

City of Westminster, California

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2007***

THE WESTMINSTER ROSE CENTER

The Westminster Rose Center is a 16,000 square foot facility with a 411 fixed-seat state-of-the-art performance space designed with backstage amenities, eight handicapped accessible spaces in the theater, a lobby art gallery, snack bar, public access television studio, and full backstage amenities.

Because of the configuration and versatility of the theater, one typical weekday could host a seminar in the morning, an afternoon city training session, and a full musical comedy production in the evening. On Saturday mornings the stage will be available for wedding rental with the capability of holding a full production in the evenings.

The Center has stadium-style seating arranged in semi-circular staggered rows with wide aisles and upholstered seats for audience comfort and excellent sight-lines. Air exchange and radiant heating will make the house comfortable for audiences.

The stage is a 2,552 sq. ft. thrust platform with a series of curtains ideal for every type of production. It can open out to the full width and depth for large ceremonies, dances or orchestral and musical theater programs. Additionally, the stage can be curtained down to provide smaller performance areas. This versatility makes it ideal for multiple uses.

The Stage floor is wood construction set on "sleepers" to offer resilience and maximum comfort to dancers. The front of the stage has a small apron backed by the main curtain that can be used for town halls, panels, conference speaker or soloists. Ceilings are high enough to use drops or "flies" for scenery. Sets will be built offsite and moved in three to four days before opening a major production. There is a double roll-up rear door to the back alley that allows vehicles to drive in for unloading sets, costumes, etc. The stage is handicapped accessible.

CITY OF WESTMINSTER, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2007

Prepared by:

Department of Finance

Paul Espinoza
Finance Director/City Treasurer

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CITY OF WESTMINSTER

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INTRODUCTORY SECTION



City of Westminster

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(714) 898-3311

MARGIE L. RICE
MAYOR

KERMIT D. MARSH
MAYOR PRO TEM

FRANK G. FRY
COUNCIL MEMBER

ANDY QUACH
COUNCIL MEMBER

TRI TA
COUNCIL MEMBER

RAMON SILVER
CITY MANAGER

November 1, 2007

To the Honorable Mayor, Members of the City Council and Citizens of the City of Westminster:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Westminster for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City of Westminster. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Westminster has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Westminster's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Westminster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Westminster's financial statements have been audited by Diehl Evans & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Westminster for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Westminster's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Westminster's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Westminster

The City of Westminster, incorporated in 1957, is located in the northeast corner of Orange County. The City of Westminster currently occupies a land area of 10.6 square miles and serves a population of 92,870.

The City of Westminster operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of the Mayor and four Council Members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, hiring the City Manager and appointing the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and for appointing the heads of the City departments. The City Council is elected, at large, on a non-partisan basis. The Mayor is elected, at large, to serve a two-year term. Council Members serve four-year staggered terms, with two Council Members elected every two years.

The City of Westminster provides a full range of services, including police, fire protection (as a contract member of the Orange County Fire Authority), water utility, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City of Westminster also is financially accountable for the legally separate Westminster Redevelopment Agency and the Westminster Financing Authority. The City has accounted for the Agency and Authority as "blended" component units and therefore they have been included as an integral part of the City of Westminster's financial statements.

The annual budget serves as the foundation for the City of Westminster's financial planning and control. All departments of the City of Westminster are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Westminster's fiscal year.

The appropriated budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Manager's approval. Transfers between funds, however, require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 85 as part of the required supplementary information portion of the basic financial statements for the governmental funds. For other funds with appropriated annual budgets, this comparison is presented beginning on page 86 of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Westminster operates.

Local Economy. The City of Westminster continues to enjoy a healthy financial climate as a result of several key factors. Due to its location, between the beaches and entertainment venues of Orange County, Westminster offers some of the most dynamic and unique retail development opportunities in Southern California. The City is well served by I-405 and SR-22 and is highly accessible by other major freeways. Since motorists are able to quickly access the I-5, I-605, SR-57 and SR-55, the City has been able to tap into the different consumer bases of nearly all of Orange County and nearby Los Angeles County. As growth in retail demand is a function of trade area population and income growth, it is important to not only retain internal sales, but increase the amount of retail sales that is captured from outside communities. With 3.0 percent of the Orange County population and 3.8 percent of the estimated retail sales, Westminster is actually capturing more than its proportionate share of countywide sales. Westminster is a net importer of sales in the automobile, general merchandise, building materials & hardware and apparel sectors. With nearly 3.1 million Southern California residents living within a 20 minute drive time of the City's center and over 75% of those trade area residents falling into middle to high income households, the City is in a great position to continue increasing its amount of retail sales.

The City also enjoys its position as the internationally recognized social, cultural, and retail hub of the Vietnamese American community. With the continued development of Little Saigon into a destination retail attraction, the City expects to increase its amount of captured retail sales. This national and international marketplace serves as an important economic engine and is bolstered by the fact that it is an authentic cultural retail center, which is unique in Orange County. This coupled with the real estate demands in the area provides retailers with the opportunity to reach a broad demographic base that is actively looking for variety in shopping and entertainment choices, from large, well-established brands to emerging and edgier boutiques.

