

**WESTMINSTER REDEVELOPMENT AGENCY**  
**COMPONENT UNIT FINANCIAL STATEMENTS**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2007**



WESTMINSTER REDEVELOPMENT AGENCY

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October 15, 2007

**INDEPENDENT AUDITORS' REPORT**

Agency Members  
Westminster Redevelopment Agency  
Westminster, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westminster Redevelopment Agency (a component unit of the City of Westminster), as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Westminster Redevelopment Agency as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2007 on our consideration of the Westminster Redevelopment Agency's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Westminster Redevelopment Agency's basic financial statements. The computation of the excess surplus of the Low and Moderate Income Housing Special Revenue Fund is presented for additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Diehl, Evans and Company, LLP*

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

As management of the Westminster Redevelopment Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2007.

**FINANCIAL HIGHLIGHTS**

- Assets exceeded liabilities at the close of fiscal year 2007 by \$31.4 million.
- Total net assets increased by \$20.7 million.
- At the close of fiscal year 2007, governmental funds reported a combined ending fund balance of \$61.6 million, an increase of \$15.6 million, in comparison with the prior year. \$24.2 million is unreserved and is available for spending at the Agency's discretion.
- Total debt decreased by \$5.2 million (13.4 percent) during fiscal year 2007. Changes in debt consisted \$5.2 million in principal reduction payments, and interest added to a long-term advance from the City of Westminster of \$87.1 thousand.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., uncollected taxes and earned but unpaid interest expense).

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (Continued)**

The basic services of the Agency are considered to be governmental activities including Community Development, Low and Moderate Income Housing, and Interest Expense on Long-term Debt. All Agency activities are financed with property tax increment, transfers from the City of Westminster and investment income. The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund Financial Statements**

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with legal requirements. The Agency only has governmental fund types.

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

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

The Agency maintains several individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Agency has no nonmajor funds.

The Agency adopts an annual operating budget for the Special Revenue and Debt Service Funds. A budgetary comparison statement for its Low and Moderate Income Housing Special Revenue Fund has been provided to demonstrate compliance with this budget on page 39. The governmental fund financial statements can be found on pages 14 - 17 of this report.

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Notes to the Basic 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 basic financial statements can be found on pages 18 - 38 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes a Budgetary Comparison Schedule for the Low and Moderate Income Housing Special Revenue Fund, and the Computation of Low and Moderate Income Housing Funds – Excess Surplus Schedule. Required supplementary information can be found on pages 39 - 41 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Agency has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Agency assets exceeded liabilities by \$31.4 million at the close of fiscal year 2007. Net assets increased \$20.7 million when compared to prior year. The Statement of Net Assets for fiscal years 2007 and 2006 are on the following page:

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

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

	Statement of Net Assets*			
	Governmental Activities		Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
	June 30, 2007	June 30, 2006		
<b>Assets:</b>				
Current and other assets	\$ 69,988,455	\$ 55,848,958	\$14,139,497	25.3 %
Capital assets (net of depreciation)	4,066,837	4,107,653	(40,816)	(1.0)%
Total assets	<u>74,055,292</u>	<u>59,956,611</u>	<u>14,098,681</u>	23.5 %
<b>Liabilities:</b>				
Current and other liabilities	10,410,286	14,861,031	(4,450,745)	(30.0)%
Noncurrent liabilities	32,228,208	34,381,136	(2,152,928)	(6.3)%
Total liabilities	<u>42,638,494</u>	<u>49,242,167</u>	<u>(6,603,673)</u>	(13.4)%
<b>Net assets:</b>				
Restricted for community development, as restated**	31,416,798	10,714,444	20,702,354	193.2 %
Total net assets	<u>\$ 31,416,798</u>	<u>\$ 10,714,444</u>	<u>\$ 20,702,354</u>	193.2 %

\* A more detailed statement of net assets is shown on page 12 of this report.

\*\* As restated, see note 10 on page 38 of this report.

**Governmental activities** had a 25.3 percent increase occur in "Current and other assets". The Agency was able to reclassify bond proceeds of \$9.6 million on the completed Westminster Rose Center project to "Cash and investments". These amounts were previously held in "Restricted assets, Cash and investments with fiscal agents". With the reclassification, the Agency has been able to invest these amounts in greater interest bearing product. As a result, the Agency's interest was up \$845 thousand in 2007. In addition, property taxes have continued to grow and the Agency showed an increase of \$7.4 million.

A 30.0 percent decrease in "Current and other liabilities" is due to the payoff of two Tax Allocation Bonds during 2007. This resulted in a \$2.2 million decrease in "Noncurrent liabilities, Due within one year. No new debt was issued during the year. Additional debt information can be found in Note 5 in the notes to the basic financial statements. Another contributing factor to this decrease was the "Deferred revenue" decreased by \$1.3 million. In 2006, the balance included \$1.4 million in amounts due for completed projects. This amount was received in 2007.

The "Net assets" increased mostly due to increases in revenues and is discussed in the following section.

