences	65,658	982	66,640
Employee Benefits Withheld and Accrued	1,762	211	1,973
Net Pension Liability	223,680	38,701	262,381
CHANGE IN DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:			
Deferred Pension Charges	233,460	35,050	268,510
Deferred Pension Credits	(227,496)	(34,364)	(261,860)
TOTAL ADJUSTMENTS	625,202	94,305	719,507
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,198,313	\$ 24,244	\$ 1,222,557

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

CITY OF WESTMINSTER, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS - AGENCY FUNDS

JUNE 30, 2019

	LOCAL DEVELOPMENT AGENCY FUND
ASSETS	
Cash and Cash Equivalents	\$ 56,059
TOTAL ASSETS	<u>\$ 56,059</u>
LIABILITIES	
Amounts Held in Custody for Others	\$ 56,059
TOTAL LIABILITIES	<u>\$ 56,059</u>

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, 2019

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. Based on the criteria above, the City has one fiduciary component unit – the Westminster Local Development Corporation.

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, 2019

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, 2019

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**, a nonmajor 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**, a nonmajor fund, is used to account for the City's 1% premium collections and expenses. These funds are restricted for eligible fire fighter expenditures.

The **Recreation Fund**, a nonmajor fund, is used to account for the City's recreation revenue and expenses. These funds are committed to recreation 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, 2019

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

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

The City reports the following other fund type:

Agency Fund is used to account for the financial transactions of the Westminster Local Development Corporation.

Change in Fund Types

Effective July 1, 2018, the City began reporting its recreation activities in a special revenue fund so that it could more clearly monitor these activities. These activities had previously been reported as part of the General Fund.

Effective July 1, 2018, the City began reporting the Westminster Local Development Corporation as a fiduciary fund. This change in fund type (accounting principle) resulted in a decrease to beginning fund balance of its General Fund of approximately \$43,000, representing the net book value of its assets and liabilities. On its government wide financial statements, the City recognized a decrease to beginning net position for governmental activities of approximately \$43,000.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (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).

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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.

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 two types of deferred inflows of resources, (1) *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available, and (2) *deferred pension credits* in its proprietary fund and government-wide 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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

K. Fund Balance (Continued)

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.

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. 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.

N. 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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

O. 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.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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.

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, 2019, none of the City's bank balances of approximately \$1,864,000 (with a carrying value of approximately \$1,817,000) were exposed to custodial credit risk.

Investments

As of June 30, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
			<u>< 1 yr</u>	<u>1-3 yrs</u>	<u>3-5 yrs</u>	<u>> 5 yrs</u>
State Government Local Investment Pool	Unrated	\$ 167,651	\$ 167,651	-	-	-

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED):

Investments (Continued)

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.

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, 2019 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, 2019, 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	
Total	<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, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General	\$ 336,000	\$ 405,691
Utility	-	336,000
Solid Waste	155,691	-
Other Non-Major Funds:		
Recreation	250,000	-
Total	<u>\$ 741,691</u>	<u>\$ 741,691</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED):

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). The General Fund also transferred funds to the Solid Waste Fund and the Recreation Fund to help support its ongoing operations. Council approves the amounts transferred annually during the budget process.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the City's governmental activities for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 472,000	\$ 200,000	\$ -	\$ 672,000
Total Capital Assets not being Depreciated	<u>472,000</u>	<u>200,000</u>	<u>-</u>	<u>672,000</u>
Capital Assets being Depreciated:				
Buildings & Improvements	1,477,861	-	-	1,477,861
Infrastructure	945,710	-	-	945,710
Vehicles & Equipment	1,632,167	-	-	1,632,167
Total Capital Assets being Depreciated	<u>4,055,738</u>	<u>-</u>	<u>-</u>	<u>4,055,738</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(559,330)	(43,831)	-	(603,161)
Infrastructure	(113,923)	(35,352)	-	(149,275)
Vehicles & Equipment	(1,324,793)	(84,039)	-	(1,408,832)
Total Accumulated Depreciation	<u>(1,998,046)</u>	<u>(163,222)</u>	<u>-</u>	<u>(2,161,268)</u>
Total Capital Assets being Depreciated, Net	<u>2,057,692</u>	<u>(163,222)</u>	<u>-</u>	<u>1,894,470</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,529,692</u>	<u>\$ 36,778</u>	<u>\$ -</u>	<u>\$ 2,566,470</u>