While Westminster is already a successful home to many national retailers including Lexus, Toyota, Honda, Wal-Mart, Lowe's, Home Depot, Best Buy, Target, and the Westminster Mall (with more than 1.2 million square feet of leaseable area), there is still room for growth. With an average market demand for 55,000 square feet of new retail each year and a demand for more than 70,000 square feet of restaurants alone over the next five years, it is easy to see why the local economy is as strong as it is. Since the level of demand is distributed across all retail sectors, Westminster enjoys a full array of strategic options in terms of additional economic development.

These three key elements, an accessible central location, a unique Vietnamese-American market niche, and the demonstrated ability to attract both large national chains, while supporting smaller emerging businesses, are all instrumental to Westminster continued economic success.

Long Term Financial Planning and Policies. The City's continued control over expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position and healthy fund balance reserves. The Mayor and City Council has wisely taken advantage of the past years financial prosperity to secure the future stability of the City. On an ongoing basis, funds are being set aside as reserves for building maintenance, capital replacement, vehicle replacement, and the replacement of the City's water systems infrastructure.

Decisions on utilizing municipal financing techniques are based on specific projects and financial considerations, including:

- Long-term financing is limited to funding of capital improvement projects and equipment or other long-term obligations. The use of long term borrowing for ongoing operations is prohibited.
- The term of the financing shall not exceed the expected useful life of the capital improvement or equipment being financed.
- A recommended financing must also include the resources available to meet the annual obligation, the percentage of annual resources available to meet the obligation, and a projection of resource availability for the term of the financing.
- Financing obligations are met in a timely and efficient manner.
- The City shall comply with all issuance covenants.
- Refunding techniques may be used where appropriate to allow for the restructuring of its current outstanding debt in order to remove or change restrictive covenants, reduce annual debt service costs in an amount sufficient to justify the costs of the refunding/reissuance and other purposes that can be clearly shown to be cost effective and in the City's best interest.

State Budget. Sales tax revenue has continued to be impacted due to the approval of Proposition 57 and the “triple flip”. The City receives a “sales tax in-lieu” payment, for the City’s share of local sales tax dollars to the State on a dollar-per-dollar basis. The impact to the City has been a cash flow issue because of how the “sales-tax-in-lieu” has been paid. The “sales-tax-in-lieu” is paid on the same schedule as property tax with the majority paid in January and May, rather than on a monthly basis. Sales tax revenue accounts for 35% of the City’s total General Fund Revenues.

Cash Management. Cash temporarily idle during the year was invested in instruments permitted under Section 53600 of the California Government Code and the City’s adopted investment policy. Permitted investments include demand deposits, certificates of deposit, obligations of the U.S. Treasury and agencies, as well as high-grade commercial paper and banker’s acceptances. Average yield for investments was 4.28% for fiscal year 2007.

Risk Management. The City maintains self-insurance programs for workers’ compensation and general liability as part of its comprehensive risk management program. The city is self-insured for worker’s compensation up to \$300,000 per person per occurrence. General liability self-insurance is limited to the first \$350,000 of liability per occurrence. Excess coverage is maintained through the California Insurance Pool Authority (CIPA), a consortium of eleven cities in California organized to pool resources and share risks, as well as the costs of professional risk management and claims administration. Excess coverage is maintained in the amounts of \$10,000,000 and \$50,000,000 annual aggregate for worker’s compensation and general liability, respectively. The City has accrued a liability for all known general and workers’ compensation claims as of June 30, 2007. In addition, estimated amounts for claims incurred, but not yet reported, have also been accrued.

Pension and Other Postemployment Benefits. The City of Westminster is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City’s represented and non-represented employee groups. Participants are required to contribute 7%-9% of their annual covered salary. The City makes contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. As a result of continued CalPERS investment losses and previously approved enhancements to the benefit plans, the City anticipates significant increases to the employer contribution rate in the next fiscal year.

The City of Westminster also provides postretirement health, dental and life benefits for retirees. As of the end of the current fiscal year, there were 225 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits.

Additional information on the City of Westminster's pension arrangements and postemployment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Westminster for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of a number of City staff and departments, especially the Finance Department. We would like to express our appreciation to all members of the City staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Council Members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Westminster's finances.