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

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

**Statement of Activities**

The statement of activities shows how the government's net assets changed during fiscal year 2007. The Agency's net assets increased by \$20.7 million during the current fiscal year as summarized below:

Statement of Activities\*

	Governmental Activities			
	For the year ended		Increase/ (Decrease)	Percent
	June 30, 2007	June 30, 2006	From 2006	Increase/ (Decrease)
Revenues:				
General revenues:				
Taxes: Tax increment	\$33,368,637	\$ 26,012,182	\$ 7,356,455	28.3 %
Investment earnings	2,611,722	1,766,241	845,481	47.9 %
Other	1,434,709	245,640	1,189,069	484.1 %
Total Revenues	<u>37,415,068</u>	<u>28,024,063</u>	<u>9,391,005</u>	33.5 %
Expenses:				
General government	8,151,321	6,958,721	1,192,600	17.1 %
Community development	6,793,488	10,810,060	(4,016,572)	(37.2)%
Interest expense	1,767,905	1,884,306	(116,401)	(6.2)%
Total Expenses	<u>16,712,714</u>	<u>19,653,087</u>	<u>(2,940,373)</u>	(15.0)%
Change in net assets	20,702,354	8,370,976	12,331,378	147.3%
Net assets – Beginning of year, as restated**	<u>10,714,444</u>	<u>2,343,468</u>	<u>8,370,976</u>	357.2%
Net assets – End of year	<u>\$31,416,798</u>	<u>\$ 10,714,444</u>	<u>\$20,702,354</u>	193.2 %

\* A more detailed statement is shown on page 13 of this report.

\*\* As restated, see note 10 on page 38 of this report.

**Governmental activities** increased the Agency's net assets by \$20.7 million, or 193.2 percent. General government is the largest expense function (48.8 percent), followed by Community development (40.6 percent) and interest expense (10.6 percent).

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

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

**Statement of Activities (Continued)**

Total expenses decreased overall by \$2.9 million or 15.0 percent. "General government" costs increased by \$1.2 million or 17.1 percent. The majority of this change was due to a continuing increase in "pass-through" costs of \$1.1 million over the prior year. These costs will continue to rise as the income from property taxes has also increased.

"Community development" expenses decreased by \$4.0 million (37.2 percent) mostly due to fewer capital project costs. In prior year, this expense showed an increase of \$2.6 (32.0 percent). Last year's increase was mostly the result of completing the Westminster Rose Center. The majority of the capital projects were provided funding through the Infrastructure Revitalization Project (IRP). These funds were used to provide repairs for residential street and right-of-ways, as well as the Westminster Boulevard Median project, and the Westminster Rose Center.

Total revenues increased by \$9.4 million or 33.5 percent. The majority of this change is due to an increase of \$7.4 million in property taxes provided from the Infrastructure Revitalization Project (initiated in fiscal year 2002).

"Investment earnings" increased by \$845 thousand (47.9 percent). With the completion of various projects in the prior year, the Agency was able to obtain bond proceeds and reclassify the amounts from "Restricted cash and investments" to "Cash and investments". This reclassification was approximately \$9.6 million. With these proceeds, the Agency was able to place these funds into greater interest bearing investments.

"Other" revenue increased by \$1.2 million. The majority of this increase is the payment of "Deferred revenue" of \$1.4 million. This was a reimbursement on a completed project.

**FINANCIAL ANALYSIS OF AGENCY FUNDS**

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Refer to pages 14-17 of this report for more detail of governmental funds.

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

**FINANCIAL ANALYSIS OF AGENCY FUNDS (CONTINUED)**

As of June 30, 2007, the Agency's governmental funds reported combined ending fund balances of \$61.6 million, an increase of \$15.6 million in comparison with the prior year. Of the \$61.6 million, \$24.2 million, or 39.2 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to pay debt service of \$20.6 million, (2) to noncurrent notes receivables of \$4.9 million, (3) to low and moderate income housing of \$10.0 million, (4) to pay Advances to the City of Westminster of \$1.2 million, or (5) for a variety of other restricted purposes of \$732 thousand.

The major factors in fund balance changes are as follows:

- The **Westminster Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund** recognized a \$6.3 million increase due to revenues greater than expenditures of \$7.0 million. This fund is allocated 20% of tax increment, and pays administrative charges on that revenue. The tax increment increase contributed to an overall increase of revenues in this program by \$1.5 million or 24.6 percent. Total expenditures increased by \$77.6 thousand or 21.1 percent. This fund is further detailed on page 39 of this report.
- The **Debt Service Fund** recognized a \$6.0 million increase due to revenues greater than expenditures of \$13.4 million. The IRP property taxes contributed to an overall revenue increase of \$6.1 million. Overall expenditures increased \$1.4 million. A transfer out of \$8.0 million was made to the Redevelopment Projects Fund to cover administrative charges.
- The **Capital Projects Funds** recognized an increase in fund balance of \$3.3 million. This is due to the funding of various projects during the year, which have not yet been completed, and a decrease in "capital outlay" by \$5.0 million or 72.5 percent.

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets:**

Agency investment in capital assets as of June 30, 2007 amounted to \$4.1 million (net of accumulated depreciation). Investment in capital assets includes land, buildings and improvements, and equipment. The total decrease in capital assets for fiscal year 2007 was \$41 thousand or 1.0 percent.

Additional information on the Agency's capital assets can be found on Note 4 in the notes to the basic financial statements. Capital assets (net of accumulated depreciation) at June 30, 2007 and June 30, 2006 are summarized below:

Capital Assets (net of accumulated depreciation)

	June 30, 2007	June 30, 2006
Land	\$ 2,382,276	\$ 2,382,276
Buildings	1,256,148	1,303,758
Improvements other than buildings	389,203	410,959
Machinery and equipment	760	895
Office furniture and equipment	38,450	9,765
Total capital assets, net	\$ 4,066,837	\$ 4,107,653

There were no major capital asset events during fiscal year 2007.

**Long-term debt:**

At the end of fiscal year 2007, the Agency had total debt outstanding of \$33.6 million, which is a decrease of \$5.2 million or 13.4 percent from the prior year. Additional information can be found on Note 5 in the notes to the basic financial statements. Long-term debt at June 30, 2007 and June 30, 2006 is summarized below:

Outstanding Debt

	June 30, 2007	June 30, 2006
Tax allocation bonds/notes payable	\$ 55,000	\$ 3,195,000
Revenue refunding bonds	32,840,000	33,730,000
Advances from the City of Westminster	423,208	1,586,136
Note payable	300,000	300,000
Total outstanding debt	\$ 33,618,208	\$ 38,811,136

See accompanying independent auditor's report.