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

General Government	\$ 26,701
Public Safety	77,485
Public Works	35,022
Recreation and Tourism	24,014
Total Depreciation Expense	<u>\$ 163,222</u>

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 4 – CAPITAL ASSETS (CONTINUED):

Capital asset activity for the City's business-type activities for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 53,025	\$ -	\$ -	\$ 53,025
Total Capital Assets not being Depreciated	<u>53,025</u>	<u>-</u>	<u>-</u>	<u>53,025</u>
Capital Assets being Depreciated:				
Buildings and Improvements	5,368,134	6,250	-	5,374,384
Equipment and Vehicles	2,026,714	193,720	(48,000)	2,172,434
Infrastructure	13,301,876	727,788	-	14,029,664
Total Capital Assets being Depreciated	<u>20,696,724</u>	<u>927,758</u>	<u>(48,000)</u>	<u>21,576,482</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,598,378)	(144,496)	-	(3,742,874)
Equipment and Vehicles	(1,772,531)	(89,560)	48,000	(1,814,091)
Infrastructure	(5,846,804)	(292,510)	-	(6,139,314)
Total Accumulated Depreciation	<u>(11,217,713)</u>	<u>(526,566)</u>	<u>48,000</u>	<u>(11,696,279)</u>
Total Capital Assets being Depreciated, Net	<u>9,479,011</u>	<u>401,192</u>	<u>-</u>	<u>9,880,203</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,532,036</u>	<u>\$ 401,192</u>	<u>\$ -</u>	<u>\$ 9,933,228</u>

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

Water System	\$ 354,148
Sewer System	48,969
Electric System	70,415
Solid Waste	53,034
Total Depreciation Expense	<u>\$ 526,566</u>

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED):

The City's outstanding debt and capital lease obligations have been issued/obtained through direct borrowings/placements. Obligations through direct borrowings/placements are generally secured/collateralized by the underlying assets and contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the City is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

Summarized below are the City's individual bond issues (direct placements) which are outstanding at June 30, 2019:

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.	\$ 852,445
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>206,280</u>
Total Revenue Bonds Payable	<u>\$ 1,058,725</u>

Summarized below are the City's individual capital leases (direct borrowings) which are outstanding at June 30, 2019:

\$284,460 capital lease 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.	\$ 121,393
\$145,000 capital lease 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.	117,409
\$200,000 capital lease agreement entered into November 2018 with annual payments of \$40,000 beginning December 2018 through December 2023. The proceeds of this lease purchase obligation were used to purchase land for future recreation use.	<u>160,000</u>
Total Capital Leases Payable	<u>\$ 398,802</u>

Presented below is a summary of changes in long-term obligations for the City's governmental activities for the year ended June 30, 2019:

<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>
Governmental Activities:					
Capital Lease - Recreation Land	\$ -	\$ 200,000	\$ (40,000)	\$ 160,000	\$ -
Total Debt	<u>-</u>	<u>200,000</u>	<u>(40,000)</u>	<u>160,000</u>	<u>-</u>
Other Liabilities - Compensated Absences	\$ 100,109	\$ -	\$ (38,427)	\$ 61,682	\$ 30,841
Governmental Activities Long-term Liabilities	<u>\$ 100,109</u>	<u>\$ 200,000</u>	<u>\$ (78,427)</u>	<u>\$ 221,682</u>	<u>\$ 30,841</u>

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019:

<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>
Business - Type Activities:					
Revenue Bond - 10/14	\$ 1,131,462	\$ -	\$ (279,017)	\$ 852,445	\$ 285,674
Revenue Bond - 7/15	409,395	-	(203,115)	206,280	206,280
Capital Lease - Garbage Truck	150,098	-	(28,705)	121,393	29,348
Capital Lease - Knuckleboom Truck	145,000	-	(27,591)	117,409	28,278
Total Debt	<u>1,835,955</u>	<u>-</u>	<u>(538,428)</u>	<u>1,297,527</u>	<u>549,580</u>
Other Liabilities - Compensated Absences	40,122	123,337	(56,697)	106,762	53,381
Business-Type Activities Long-term Liabilities	<u>\$ 1,876,077</u>	<u>\$ 123,337</u>	<u>\$ (595,125)</u>	<u>\$ 1,404,289</u>	<u>\$ 602,961</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 as of June 30, 2019.