Respectfully submitted,



Ramon Silver
City Manager



Paul Espinoza
Finance Director

CITY OF WESTMINSTER

Principal Officials

CITY COUNCIL

MARGIE L. RICE, Mayor

KERMIT D. MARSH, Mayor Pro Tem

FRANK G. FRY, Council Member

ANDY QUACH, Council Member

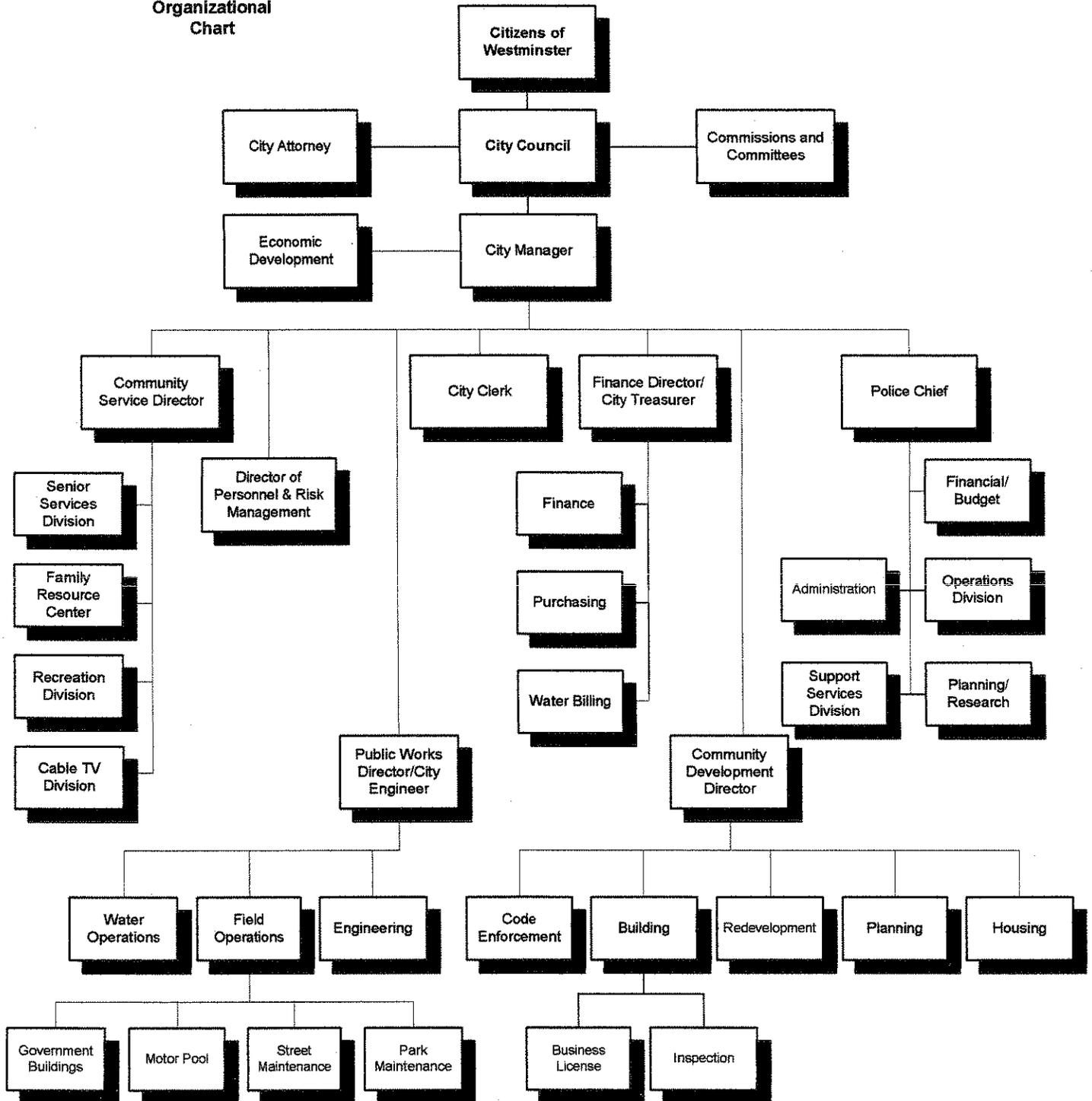
TRI TA, Council Member

CITY STAFF

Ramon Silver	City Manager
Richard D. Jones	City Attorney
Don Anderson	Community Development Director
Andrew Hall	Police Chief
Marwan Youssef	Public Works Director/City Engineer
Marian Contreras	City Clerk
Paul Espinoza	Finance Director/City Treasurer
Eddie Manfro	Director of Human Resources & Risk Management
Greg Johnson	Community Services Director
Tami Piscotty	Assistant to the City Manager



**City of Westminster
Organizational
Chart**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Westminster
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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FINANCIAL SECTION

CITY OF WESTMINSTER

Comprehensive Annual Financial Report

June 30, 2007

Financial Section

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*A PROFESSIONAL CORPORATION

October 15, 2007

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Westminster
Westminster, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westminster's management. 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our 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 activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- 1 -

OTHER OFFICES AT:

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ESCONDIDO, CALIFORNIA 92025-2598
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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 City of Westminster'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 the other required supplementary information identified in the accompanying table of contents are not a required part of the basic 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 to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Westminster (City), we offer 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, 2007, along with comparisons to the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$253.9 million (net assets) as of June 30, 2007. Of this amount, \$66.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$21.2 million. General revenues increased by \$11.0 million, while expenses increased \$4.5 million. The revenue increase is mostly due to increases of \$8.3 million in property taxes (provided from the Infrastructure Revitalization Project (IRP) initiated in fiscal year 2002), and \$2.9 million in interest earnings (due to increased cash flow, and rising interest rates). The expense increase is mostly due to increases of \$1.6 million in General Government and \$4.6 million in Public Safety, the majority of which is related to contracted pay increases and the payoff of the City's California PERS safety side fund liability. Community Development had an expense decrease of \$4.0 million. This is mostly due to a fewer expenditures for City Capital Projects.
- As of June 30, 2007 the City's governmental funds reported a combined ending fund balance of \$114.7 million, an increase of \$17.2 million. \$74.3 million is unreserved and is available for spending at the City's discretion.
- Unreserved fund balance for the General Fund was \$23.5 million, or 56 percent of total General Fund expenditures.
- Total City debt (excluding compensated absences and claims liabilities) decreased by \$5.1 million (9.6 percent). Changes in debt consisted of \$5.2 million in principal reduction payments and \$40,597 in amortized bond costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

See accompanying independent auditor's report.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City'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 City is improving or deteriorating.