WESTMINSTER REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2007

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

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

The Agency's change in debt consisted the following:

- Ongoing debt service payments reduced total debt by \$5.3 million.
- Interest of \$87 thousand was added to the advance from the City of Westminster.

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

In the past few years the City of Westminster has experienced increased real estate values and the City and Agency continues to enjoy a maturing Infrastructure Revitalization Project (IRP) that has resulted in increased tax increment. For the fiscal year 2007-08 the City/Agency is projecting a 32% increase in property tax increment revenue over the prior years budget estimate due to the IRP. The Redevelopment Agency will continue to meet all funding and financial obligations.

Allocation of Redevelopment Agency Low/Moderate Income Housing Fund monies is recommended to continue housing rehabilitation efforts in addition to providing assistance for construction of additional rental housing in compliance with State Redevelopment Law. As with prior years, the IRP portion of the Redevelopment Agency will provide funds for residential street and right-of-way repairs and non-street projects such as City-wide striping and bus pad improvements, City-wide concrete and graffiti cleaning and the Rose Center Capital Replacement project.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Agency finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, City of Westminster, 8200 Westminster Boulevard, City of Westminster, California 92683, or call (714) 898-3311.

See accompanying independent auditor's report.



## **BASIC FINANCIAL STATEMENTS**

## WESTMINSTER REDEVELOPMENT AGENCY

## STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments (Note 2)	\$ 42,351,764
Receivables:	
Taxes, including interest, penalties and liens	1,920,153
Loans	3,220,740
Notes	1,698,333
Accounts	9,329
Interest	792,860
Prepaid items	8,393
Advances to the City of Westminster	1,212,852
Land held for resale (Note 3)	723,950
Restricted assets:	
Restricted cash and investments (Note 2)	14,711,806
Restricted cash and investments with fiscal agents (Note 2)	3,338,275
Capital assets, not depreciated (Note 4)	2,382,276
Capital assets, being depreciated, net (Note 4)	<u>1,684,561</u>
 TOTAL ASSETS	 <u>74,055,292</u>
LIABILITIES:	
Accounts payable and accrued liabilities	1,002,397
Deferred revenue	485,231
Due to City of Westminster	1,164,658
Due to other governments	6,368,000
Noncurrent liabilities:	
Due within one year (Note 5)	1,390,000
Due in more than one year (Note 5)	<u>32,228,208</u>
 TOTAL LIABILITIES	 <u>42,638,494</u>
NET ASSETS:	
Restricted for community development	<u>31,416,798</u>
 TOTAL NET ASSETS	 <u>\$ 31,416,798</u>

See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>PRIMARY GOVERNMENT:</b>					
Governmental activities:					
General government	\$ 8,151,321	\$ -	\$ -	\$ -	\$ (8,151,321)
Community development	6,793,488	-	-	-	(6,793,488)
Interest expense	1,767,905	-	-	-	(1,767,905)
<b>Total governmental activities</b>	<b>\$ 16,712,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(16,712,714)</b>
<b>GENERAL REVENUES:</b>					
Taxes:					
Tax increment					33,368,637
Investment earnings					2,611,722
Other					1,434,709
<b>Total general revenues</b>					<b>37,415,068</b>
<b>CHANGE IN NET ASSETS</b>					<b>20,702,354</b>
<b>NET ASSETS - BEGINNING OF YEAR, AS RESTATED (NOTE 10)</b>					<b>10,714,444</b>
<b>NET ASSETS - END OF YEAR</b>					<b>\$ 31,416,798</b>

See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

ASSETS	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Cash and investments	\$ -	\$ 20,519,511	\$ 21,832,253	\$ 42,351,764
Receivables:				
Taxes, including interest, penalties and liens	287,594	1,632,559	-	1,920,153
Loans	3,220,740	-	-	3,220,740
Notes	1,698,333	-	-	1,698,333
Accounts	-	-	9,329	9,329
Interest	-	65,837	727,023	792,860
Prepaid items	-	-	8,393	8,393
Advances to the City of Westminster	-	1,212,852	-	1,212,852
Land held for resale	-	-	723,950	723,950
Restricted cash and investments	11,102,816	500,000	3,108,990	14,711,806
Restricted cash and investments with fiscal agents	-	3,338,275	-	3,338,275
<b>TOTAL ASSETS</b>	<b>\$ 16,309,483</b>	<b>\$ 27,269,034</b>	<b>\$ 26,409,938</b>	<b>\$ 69,988,455</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 13,593	\$ 15,560	\$ 333,249	\$ 362,402
Deferred revenue	3,047	482,184	-	485,231
Due to City of Westminster	-	-	1,164,658	1,164,658
Due to other governments	-	6,368,000	-	6,368,000
<b>TOTAL LIABILITIES</b>	<b>16,640</b>	<b>6,865,744</b>	<b>1,497,907</b>	<b>8,380,291</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Noncurrent notes and loans receivable	4,916,027	-	-	4,916,027
Prepaid items	-	-	8,393	8,393
Advances to the City of Westminster	-	1,212,852	-	1,212,852
Land held for resale	-	-	723,950	723,950
Low and moderate income housing	9,956,816	-	-	9,956,816
Debt service	1,420,000	19,190,438	-	20,610,438
Unreserved:				
Reported in capital projects fund	-	-	24,179,688	24,179,688
<b>TOTAL FUND BALANCES</b>	<b>16,292,843</b>	<b>20,403,290</b>	<b>24,912,031</b>	<b>61,608,164</b>
<b>TOTAL LIABILITIES AND     AND FUND BALANCES</b>	<b>\$ 16,309,483</b>	<b>\$ 27,269,034</b>	<b>\$ 26,409,938</b>	<b>\$ 69,988,455</b>