Presented below is a summary of debt service requirements (all of which are direct borrowings/placements) to maturity by year for the City's governmental and business-type activities as of June 30, 2019:

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Primary Government</u>
2020	\$ -	\$ -	\$ -	\$ 549,580	\$ 24,516	\$ 574,096	\$ 574,096
2021	80,000	-	80,000	351,475	14,505	365,980	445,980
2022	-	-	-	334,665	6,090	340,755	340,755
2023	40,000	-	40,000	61,807	1,461	63,268	103,268
2024	40,000	-	40,000	-	-	-	40,000
2025-2029	-	-	-	-	-	-	-
Total	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$1,297,527</u>	<u>\$ 46,572</u>	<u>\$ 1,344,099</u>	<u>\$ 1,504,099</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, 2019

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, 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, 2019

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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of the system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. 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 eighty-five percent, then effective on the following July 1st, and annually thereafter as necessary, the 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 eighty-five percent.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLANS (CONTINUED):

Plan Contributions (Continued)

The Retirement System Funding and Administration Act increases employer contribution rates to 14.56 percent for SCRS and 16.24 percent for PORS, 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.

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

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

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

	Fiscal Year 2019	Fiscal Year 2018
SCRS		
Employer Class Two	14.41%	13.41%
Employer Class Three	14.41%	13.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	16.84%	15.84%
Employer Class Three	16.84%	15.84%
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.

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 June 30, 2015.

The June 30, 2018, 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, 2017. The TPL was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLANS (CONTINUED):

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2018.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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 determination of the June 30, 2018, TPL are as follows:

Former Job Class	Males	Females
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, 2018 measurement date, for SCRS and PORS are as follows:

Plan	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$48,821,730,067	\$26,414,916,370	\$22,406,813,697	54.1%
PORS	\$7,403,972,673	\$4,570,430,247	\$2,833,542,426	61.7%

Net Pension Liability of the Plan

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, 2018 (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, 2018.

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLANS (CONTINUED):

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 2018 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.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflations for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

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.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLANS (CONTINUED):

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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$2,833,340	\$2,217,333	\$1,776,947
PORS	1,365,213	1,012,676	723,918

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

At June 30, 2019, the City reported a liability of \$1,312,187 for the governmental activities and \$1,917,822 for the business-type activities on the government wide financial statements for its proportionate share of the NPL. The NPL was measured as of June 30, 2018, 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, 2018, the City's proportion for SCRS was 0.009896% (0.009950% at June 30, 2017). The City's proportion for PORS at June 30, 2018 was 0.03574% (0.05743% at June 30, 2017).

For the year ended June 30, 2019, the City recognized pension expense of approximately \$142,000 (approximately \$155,000 for the SCRS and approximately (\$13,000) for the PORS).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,003	\$ 13,048
Changes of assumptions	87,971	-
Net difference between projected and actual investment earnings	35,222	-
Change in allocated proportion	404,370	529,414
Contributions after the measurement date	147,265	-
Total	\$ 678,831	\$ 542,462

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 6 – PENSION PLANS (CONTINUED):

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

PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,202	\$ -
Changes of assumptions	66,771	-
Net difference between projected and actual investment earnings	20,251	-
Change in allocated proportion	614	465,659
Contributions after the measurement date	85,820	-
Total	\$ 204,658	\$ 465,659

The amount of \$147,265 and \$85,820 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 NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount		Total
	SCRS	PORS	
2020	\$ 23,564	\$ (83,094)	\$ (59,530)
2021	633	(100,926)	(100,293)
2022	(31,204)	(123,169)	(154,373)
2023	(3,889)	(39,632)	(43,521)
Total	\$ (10,896)	\$ (346,821)	\$ (357,717)

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:

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. 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, 2019.