The statement of activities presents information showing how the City'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 or earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City and the Westminster Redevelopment Agency, a blended component unit, include general government, public safety, community development, community services and public works. A business-type activity of the City includes the water utility. The government-wide financial statements can be found on pages 21-23 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

See accompanying independent auditor's report.

The City 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 for the General, Special Gas Tax and Street Improvements, Housing and Community Development, RDA Low and Moderate Income Housing, Westminster Redevelopment Agency Debt Service, Westminster Redevelopment Agency Capital Projects, and Capital Projects funds, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements beginning on page 91 of this report.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary Comparison Statements have been provided to demonstrate compliance with this budget. These statements begin on page 85 of this report. The basic governmental fund financial statements can be found on pages 24-30 of this report.

Proprietary funds are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of water.
- **Internal service funds** are used to report activities that provide internal services for the City. The City uses internal service funds to account for its equipment replacement, general benefits, liability administration, information systems and equipment, and government buildings. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements beginning on page 106 of this report.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

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 basic fiduciary fund financial statements can be found on page 36 of this report.

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 37-83 of this report.

See accompanying independent auditor's report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes Budgetary Comparison Schedules for the General and Major Special Revenue Funds. Required supplementary information can be found on pages 85-89 of this report.

Combining statements for non-major governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information, and can be found on pages 91-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City 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. City assets exceeded liabilities by \$253.9 million at June 30, 2007. This is an increase of \$21.2 million as summarized below and on the following pages:

Statement of Net Assets*

	Governmental Activities			
	June 30, 2007	June 30, 2006	Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$ 147,421,390	\$ 130,657,343	\$ 16,764,047	12.83%
Capital assets, net of accumulated depreciation	134,297,020	134,736,716	(439,696)	-3.3%
Total assets	<u>281,718,410</u>	<u>265,394,059</u>	<u>16,324,351</u>	6.15%
Liabilities:				
Current and other liabilities	19,820,878	24,119,421	(4,298,543)	-17.82%
Long-term liabilities	<u>41,483,000</u>	<u>43,043,544</u>	<u>(1,560,544)</u>	-3.63%
Total liabilities	<u>61,303,878</u>	<u>67,162,965</u>	<u>(5,859,087)</u>	-8.72%
Net assets:				
Invested in capital assets, net of related debt	93,264,276	89,013,498	4,250,778	4.78%
Restricted	62,906,004	43,466,845	19,439,159	44.72%
Unrestricted	<u>64,244,252</u>	<u>65,750,751</u>	<u>(1,506,499)</u>	-2.29%
Total net assets**	<u>\$ 220,414,532</u>	<u>\$ 198,231,094</u>	<u>\$ 22,183,438</u>	11.19%

* A more detailed statement of net assets is shown on page 21 of this report.

** As restated, see note 18 on page 83 of this report.

See accompanying independent auditor’s report.

Governmental activities had the greatest changes occur in “Current and other assets”, “Current and other liabilities”, and “Restricted net assets”. The increase of 12.8 percent in “Current and other assets” occurred, in part, because the City was able to reclassify bond proceeds of \$12.4 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 City has been able to invest these amounts in greater interest bearing products. As a result, the City’s interest was up \$2.9 million in 2007. In addition, property taxes have continued to grow and the City showed an increase of \$8.3 million.

“Current and other liabilities” decreased by 17.8 percent. The City paid off two Tax Allocation Bonds during 2007. This resulted in a \$2.9 million decrease in “Long-term liabilities – due within one year”. No new debt was issued during the year. Additional debt information can be found in Note 7 in the notes to the basic financial statements. Another contributing factor to this decrease was that “Unearned revenue” decreased by \$1.7 million. In 2006, the balance included \$1.4 million in amounts due for completed projects. This amount was received in 2007.

“Restricted net assets” increased 44.7 percent. This increase is due to the continuing growth of property taxes. Until the funds are spent, they are maintained in “Restricted net assets” of the related funds. The majority of the property taxes are deposited into the Debt Service Fund, the Redevelopment Projects Capital Projects Fund, and the RDA Low and Moderate Income Housing Special Revenue Fund.