See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

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

June 30, 2007

Fund balances for governmental funds \$ 61,608,164

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Cost	\$ 4,818,974	
Less: Accumulated depreciation	<u>(752,137)</u>	
		4,066,837

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Note issuance costs are not financial resources and, therefore, are not reported in the governmental funds. All liabilities, both current and long-term, and note issuance costs are reported in the Statement of Net Assets:

Tax allocation bonds payable	(32,895,000)	
Advances from the City of Westminster	(423,208)	
Notes payable	<u>(300,000)</u>	
		(33,618,208)

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds		<u>(639,995)</u>
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Net assets of governmental activities		<u><u>\$ 31,416,798</u></u>
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See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

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

For the year ended June 30, 2007

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>				
Tax increment revenue	\$ 6,710,263	\$ 26,658,374	\$ -	\$ 33,368,637
Investment and rental	680,702	462,125	1,468,895	2,611,722
Intergovernmental	-	-	1,417,971	1,417,971
Other	4,060	-	12,678	16,738
<b>TOTAL REVENUES</b>	<b>7,395,025</b>	<b>27,120,499</b>	<b>2,899,544</b>	<b>37,415,068</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	7,500,606	650,715	8,151,321
Community development	441,899	-	4,335,483	4,777,382
Capital outlay	2,922	-	1,910,651	1,913,573
Debt service:				
Principal retirement	-	4,030,000	-	4,030,000
Interest and fiscal charges	-	1,805,040	-	1,805,040
Principal payment on advances from City	-	400,000	850,000	1,250,000
<b>TOTAL EXPENDITURES</b>	<b>444,821</b>	<b>13,735,646</b>	<b>7,746,849</b>	<b>21,927,316</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,950,204</b>	<b>13,384,853</b>	<b>(4,847,305)</b>	<b>15,487,752</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,207,632	509,542	9,343,004	11,060,178
Transfers out	(1,852,546)	(8,000,000)	(1,207,632)	(11,060,178)
Advances from the City of Westminster	-	87,072	-	87,072
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(644,914)</b>	<b>(7,403,386)</b>	<b>8,135,372</b>	<b>87,072</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,305,290</b>	<b>5,981,467</b>	<b>3,288,067</b>	<b>15,574,824</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<b>9,987,553</b>	<b>14,421,823</b>	<b>21,623,964</b>	<b>46,033,340</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 16,292,843</b>	<b>\$ 20,403,290</b>	<b>\$ 24,912,031</b>	<b>\$ 61,608,164</b>

See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

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

For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ 15,574,824

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as a depreciation expense. Transfer of capital assets to other governmental agencies are not reported as expenditures in the governmental funds. This is the amount by which depreciation, disposition of capital assets and transfer of capital assets exceeded capital outlays in the current period:

Net change in capital assets	\$ 31,368	
Depreciation expense	<u>(72,184)</u>	(40,816)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt:

Principal payments on tax allocation bonds	4,030,000	
Principal payments on advances from City of Westminster	1,250,000	
Proceeds from advances from City of Westminster	<u>(87,072)</u>	5,192,928

Some expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest	37,135	
Amortization of issuance costs	<u>(61,717)</u>	(24,582)

Change in net assets of governmental activities \$ 20,702,354

See accompanying independent auditors' report and notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**History and Organization:**

The Westminster Redevelopment Agency (the Agency) was established during September 1982 pursuant to the State of California Health and Safety Code Section 33000, entitled "Community Redevelopment Law". The Agency acts as a legal entity, and the City Council of the City of Westminster (the City) functions as the Agency's governing board. The Agency has no employees, and all Agency duties are performed by employees of the City. The City is reimbursed for the cost of these services. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreation and public facilities.

The Agency consists of the Westminster Commercial Redevelopment Project No. 1 initially formed on July 19, 1983. On July 12, 2000, the Agency adopted the Westminster Infrastructure Revitalization Plan that amended the existing project area to add the territory in the balance of the City.

The Agency is a component unit of the City of Westminster. City Council members serve as the Executive Board of the Agency, and thus, the funds of the Agency have been included within the scope of the Comprehensive Annual Financial Report of the City of Westminster.

The Agency office and records are located at City Hall, 8200 Westminster Boulevard, Westminster, California.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting for the government-wide financial statements is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these 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. The Westminster Redevelopment Agency has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Agency's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. The Agency has no nonmajor funds.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

**Fund Financial Statements (Continued):**

The funds of the Agency, all of which are major funds, are described below:

Governmental Fund Types

The Special Revenue Fund accounts for the monies set aside for low and moderate income housing projects.

The Debt Service Fund accounts for the payment of interest and principal on long-term debt, and the accumulation of resources to finance debt service costs.

The Capital Projects Fund accounts for the financial resources used in developing the project area, as well as the administrative expenditures incurred in sustaining Agency activities.

**Measurement Focus:**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

See accompanying independent auditors’ report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

**Measurement Focus (Continued):**

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

**Basis of Accounting:**

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

**Basis of Accounting (Continued):**

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

**Encumbrances:**

Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. As of June 30, 2007 all encumbrances at year-end were closed. Unexpended appropriations are reencumbered in the following year after reconsideration, without additional budget appropriations.

**Cash and Investments:**

The Agency's cash and investments are pooled for investment purposes. Investments are stated at fair value (quoted market price or the best available estimate thereof).