ConserFund Loan

In February 2019, the City entered into a loan agreement with the South Carolina Office of Regulatory Staff for a ConserFund Loan to borrow approximately \$415,000 for improvements to the City's water plant. The completion date of September 30, 2019 was set for the construction phase for the water plant improvements. Annual payments are \$44,952 (which includes interest at 1.5%) from October 1, 2020 through October 1, 2029. No amounts have been drawn down on the loan as of June 30, 2019.

CITY OF WESTMINSTER, SOUTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED):

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.

NOTE 9 – SUBSEQUENT EVENTS:

In September 2019, the City awarded a bid to Amtech Drives, Inc. for approximately \$119,000 for the installation of variable frequency drives on the high service pumps at the water plant.

In November 2019, the City signed Amendment #1 to the ConserFund Loan (see Note 8 for more details) that was originally entered into in February 2019. This amendment revises the completion of the construction phase for the water plant improvements to June 30, 2020 and established a new payment schedule for the loan with annual payments of \$44,952 (which includes interest at 1.5%) from July 1, 2020 through July 1, 2030.

In November 2019, the City accepted a Rural Infrastructure Authority grant award in the amount of \$340,000 to assist in the rehabilitation of approximately 3,300 feet of sewer lines for a project identified as the Old Beacon Mill Area Sanitary Sewer Rehabilitation project.

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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes	\$ 641,776	\$ 641,776	\$ 638,102	\$ (3,674)
Intergovernmental Revenues	349,700	350,500	345,080	(5,420)
Licenses, Permits and Fees	359,000	364,916	339,473	(25,443)
Fines and Forfeitures	55,000	60,101	83,682	23,581
Miscellaneous and Other	23,683	72,628	84,724	12,096
Payments in Lieu of Taxes and Franchise Fees	53,000	58,210	59,462	1,252
Interest Income	1,557	1,557	4,311	2,754
TOTAL REVENUES	1,483,716	1,549,688	1,554,834	5,146
EXPENDITURES				
CURRENT OPERATING:				
GENERAL GOVERNMENT:				
Administration	369,978	454,778	331,740	123,038
PUBLIC SAFETY:				
Police	544,094	557,364	403,835	153,529
Fire	452,367	459,667	623,254	(163,587)
Code Enforcement	33,050	33,050	35,148	(2,098)
PUBLIC WORKS:				
Streets	60,850	61,452	88,632	(27,180)
Capital Expenditures	34,675	34,675	200,000	(165,325)
TOTAL EXPENDITURES	1,495,014	1,600,986	1,682,609	(81,623)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,298)	(51,298)	(127,775)	(76,477)
OTHER FINANCING SOURCES AND (USES)				
Sale of Assets	-	40,000	40,000	-
Capital Lease Proceeds	-	-	200,000	200,000
Interfund Transfers In	352,000	352,000	336,000	(16,000)
Interfund Transfers Out	(340,702)	(340,702)	(405,691)	(64,989)
NET CHANGE IN FUND BALANCES	-	-	42,534	42,534
FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED	572,176	572,176	572,176	-
Change in Fund Type - Local Development Agency Fund - Note 1B	(42,941)	(42,941)	(42,941)	-
FUND BALANCES, BEGINNING OF YEAR, RESTATED	529,235	529,235	529,235	-
FUND BALANCES, ENDING	\$ 529,235	\$ 529,235	\$ 571,769	\$ 42,534

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.

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, 2019

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

	SCRS				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension liability (asset)	0.009896%	0.009950%	0.011029%	0.011240%	0.011173%
City's proportionate share of the net pension liability (asset)	\$ 2,217,333	\$ 2,239,905	\$ 2,355,778	\$ 2,131,720	\$ 1,923,621
City's covered payroll	\$ 1,025,479	\$ 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	216.22%	223.12%	220.58%	202.27%	189.65%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	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, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension liability (asset)	0.035740%	0.057430%	0.063040%	0.063330%	0.063150%
City's proportion share of the net pension liability (asset)	\$ 1,012,676	\$ 1,573,440	\$ 1,598,892	\$ 1,380,362	\$ 1,208,903
City's covered payroll	\$ 494,680	\$ 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	204.71%	203.43%	198.96%	175.93%	159.17%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	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% beginning with the year ended June 30, 2017 measurement date.