Statement of Net Assets*

	Business-type Activity			
	June 30, 2007	June 30, 2006	Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$ 3,969,630	\$ 3,696,896	\$ 272,734	7.38%
Capital assets, net of accumulated depreciation	38,502,102	39,647,856	(1,145,754)	-2.89%
Total assets	<u>42,471,732</u>	<u>43,344,752</u>	<u>(873,020)</u>	-2.01%
Liabilities:				
Current and other liabilities	2,183,191	1,631,996	551,195	33.77%
Long-term liabilities	6,814,246	7,252,000	(437,754)	-6.04%
Total liabilities	<u>8,997,437</u>	<u>8,883,996</u>	<u>113,441</u>	1.28%
Net assets:				
Invested in capital assets, net of related debt	31,234,034	31,958,977	(724,943)	2.27%
Restricted	367,355	367,947	(592)	-.16%
Unrestricted	1,872,906	2,133,832	(260,926)	-12.23%
Total net assets	<u>\$ 33,474,295</u>	<u>\$ 34,460,756</u>	<u>\$ (986,461)</u>	-2.86%

* A more detailed statement of net assets is shown on page 21 of this report.

See accompanying independent auditor’s report.

Business-type activity remained fairly static for fiscal years 2007 and 2006. In an era of increasing costs, the City is making efforts to maintain customer services while keeping water rate increases to a minimum. However, the City has seen a slight reduction in net assets (2.9 percent in 2007, and 1.7 percent in 2006) as a result of losses in the last couple of years.

Statement of Net Assets*

	Primary Government			
	June 30, 2007	June 30, 2006	Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$ 151,391,020	\$ 134,354,239	\$ 17,036,781	12.68%
Capital assets, net of accumulated depreciation	172,799,122	174,384,572	(1,585,450)	-91%
Total assets	324,190,142	308,738,811	15,451,331	5.00%
Liabilities:				
Current and other liabilities	22,004,069	25,751,417	(3,747,348)	-14.55%
Long-term liabilities	48,297,246	50,295,544	(1,998,298)	-3.97%
Total liabilities	70,301,315	76,046,961	(5,745,646)	-7.56%
Net assets:				
Invested in capital assets, net of related debt	124,498,310	120,972,475	3,525,835	2.91%
Restricted	63,273,359	43,834,792	19,438,567	44.35%
Unrestricted	66,117,158	67,884,583	(1,767,425)	-2.60%
Total net assets**	\$ 253,888,827	\$ 232,691,850	\$ 21,196,977	9.11%

* A more detailed statement of net assets is shown on page 21 of this report.

** As restated, see note 18 on page 83 of this report.

The largest portion (49.0 percent) of the City's net assets reflects its investment of \$124.5 million in capital assets (land, buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. This is an overall increase of \$3.5 million, or 2.9 percent from the prior year. 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 capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets (\$63.3 million or 24.9 percent) represents resources that are subject to external restrictions on how they may be used. This is a \$19.4 million, or 44.4 percent increase from the prior year. The City's unrestricted net assets (\$66.1 million or 26.0 percent) decreased \$1.8 million or 2.6 percent from the prior year. These funds may be used to meet the government's ongoing obligations to citizens, creditors, and City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

At the end of fiscal year 2007, the City shows positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activity.

See accompanying independent auditor's report.

Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2007. The City's net assets increased overall by \$21.2 million as summarized on the following pages:

Statement of Activities*

	Governmental Activities			
	For the year ended		Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
	June 30, 2007	June 30, 2006		
Revenues:				
Program revenues:				
Charges for services	\$6,226,511	\$8,024,616	\$ (1,798,105)	-22.41%
Operating grants and contributions	6,673,336	6,705,228	(31,892)	-.48%
Capital grants and contributions	4,887,888	442,300	4,445,588	1,005.11%
General revenues:				
Taxes	69,664,283	61,540,382	8,123,901	13.20%
Unrestricted investment earnings	5,754,628	2,875,268	2,879,360	100.14%
Total Revenues	<u>93,206,646</u>	<u>79,587,794</u>	<u>13,618,852</u>	17.11%
Expenses:				
General government	7,867,505	6,228,357	1,639,148	26.32%
Public safety	36,299,935	31,688,177	4,611,758	14.55%
Public works	9,276,287	8,622,725	653,562	7.58%
Community development	12,185,104	14,741,768	(2,556,664)	-17.34%
Community services	2,883,655	2,122,936	760,719	35.83%
Interest on long term debt	2,229,851	2,374,796	(144,945)	-6.10%
Total Expenses	<u>70,742,337</u>	<u>65,778,759</u>	<u>4,963,578</u>	7.55%
Increase in net assets before				
Transfers	22,464,309	13,809,035	8,655,274	62.68%
Transfers	<u>(280,871)</u>	<u>(285,998)</u>	<u>5,127</u>	1.79%
Increase in net assets	22,183,438	13,523,037	8,660,401	64.04%
Net assets – Beginning of Year, as Restated **	<u>198,231,094</u>	<u>184,708,057</u>	<u>13,523,037</u>	7.32%
Net assets – End of Year	<u>\$220,414,532</u>	<u>\$198,231,094</u>	<u>\$ 22,183,438</u>	11.19%

* A more detailed statement of activities is shown on pages 22-23 of this report.

** As restated, see Note 18 on page 83 of this report.

See accompanying independent auditor's report.