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Land Held for Resale:**

Land held for resale is carried in the capital projects fund at the lower of acquisition cost or estimated net realizable value. The land values are re-appraised on a periodic basis and any adjustments on the properties are shown in the capital projects fund statement of revenues, expenditures and changes in fund balance.

**Capital Assets and Depreciation:**

Capital assets, which consist of land, buildings, improvements other than buildings, machinery and equipment, and office furniture, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial cost of more than \$500 and an estimated life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Agency has no infrastructure assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets.

The lives used for depreciation purposes of each capital asset class are:

Buildings	30 to 50 years
Improvements other than buildings	20 years
Machinery and equipment	5 to 30 years
Office furniture and equipment	5 to 20 years

**Deferred Revenue:**

Deferred revenue consists primarily of offsets to loans receivable, which are not currently available for expenditure.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Self-Insurance Program:**

The Agency participates in the self-insurance program of the City of Westminster. Information relating to the self-insurance program can be found in the notes to the basic financial statements of the City of Westminster.

**Property Taxes and Tax Increment Financing:**

The Agency's primary source of revenue comes from property taxes, referred to in the accompanying financial statements as "tax increment revenue". The assessed valuation of all property within each project area was determined on the date of adoption of the Project Area. Except for certain amounts provided by specific agreement (see Note 8), property taxes related to the incremental increase in assessed values after the adoption of the Project Area have been allocated to the Agency, while all property taxes on the "frozen" assessed valuation as of the adoption date have been allocated to the City and other districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 11. The County bills and collects the property taxes and allocates installments to various jurisdictions throughout the year.

The County is permitted by California State constitution, as amended, to levy taxes at 1% of full market value (assessed value). The growth in the full market value is limited to 2% annually and the value of new construction and improvements. The Agency receives a share of this basic levy resulting from incremental growth of the assessed value over a base value established when the Agency project area was formed or amended.

**Fund Balances:**

Fund balance reserves represent those portions of fund balances not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Use of Estimates:**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions and affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

The Agency's cash and investments are pooled and allocated to individual funds except for amounts with fiscal agents, which are recorded in the Debt Service Fund.

The Agency also has monies held by trustees or fiscal agents pledged to the payment or security of certain long-term debt issuances. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the Agency's general investment policy.

The Agency's cash and investments are presented on the accompanying statement of net assets as follows:

Cash and investments	\$ 42,351,764
Restricted cash and investments	14,711,806
Restricted cash and investments with fiscal agents	<u>3,338,275</u>
	<u>\$ 60,401,845</u>

At June 30, 2007, cash and investments consisted of deposits and investments, as follows:

Deposits	\$ 51,418
Investments	<u>60,350,427</u>
	<u>\$ 60,401,845</u>

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the Agency's Investment Policy:**

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations U.S. Government Sponsored Enterprise Securities Entities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	15%	\$ 2,000,000
Time Certificate of Deposits	5 years	No Limit	5%
Negotiable Certificates of Deposit	5 years	15%	15%
Repurchase Agreements	1 year	Unlimited	Unlimited
Local Agency Investment Fund (LAIF)	N/A	No Limit	\$ 40,000,000

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

N/A - Not Applicable

**Investments Authorized by Debt Agreements:**

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There were no limitations on the maximum amount can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 36 Months	37 - 60 Months	
Local Agency Investment Fund	\$ 32,060,580	\$ -	\$ -	\$ 32,060,580
U.S. Treasury Obligations	797,500	4,975,938	-	5,773,438
Federal Home Loan Mortgage Corporation	2,222,490	1,997,500	1,970,313	6,190,303
Federal Home Loan Bank	995,000	4,733,735	-	5,728,735
Federal National Mortgage Association	3,232,300	1,956,563	2,034,688	7,223,551
Money Market Mutual Funds	3,373,820	-	-	3,373,820
	<u>\$ 42,681,690</u>	<u>\$ 13,663,736</u>	<u>\$ 4,005,001</u>	<u>\$ 60,350,427</u>

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating by Standards and Poor, as of year end for each investment type:

Investment Type	Total as of June 30, 2007	AAA	Not Required to be Rated	Not Rated
Local Agency Investment Fund	\$ 32,060,580	\$ -	\$ -	\$ 32,060,580
U.S. Treasury Obligations	5,773,438	-	5,773,438	-
Federal Home Loan Mortgage Corporation	6,190,303	6,190,303	-	-
Federal Home Loan Bank	5,728,735	5,728,735	-	-
Federal National Mortgage Association	7,223,551	7,223,551	-	-
Money Market Mutual Funds	3,373,820	3,373,820	-	-
	\$ 60,350,427	\$22,516,409	\$ 5,773,438	\$ 32,060,580

**Concentration of Credit Risk:**

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Agency's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 6,190,303
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	5,728,735
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	7,223,551

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2007, the Agency deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

**Investment in State Investment Pool:**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Agency and held for resale. The property is carried in the Agency's Capital Projects Fund at the lower of cost or estimated net realizable value. The estimated net realizable value at June 30, 2007 is \$723,950 with this amount offset by a reservation of fund balance. Certain properties held by the Agency have been leased to private parties with future options to purchase the land.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