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, 2019

Contributions to the SCRS cost sharing pension plan was as follows:

	SCRS				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 157,051	\$ 139,055	\$ 116,049	\$ 118,121	\$ 114,873
Contributions in relation to the contractually required contribution:					
Contributions from the City	(146,157)	(128,161)	(116,049)	(118,121)	(114,873)
Contributions from the State	(10,894)	(10,894)	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,078,647	\$ 1,025,479	\$ 1,003,884	\$ 1,068,002	\$ 1,053,881
Contributions as a percentage of covered payroll	14.56%	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 13.56% to 14.56% of eligible payroll effective July 1, 2018.

Contributions to the PORS cost sharing pension plan was as follows:

	PORS				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 85,820	\$ 80,336	\$ 110,140	\$ 110,418	\$ 105,218
Contributions in relation to the contractually required contribution:					
Contributions from the City	(77,558)	(72,074)	(110,140)	(110,418)	(105,218)
Contributions from the State	(8,262)	(8,262)	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 497,796	\$ 494,680	\$ 773,455	\$ 803,624	\$ 784,623
Contributions as a percentage of covered payroll	17.24%	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 16.24% to 17.24% of eligible payroll effective July 1, 2018.

SUPPLEMENTAL INFORMATION

CITY OF WESTMINSTER, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2019

	HOSPITALITY TAX FUND	FIREMEN'S 1% FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 49,238	\$ 49,238
Restricted Assets - Cash and Cash Equivalents	535,080	41,400	-	576,480
Accounts Receivable	9,593	-	-	9,593
TOTAL ASSETS	<u>\$ 544,673</u>	<u>\$ 41,400</u>	<u>\$ 49,238</u>	<u>\$ 635,311</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	5,000	-	11,645	16,645
Employee Benefits Withheld and Accrued	-	-	349	349
TOTAL LIABILITIES	<u>5,000</u>	<u>-</u>	<u>11,994</u>	<u>16,994</u>
FUND BALANCES:				
RESTRICTED FOR:				
Public Safety	-	41,400	-	41,400
Recreation and Tourism	539,673	-	-	539,673
COMMITTED TO:				
Recreation and Tourism	-	-	37,244	37,244
TOTAL FUND BALANCES	<u>539,673</u>	<u>41,400</u>	<u>37,244</u>	<u>618,317</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 544,673</u>	<u>\$ 41,400</u>	<u>\$ 49,238</u>	<u>\$ 635,311</u>

CITY OF WESTMINSTER, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	HOSPITALITY TAX FUND	FIREMEN'S 1% FUND	RECREATION FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES				
Intergovernmental Revenues	\$ -	\$ 12,106	\$ 20,000	\$ 32,106
Licenses, Permits and Fees	137,871	-	162,535	300,406
Miscellaneous and Other	-	-	16,630	16,630
TOTAL REVENUES	137,871	12,106	199,165	349,142
EXPENDITURES				
CURRENT OPERATING:				
Public Safety	-	3,754	-	3,754
Recreation and Tourism	70,265	-	371,921	442,186
Capital Expenditures	-	-	-	-
DEBT SERVICE:				
Principal Retirement	-	-	40,000	40,000
TOTAL EXPENDITURES	70,265	3,754	411,921	485,940
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	67,606	8,352	(212,756)	(136,798)
OTHER FINANCING SOURCES AND (USES)				
Interfund Transfer In (Out)	-	-	250,000	250,000
NET CHANGE IN FUND BALANCES	67,606	8,352	37,244	113,202
FUND BALANCES, BEGINNING	472,067	33,048	-	505,115
FUND BALANCES, ENDING	\$ 539,673	\$ 41,400	\$ 37,244	\$ 618,317

CITY OF WESTMINSTER, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected			\$ 77,114	\$ 77,114
Court fines and assessments remitted to State Treasurer			(47,364)	(47,364)
Total Court Fines and Assessments retained			29,750	29,750
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			2,876	2,876
Assessments retained			3,618	3,618
Total Surcharges and Assessments retained for victim services			\$ 6,494	\$ 6,494

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ -		\$ -
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	3,618		3,618
Victim Service Surcharges Retained by City/County Treasurer	2,876		2,876
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	6,494		6,494
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	-		-
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Oconee County	6,494		6,494
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	6,494		6,494
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ -		\$ -



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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2020.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2019-001 and 2019-002, that we consider to be material weaknesses.