Governmental activities increased the City's net assets by \$22.2 million, thereby accounting for 104.7 percent of the total growth in City net assets. Public safety remains the largest expense function (51.3 percent), followed by community development (17.2 percent), public works (13.1 percent), general government (11.1 percent), community services (4.1 percent) and interest on long term debt (3.2 percent). General revenues such as property and sales tax are not shown by program, but are effectively used to support program activities citywide.

Operating expenses were impacted by contractually obligated salary and benefit increases. The most significant impact to the operating costs of the City are the result of a continuing increase in the PERS employer rate for retirement costs and the contractually obligated medical costs. Overall, salaries and benefits increased \$3.4 million or 10.4 percent. In addition, the City made a one-time payment of \$5.5 million to PERS for a side-fund liability that was created when the City's Safety Plan was converted to a risk pool. Additional information can be found on note 11 of these financial statements.

"Community development" expenses decreased \$2.6 million (17.3 percent) mostly due to fewer capital project costs. In prior year, this expense showed an increase of \$6.7 million (82.5 percent). Last year's increase was mostly the result of completing the Westminster Rose Center, which contributed to the overall capital expense increase of \$8.2 million (6.1 percent). The current year capital project costs decreased \$11.5 million (56.9 percent). The majority of the capital projects were provided funding through the Infrastructure Revitalization Project (IRP). These funds are used to provide repairs for residential streets and right-of-ways, some water system improvements, as well as a portion to the Westminster Rose Center.

"Charges for services" decreased \$1.8 million (22.4 percent). The majority of this decrease is due to the elimination of internal balances between the governmental accounts and the internal service funds. The various governmental funds contribute to the internal service funds during the year. With the implementation of GASB 34, these transactions must be eliminated. In prior year, the internal service funds ended the year with operating income that was distributed. In the current year, there is an operating loss, which had an impact on operating expenses.

"Capital grants and contributions" increased \$4.4 million (1,005.1 percent). This revenue source will vary from year to year, depending on the completion dates of grant funded projects. Several projects were completed in the prior year, and funded in the current year.

"Taxes" have continued to grow, while trends continue to show most revenues decreasing. Property taxes provided the City with an additional \$8.3 million during the current fiscal year. However, sales taxes decreased slightly by \$871 thousand.

"Unrestricted investment earnings" increased by \$2.9 million (100.1 percent). With the completion of various projects in the prior year, the City was able to obtain bond proceeds and reclassify the amounts from "restricted cash with fiscal agents" to "cash and investments". This reclassification was approximately \$12.4 million. With these proceeds, as well as various other reimbursements (see increase in Capital Grants and Contributions); the City was able to place these funds into greater interest bearing investments.

See accompanying independent auditor's report.

Statement of Activities*

	Business-type Activity			
	For the year ended		Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
	June 30, 2007	June 30, 2006		
Revenues:				
Program revenues:				
Charges for services	\$ 10,673,586	\$ 10,091,120	\$ 582,466	5.77%
General revenues:				
Unrestricted investment earnings	144,030	168,027	(23,997)	-14.28%
Miscellaneous	-	(11,590)	11,590	100.00%
Total Revenues	<u>10,817,616</u>	<u>10,247,557</u>	<u>570,059</u>	5.56%
Expenses:				
Water enterprise	<u>12,084,948</u>	<u>11,145,539</u>	<u>939,409</u>	8.43%
Total Expenses	<u>12,084,948</u>	<u>11,145,539</u>	<u>939,409</u>	8.43%
Decrease in net assets before				
Transfers	(1,267,332)	(897,982)	(369,350)	-41.13%
Transfers	<u>280,871</u>	<u>285,998</u>	<u>(5,127)</u>	-1.79%
Decrease in net assets	(986,461)	(611,984)	(374,477)	-61.19%
Net assets - Beginning of Year	<u>34,460,756</u>	<u>35,072,740</u>	<u>(611,984)</u>	-1.74%
Net assets - End of Year	<u>\$ 33,474,295</u>	<u>\$ 34,460,756</u>	<u>\$ (986,461)</u>	-2.86%

* A more detailed statement of activities is shown on pages 22-23 of this report.

Business-type activities decreased the City's net assets by \$986.5 thousand. The Water Utility Fund had a static year with revenue of \$10.8 million and operating expenses of \$12.1 million. For the water utility, fees provide the largest share of revenues (98.7 percent).

The Water Utility's operating expenses continued to increase. In addition to an increase in salary and benefits, which increased due to rising PERS retirement and medical costs, \$700 thousand was transferred to the capital projects fund for phase one of a five phase meter exchange project. This project was instated in accordance with manufacturer recommendations and industry standards for small meters which state that they have a reliable service life of ten years. The cost of repairs and maintenance proved to be much greater than replacing the meter. The replacements will insure more accurate reads and should help in future planning of water demands.

See accompanying independent auditor's report.