4. CAPITAL ASSETS:

A summary of capital assets for the year ended June 30, 2007 is as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 2,382,276	\$ -	\$ -	\$ 2,382,276
Capital assets, being depreciated:				
Buildings	1,952,333	-	-	1,952,333
Improvements other than buildings	434,691	-	-	434,691
Machinery and equipment	2,469	-	-	2,469
Office furniture and equipment	15,837	31,368	-	47,205
Total capital assets, being depreciated	<u>2,405,330</u>	<u>31,368</u>	<u>-</u>	<u>2,436,698</u>
Less accumulated depreciation for:				
Buildings	(648,575)	(47,610)	-	(696,185)
Improvements other than buildings	(23,732)	(21,756)	-	(45,488)
Machinery and equipment	(1,574)	(135)	-	(1,709)
Office furniture and equipment	(6,072)	(2,683)	-	(8,755)
Total accumulated depreciation	<u>(679,953)</u>	<u>(72,184)</u>	<u>-</u>	<u>(752,137)</u>
Total capital assets, being depreciated	<u>1,725,377</u>	<u>(40,816)</u>	<u>-</u>	<u>1,684,561</u>
Net Capital Assets	<u>\$ 4,107,653</u>	<u>\$ (40,816)</u>	<u>\$ -</u>	<u>\$ 4,066,837</u>

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

5. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2007</u>	<u>Due within</u> <u>One Year</u>
1991 Subordinate Taxable Tax Allocation Bonds, Series B	\$ 105,000	\$ -	\$ 50,000	\$ 55,000	\$ 55,000
1997 Tax Allocation Revenue Refunding Bonds	33,730,000	-	890,000	32,840,000	935,000
2004 Subordinate Tax Allocation Notes, Series A	2,035,000	-	2,035,000	-	-
2004 Subordinate Tax Allocation Notes, Series B	1,055,000	-	1,055,000	-	-
Note payable	300,000	-	-	300,000	-
Advances from the City of Westminster	<u>1,586,136</u>	<u>87,072</u>	<u>1,250,000</u>	<u>423,208</u>	<u>400,000</u>
Totals	<u>\$ 38,811,136</u>	<u>\$ 87,072</u>	<u>\$ 5,280,000</u>	<u>\$ 33,618,208</u>	<u>\$ 1,390,000</u>

**Tax Allocation Bonds Payable:**

1991 Subordinate Taxable Tax Allocation Bonds, Series B

\$450,000 Westminster Commercial Redevelopment Project No. 1, 1991 Subordinate Taxable Tax Allocation Bonds, Series B, dated October 1, 1991 payable in the amounts of \$225,000 on December 1, 2002 and \$225,000 on December 1, 2007. The bonds are subject to mandatory redemption at a price equal to the principal and accrued interest, without premium. Interest is paid semiannually at rates of 10.25% and 10.50% per annum.

\$ 55,000

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

5. LONG-TERM LIABILITIES (CONTINUED):

**Tax Allocation Bonds Payable (Continued):**

1997 Tax Allocation Revenue Refunding Bonds

\$40,250,000 Westminster Commercial Redevelopment Project No. 1, 1997 Tax Allocation Revenue Refunding Bonds dated December 1, 1997. The bonds are payable in annual installments ranging from \$640,000 to \$2,415,000 until maturity on August 1, 2027. Interest is payable monthly at a variable rate not to exceed 12%. The 1997 bonds were issued for the purpose of advance refunding the \$28,475,000 Westminster Commercial Redevelopment Project No. 1, 1991 Tax Allocation Bonds Series A (1991 bonds), and the \$10,000,000 Westminster Commercial Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds (1993 bonds).

Proceeds from the 1997 bonds were invested in an escrow fund with a trustee, which together with earnings will pay interest and principal on the 1991 and 1993 bonds until fully retired. The 1991 and 1993 bonds are legally defeased and are no longer a liability of the Agency. The principal balance on the 1991 defeased bonds was fully paid as of June 30, 2007. The principal balance on the 1993 defeased bonds at June 30, 2007 to be paid by the trustee from the escrow fund was \$7,645,000.

The 1997 bonds were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the Redevelopment Agency pays a "fixed" interest rate of 4.62% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the bondholders based on the variable rate calculation. Under the swap agreement, the Redevelopment Agency owes interest calculated at a fixed rate of 4.62% to the counterparty (AFS-LP). In return, the counterparty owes the Agency interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

5. LONG-TERM LIABILITIES (CONTINUED):

**Tax Allocation Bonds Payable (Continued):**

1997 Tax Allocation Revenue Refunding Bonds (Continued)

The Agency continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Agency effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The Agency will be exposed to variable rates if the swap agreement is terminated by the Agency. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the Agency's making or receiving a termination payment.

\$ 32,840,000

2004 Subordinate Tax Allocation Notes - Series A

\$5,900,000 Westminster Commercial Redevelopment Project No. 2, 2004 Subordinate Tax Allocation Notes, Series A, dated May 1, 2004. The notes are payable in annual installments ranging from \$1,900,000 to \$2,035,000 until maturity on May 1, 2007. The notes are subject to optional call and redemption prior to maturity on any date after November 1, 2004 at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption together with a redemption premium equal to a date based assigned percentage of the principal. Interest is paid semiannually at a rate of 3.50% per annum. The bond was paid in full on May 1, 2007.

-

2004 Subordinate Tax Allocation Notes - Series B

\$3,100,000 Westminster Commercial Redevelopment Project No. 1, 2004 Subordinate Tax Allocation Notes, Series B, dated September 1, 2004. The notes are payable in annual installments ranging from \$1,020,000 to \$1,055,000 until maturity on May 1, 2007. The notes are subject to optional call and redemption prior to maturity on any date after November 1, 2004 at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption together with a redemption premium equal to a date based assigned percentage of the principal. Interest is paid semiannually at a rate of 3.70% per annum. The bond was paid in full on May 1, 2007.