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*.

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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
January 30, 2020

CITY OF WESTMINSTER, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

2019-001: CORRECTION OF ERROR – WESTMINSTER LOCAL DEVELOPMENT CORPORATION

Condition:	During the audit of the City's year ended June 30, 2019 ("2019") financial statements, it was noted that the Westminster Local Development Corporation ("WLDC") was a fiduciary component unit of the City in accordance with generally accepted accounting principles ("GAAP"). The City has therefore changed its policy for accounting and reporting the WLDC from a subfund of the General Fund to a fiduciary fund.
Criteria:	The City should record the activities of the primary government and any component units in accordance with GAAP.
Context, Cause and Effect:	The activities and balances of the WLDC in prior years were included as a subfund of the General Fund instead of as a fiduciary fund.
Recommendation:	The City and its contract accountant should work together to ensure that the WLDC's activities and balances are recorded and reported in a separate fiduciary fund in the annual financial statements going forward.
Response:	Management and the contract accountant have corrected this issue in the City's 2019 financial statements and will continue to report in this manner going forward.

2019-002: RECREATION FEES

Condition:	<p>The City receives fees for various recreational activities. We noted the following issues related to the fees collected by the City:</p> <ul style="list-style-type: none">• There were times when part-time employees receive money for sponsorships during events at the Civic Center, but did not receipt the collections.• We noted that the Recreation Department has a cash collection box with a form that is used for both concessions and admissions, but at times it was unclear which function the form was being used for. These forms were not always completely filled out with beginning cash balances for the cash box or for how much money was collected. The cash box does not have a set amount of cash in the box (each time it is taken out) and the box is not always kept locked on a regular basis.• The Recreation Department also regularly receives cash for payment for uniforms. No forms detailing the name of the coach and the date, the sport, and the number of kids that receive uniforms and have paid in order to keep track of the amount of funds that have been received by the coaches for the uniforms.• There are no requirements for when the Recreation Department must bring monies collected to the City for deposit. There is no limit set for how much can be kept overnight. There is also no record of the exchange of cash when the Recreation Director brings the money to the City.• Tracing various amounts deposited to supporting documentation (i.e. receipts, concessions reports, admission reports, etc.) was very difficult (and they usually did not agree). Numerous deposits were not properly supported with organized receipts or other reports documenting individual amounts collected. Currently, there are four receipt books that have various receipts from each which could be included in a single deposit – which make tracing very difficult. Receipt books are not reconciled to deposits actually made.• Supporting documentation for receipts/deposits was sometimes lacking, thus it was difficult to determine how much of the funds collected near year end related to current year recreation programs versus prepayments for next year programs.
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CITY OF WESTMINSTER, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

2019-002: RECREATION FEES (CONTINUED)

Criteria:	The City should have adequate internal controls in place to ensure that recreation fees are properly and timely receipted, deposited, and recorded with appropriate supporting documentation.
Context, Cause and Effect:	The City has been using a decentralized process related to receiving its recreation fees based on past practice, ease of use by participants, and goodwill.
Recommendation:	The City needs to improve its collection of recreation fees by performing one or more of the following (a) mandating receipt books (with detailed description or supporting documentation on purpose of funds collected) to be used by all parties (no collection can occur without a receipt provided), (b) reconciling receipt books to the deposits actually made to the bank, (c) limiting the number of people who are allowed to collect fees (and thus who have receipt books), (d) requiring cash boxes to maintain a set amount of funds and to be locked up when not in use, (e) requiring monies collected to be brought to City Hall on a regular basis with a receipt provided to the Recreation Director for the amounts submitted, (f) standardizing forms and procedures used, and/or (g) centralizing all cash collections to City Hall.
Response:	The City will consider this recommendation and determine an appropriate course of action going forward.