Statement of Activities*

	Primary Government			
	For the year ended		Increase/ (Decrease) From 2006	Percent Increase/ (Decrease)
	June 30, 2007	June 30, 2006		
Revenues:				
Program revenues:				
Charges for services	\$ 16,900,097	\$ 18,115,736	\$(1,215,639)	- 6.71%
Operating grants and contributions	6,673,336	6,705,228	(31,892)	- .48%
Capital grants and contributions	4,887,888	442,300	4,445,588	1005.11%
General revenues:				
Taxes	69,664,283	61,540,382	8,123,901	13.20%
Unrestricted investment earnings	5,898,658	3,043,295	2,855,363	93.82%
Miscellaneous	-	(11,590)	11,590	100.00%
Total Revenues	<u>104,024,262</u>	<u>89,835,351</u>	<u>14,188,911</u>	15.79%
Expenses:				
General government	7,867,505	6,228,357	1,639,148	26.32%
Public safety	36,299,935	31,688,177	4,611,758	14.55%
Public works	9,276,287	8,622,725	653,562	7.58%
Community development	12,185,104	14,741,768	(2,556,664)	-17.34%
Community services	2,883,655	2,122,936	760,719	35.83%
Interest on long term debt	2,229,851	2,374,796	(144,945)	-6.10%
Water enterprise	12,084,948	11,145,539	939,409	8.43%
Total Expenses	<u>82,827,285</u>	<u>76,924,298</u>	<u>5,902,987</u>	7.67%
Increase in net assets	21,196,977	12,911,053	8,285,924	64.18%
Net assets – Beginning of Year, as restated**	<u>232,691,850</u>	<u>219,780,797</u>	<u>12,911,053</u>	5.87%
Net assets – End of Year	<u>\$253,888,827</u>	<u>\$232,691,850</u>	<u>\$21,196,977</u>	9.11%

* A more detailed statement of activities is shown on pages 22-23 of this report.

** As restated, see note 18 on page 83 of this report.

See accompanying independent auditor's report.

FINANCIAL ANALYSIS OF CITY FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Overall, the City had an increase of \$17.2 million to fund balances.

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, 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 24-30 of this report for more detail on governmental funds.

As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$114.7 million, an increase of \$17.2 million in comparison with the prior year. Of the \$114.7 million, \$74.3 million, or 64.8 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 \$20.9 million, (2) to pay low and moderate income housing of \$10.0 million (3) to pay notes/loans and interfund receivables of \$8.7 million, (4) to land held for resale of \$724 thousand, or (5) for a variety of other restricted purposes of \$60 thousand. For a more detailed description of these reservations see page 79 of this report.

The General Fund is the chief operating fund of the City. As of June 30, 2007, unreserved fund balance was \$23.5 million, while total fund balance was \$24.0 million. Note that unreserved fund balance includes amounts set-aside for City designations such as City's reserve policy, post-employment retirement medical benefits and legal contingencies. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which includes designated funds, represents 56 percent of total General Fund expenditures, while total fund balance represents 57 percent of that same amount.

The major factors in fund balance changes are as follows:

Governmental Funds

- The **General Fund** recognized a \$1.9 million decrease due to other financing sources and uses greater than excess of revenues over/under expenditures. "Excess of Revenues Over (Under) Expenditures" decreased by \$513 thousand or 10.4 percent in 2006-07. The General Fund made a one time "Transfer Out" of \$5.5 million to the Compensation/Benefits Internal Service Fund to cover a payment to PERS for the payoff of a side-fund liability.
- The **Special Gas Tax and Street Improvements Fund** recognized a \$477 thousand decrease due, in part, to a \$3.5 million transfer to the Capital Projects Fund to cover current and future projects. This is grant funded and many of the projects are reimbursable only upon completion.
- The **Housing and Community Development Fund** recognized a \$655 thousand decrease due, in part, to a \$1.0 million transfer to the Capital Projects Fund to cover current and future projects. This is a grant program which is reimbursed periodically throughout the year.
- The **RDA Low and Moderate Income Housing Fund** recognized a \$6.3 million increase due to revenues greater than expenditures of \$7.0 million. "Transfers In" and "Transfers Out" are mainly related to rehab loans and grants. As monies are allocated, they are transferred to the Capital Projects Fund. As loans are made, the amounts are reclassified back to receivables.

See accompanying independent auditor's report.

- The **Debt Service Fund** recognized a \$6.3 million increase due to revenues greater than expenditures of \$13.8 million. Property taxes accounted for an increase of \$6.1 million. A transfer out of \$8.0 million was made to the Redevelopment Projects Fund to cover administrative charges.
- The **Capital Projects Funds** recognized a combined increase in fund balance of \$5.9 million. This is due to the funding of various projects during the year, which have not yet been completed.
- **Other Governmental Funds**, which are non-major funds, recognized a combined increase of \$1.8 million due to revenues greater than expenditures of \$1.4 million. These funds are further detailed beginning on page 92 of this report.

Proprietary Funds

- The **Enterprise Water Fund** recognized a decrease of \$750 thousand during the fiscal year 2006-07 due to expenditures exceeding revenues by \$749 thousand and “Transfers In” exceeding “Transfers Out” by \$281 thousand.
- The **Internal Service Funds** recognized a \$725 thousand increase in fund balance. “Transfers In” included a transfer of \$5.5 million from the General Fund to cover a one-time payment to PERS. “Transfers Out” were for capital projects to be completed in the current and future years. These funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis. The City has four internal service funds. These funds are further detailed beginning on page 106 of this report.