-

Total Tax Allocation Bonds

\$ 32,895,000

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

5. LONG-TERM LIABILITIES (CONTINUED):

**Tax Allocation Bonds Payable (Continued):**

The future debt service requirements on the Tax Allocation Bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 990,000	\$ 1,556,661	\$ 2,546,661
2009	980,000	1,506,048	2,486,048
2010	1,025,000	1,456,130	2,481,130
2011	1,075,000	1,403,778	2,478,778
2012	1,130,000	1,348,747	2,478,747
2013-2017	6,520,000	5,821,111	12,341,111
2018-2022	8,270,000	3,986,095	12,256,095
2023-2027	10,490,000	1,657,992	12,147,992
2028-2032	<u>2,415,000</u>	<u>-</u>	<u>2,415,000</u>
	<u>\$ 32,895,000</u>	<u>\$ 18,736,562</u>	<u>\$ 51,631,562</u>

**Note Payable:**

California Housing Finance Agency Note Payable

\$300,000 note dated February 6, 2002, and executed on January 28, 2004. The principal is due January 28, 2014 with interest payable at a rate of 3%.

\$ 300,000

**Advances from the City of Westminster:**

The Agency has an advance from the City of Westminster in the amount of \$736,136. Annual payments of \$400,000 are due on the advance of \$736,136. A second advance of \$850,000 was repaid during the year.

\$ 423,208

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

6. INTEREST RATE SWAP AGREEMENT:

**Objective of the Interest Rate Swap:**

As a means to lower borrowing costs when compared to fixed rate bonds at the time of issuance on December 17, 1997, the Agency entered into an interest rate swap in connection with its \$40,250,000 in 1997 Tax Allocation Revenue Refunding Bonds variable rate demand Bonds. The intention of the swap was to artificially fix the Agency's variable interest rate on the bonds to a synthetic fixed rate of 4.87%.

**Terms:**

Under the terms of the swap, the Agency pays the swap provider, AMBAC Financial Services LLP, a fixed payment of the remaining notional amount times the fixed rate. AMBAC Financial Services LLP, a related Company to the Insurer of the Bonds, AMBAC Assurance Corporation pays interest on the 1997 Tax Allocation Bonds to the bond trustee. The swap was entered into the same time the 1997 Tax Allocation Bonds were issued. The current notional value of the swap is \$32,840,000 and this notational value will decline annually until 2027 when the bonds are repaid.

**Fair Value:**

As of June 30, 2007, the swap has a negative fair value of \$1,869,458. The negative fair value of the swap is practically offset by the reductions in total interest payments required under the variable rate bonds. Because the coupons on the variable rate bonds adjust weekly, the bonds do not have a corresponding fair value increase. The fair value was provided by the swap provider, AMBAC Financial Services LLP.

**Credit Risk:**

As of June 30, 2007, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should the interest rate rise and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the swap's fair value. The swap provider, AMBAC Financial Services LLP, was rated Aaa by Moodys Investor Service and AAA by Standard and Poors Rating Service as of June 30, 2007. To mitigate credit risk, the swap provides that if the bond insurer, AMBAC Assurance Corporation, rating is withdrawn, suspended or falls below AA- by Standard and Poors or Aa3 by Moodys, or the short term rating falls below A-1 or VMIG -1 the swap provider, AMBAC Financial Services LLP, will notify the Agency within 5 days of a Collateral Agent and the fair value of the swap will be fully collateralized by AMBAC Financial Services LLP with securities issued or guaranteed by the Federal Government, the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

6. INTEREST RATE SWAP AGREEMENT (CONTINUED):

**Basis Risk:**

The swap exposes the Agency to basis risk. Under the swap agreement AMBAC Financial Service LLP has the right to determine each calculation period if certain adverse events such as a bond rating downgrade, event of taxability, or an issuer downgrade have increased the interest rate on the variable rate bonds. If so, AMBAC Financial Services LLP has the right to recalculate an Alternative Floating Rate and collect from the Agency the difference between the Bond Market Association Floating Rate Index or BMI Rate and the average rate on the variable rate bonds during the calculation period.

**Termination Risk:**

The swap agreement has standard termination events such as failure to pay and bankruptcy. In addition to optional termination by the Agency the swap agreement may also be terminated by the Agency if the bond insurance provider, AMBAC Assurance Corporations ratings are withdrawn, suspended or lowered below A- by Standard and Poors or A3 by Moodys. The Agency or swap provider may terminate the swap if the other party fails to perform under the terms of the Agreement. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the swap provider, AMBAC Financial Services LLP for payment equal to the swaps fair value. If the Agency prepays the variable rate bonds, the Agency may still be liable to make payments under the swap agreement.

7. TRANSFERS:

	Transfers Out			Totals
	Special Revenue	Debt Service	Capital Projects	
Transfers In:				
Special Revenue	\$ -	\$ -	\$ 1,207,632	\$ 1,207,632
Debt Service	509,542	-	-	509,542
Capital Projects	<u>1,343,004</u>	<u>8,000,000</u>	<u>-</u>	<u>9,343,004</u>
Totals	<u>\$ 1,852,546</u>	<u>\$ 8,000,000</u>	<u>\$ 1,207,632</u>	<u>\$ 11,060,178</u>

Transfers to fund capital improvements were made from Special Revenue and Debt Service Funds to the Capital Projects Funds. Transfers to pay for debt service were made from the Special Revenue Fund to the Debt Service Fund.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

8. PASS-THROUGH AGREEMENTS:

The Agency has entered into agreements with various governmental entities to "pass-through" portions of tax increments received to entities, which are located within the Agency's project areas. Tax incremental revenues passed through to other agencies during fiscal year 2007 totaled \$6,128,673 and pass-throughs due and payable totaled \$6,368,000 at year-end.

9. COMMITMENTS AND CONTINGENCIES:

**Claims and Judgments:**

At June 30, 2007, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with workers compensation and general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the Agency.

**Debt Contingencies:**

The Agency has a contingent liability with regard to the \$6.1 million Westminster Redevelopment Agency Multi-Family Housing Revenue Bonds issue dated December 16, 1993. The proceeds of the bonds were loaned by the Agency to Elderly Development Westminster (Developer) pursuant to a loan agreement between the Agency, Bank of America (Trustee) and the Developer. The agreement was entered into simultaneously with the bond issuance and requires payments sufficient to pay principal and interest consistent with the term bond maturity dates. The agreement specifies that the Agency will help repay the Bonds in the event the base rents due from the Developer, as well as reserve funds held by the Trustee, are insufficient to meet annual debt service obligations. If certain conditions are met, such assistance is further limited to 75% of debt service for the first 12 consecutive months, 75% of debt service for the next 12 consecutive months and 50% of annual debt service thereafter. The bondholders have no other recourse against Agency funds and in no event is the Agency liable for amounts in excess of annual debt service. At June 30, 2007, the aggregate principal amount of Bonds outstanding total \$5,000,000.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007

9. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Debt Contingencies (Continued):**

Not included in the accompanying financial statements are Variable Rate Demand Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisting Living Project) 2000 Series A and Subordinate Taxable Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisted Living Project) 2000 Series A-S (collectively, the "Bonds"), conduit debt obligations issued under the name of the Redevelopment Agency. The Bonds were issued to finance the construction of a 117-unit residential care facility for the elderly. The Bonds are not secured by or payable from revenues or assets of the City or the Redevelopment Agency. Neither the faith and credit nor the taxing power of the City of Westminster, the Westminster Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the City or the Agency in any manner obligated to make appropriations for payment on these bonds. At June 30, 2007, the aggregate principal amount of Bonds outstanding totaled \$10,530,000.

10. RESTATEMENT OF NET ASSETS/FUND BALANCE:

As of July 1, 2006, net assets of the governmental activities were restated from \$9,275,960 to \$10,714,444 to include loans and notes receivable which were not included in Receivables in the prior year.

As of July 1, 2006, the fund balance of the Special Revenue Fund was restated from \$8,549,069 to \$9,987,553 to include loans and notes receivable which were not included in Receivables in the prior year.

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

WESTMINSTER REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE

RDA LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment revenue	\$ 5,876,929	\$ 5,876,929	\$ 6,710,263	\$ 833,334
Investment and rental	220,000	220,000	680,702	460,702
Other	-	-	4,060	4,060
<b>TOTAL REVENUES</b>	<b>6,096,929</b>	<b>6,096,929</b>	<b>7,395,025</b>	<b>1,298,096</b>
EXPENDITURES:				
Current:				
Community development	418,588	491,328	441,899	49,429
Capital outlay	-	5,000	2,922	2,078
<b>TOTAL EXPENDITURES</b>	<b>418,588</b>	<b>496,328</b>	<b>444,821</b>	<b>51,507</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,678,341</b>	<b>5,600,601</b>	<b>6,950,204</b>	<b>1,349,603</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,207,632	1,207,632
Transfers out	(1,742,637)	(1,742,637)	(1,852,546)	(109,909)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,742,637)</b>	<b>(1,742,637)</b>	<b>(644,914)</b>	<b>1,097,723</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,935,704</b>	<b>3,857,964</b>	<b>6,305,290</b>	<b>2,447,326</b>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	9,987,553	9,987,553	9,987,553	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 13,923,257</b>	<b>\$ 13,845,517</b>	<b>\$ 16,292,843</b>	<b>\$ 2,447,326</b>

See accompanying independent auditors' report and note to required supplementary information.

WESTMINSTER REDEVELOPMENT AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

1. BUDGETARY PRACTICES:

In conjunction with the City's budgeting process, the Agency adopts annual operating budgets for the Special Revenue and Debt Service Funds that are on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control, that is, the level at which expenditures cannot exceed appropriations, is the fund level for these funds. The City Manager may transfer appropriations between departments within the same fund. All increases at the overall fund level must be approved by the Agency's Board.

All unencumbered budget appropriations in the Special Revenue and Debt Service Funds automatically lapse at the end of the fiscal year.

Capital projects are budgeted on a project-by-project basis in the Capital Projects Fund. Total Capital Projects expenditures may not exceed appropriations unless approved by the Agency's Board. Remaining appropriated amounts are carried forward in the Capital Projects Fund to each new fiscal year until such time as the projects are completed or terminated.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY  
 COMPUTATION OF LOW/MODERATE INCOME  
 HOUSING FUNDS - EXCESS SURPLUS

July 1, 2006

		All Project Areas
OPENING FUND BALANCE - JULY 1, 2006 AS RESTATED	\$	9,987,553
LESS UNAVAILABLE AMOUNTS:		
Notes receivable		(3,810,527)
AVAILABLE LOW/MODERATE INCOME HOUSING FUNDS		6,177,026
LIMITATION (GREATER OF \$1,000,000 OR FOUR YEARS SET-ASIDE):		
Set-aside for last four years:		
2005 - 2006	\$	5,487,553
2004 - 2005		4,544,248
2003 - 2004		3,595,512
2002 - 2003		2,836,661
TOTAL SET-ASIDE FOR LAST FOUR YEARS	\$	16,463,974
Base limitation	\$	1,000,000
GREATER AMOUNT		16,463,974
COMPUTED EXCESS SURPLUS - JULY 1, 2006	\$	-

See accompanying independent auditors' report.



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October 15, 2007

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Westminster Redevelopment Agency  
Westminster, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westminster Redevelopment Agency (the Agency) as of and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 15, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

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### Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies over material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatements, 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. Such provisions included those provisions of laws and regulations identified in the Guidelines For Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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.

This report is intended solely for the information and use of the Westminster Redevelopment Agency Directors and management of the Westminster Redevelopment Agency and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specific parties.

Diehl, Evans and Company, LLP