CASH MANAGEMENT

The City follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents, and legally restricted funds. Additional information can be found in Note 2 in the notes to the basic financial statements.

The 2007 fiscal year ended with the twelfth consecutive increase in the City’s average portfolio balance. Average total cash and investment balances for the past ten years are noted below:

<u>Fiscal Year</u>	<u>Average Balance (in millions)</u>	<u>% Change</u>
1998	\$ 29.8	---
1999	38.7	29.9 %
2000	49.0	26.6 %
2001	57.3	16.9 %
2002	62.1	8.4 %
2003	70.3	13.2 %
2004	83.4	18.6 %
2005	92.5	10.9 %
2006	97.6	5.5 %
2007	111.7	14.4 %

Since 1998, the City’s portfolio balance has increased by \$81.9 million, or 275%.

See accompanying independent auditor’s report.

BUDGETARY HIGHLIGHTS

The General Fund reflected a net total budget variance of \$4.9 million when comparing actual amounts to the final budget for the current fiscal year. When preparing its budget, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations in a prudent manner. In comparing the 2006-07 General Fund's original (adopted) budget revenue amount of \$43.3 million to the final budgeted revenue amount of \$43.7 million shows a net \$395 thousand increase. In addition, the ending actual revenue shows a positive variance of \$3.0 million, with the largest variances in "investment and rentals" at \$1.5 million, and "taxes" at 1.3 million.

Comparing the 2006-07 General Fund's original (adopted) budget expenditure amount of \$43.1 million to the final budget expenditure amount of \$44.2 million shows a net \$1.1 million increase. In addition, the ending actual expenditure savings were \$1.9 million. The majority of this savings is in "Public Safety", at \$746 thousand.

Controlling employee growth has been a key to cost controls. The City continues to provide full services at ratios equal to or exceeding other "full service" cities while maintaining ratios for cost and employee per capita that are substantially below that of comparable cities.

	<u>City</u>	<u>County Average</u>
Employees per capita (1,000)	3.15	4.57
General Fund costs per capita	\$ 455	\$ 711

The City continues to dedicate itself to cost-effective service, without sacrificing the quality of service levels so important to the overall quality of life, health and safety of the community. The General Fund budget to actual report can be found on page 85 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets:

Capital investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$173 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress. The total decrease in capital assets for fiscal year 2007 was \$1.6 million or 1.0 percent, which represents a 0.3 percent decrease for governmental activities and a 2.9 percent decrease for business-type activity.

Additional information on the City's capital assets can be found in Note 6 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:

See accompanying independent auditor's report.

Capital Assets (net of accumulated depreciation)

	June 30, 2007		
	Governmental	Business-type	Total
	Activities	Activity	
Land	\$ 4,040,528	\$ 2,494,846	\$ 6,535,374
Construction in progress	2,384,090	-	2,384,090
Buildings	24,726,500	119,653	24,846,153
Improvements other than buildings	2,962,593	11,301,082	14,263,675
Water distribution lines	-	18,247,052	18,247,052
Vehicles, machinery and equipment	3,921,650	6,304,634	10,226,284
Office furniture and equipment	1,330,612	34,835	1,365,447
Leased property	33,610	-	33,610
Infrastructure	94,897,437	-	94,897,437
Total capital assets, net	<u>\$ 134,297,020</u>	<u>\$ 38,502,102</u>	<u>\$ 172,799,122</u>

	June 30, 2006		
	Governmental	Business-type	Total
	Activities	Activity	
Land	\$ 4,040,528	\$ 2,494,846	\$ 6,565,374
Construction in progress	471,287	1,448,714	1,920,001
Buildings	25,458,881	122,294	25,581,175
Improvements other than buildings	3,163,660	11,538,982	14,702,642
Water distribution lines	-	18,879,347	18,879,347
Vehicles, machinery and equipment	3,650,822	5,125,651	8,776,473
Office furniture and equipment	1,672,966	38,022	1,710,988
Leased property	102,145	-	102,145
Infrastructure	96,176,427	-	96,176,427
Total capital assets, net	<u>\$ 134,736,716</u>	<u>\$ 39,647,856</u>	<u>\$ 174,384,572</u>

Major capital asset events during fiscal year 2007 included the following:

- The City is working on beautifying the street medians on various streets. Approximately \$1.9 million was added to "Construction in Progress".
- The City added 3.4 million in infrastructure.
- The City's completed a well during the year which was in "Construction in Progress" in prior year at a cost of \$1.7 million.

See accompanying independent auditor's report.

Long-term debt:

At the end of fiscal year 2007, the City had total debt (excluding compensated absences and claims liabilities) outstanding of \$48.3 million. Additional information can be found on Note 7 in the notes to the basic financial statements. Long-term debt for June 30, 2007 and June 30, 2006 is summarized below:

	Outstanding Debt		
	June 30, 2007		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$32,895,000	\$ -	\$32,895,000
Certificates of participation	7,837,747	3,663,222	11,500,969
Loans payable	300,000	3,604,845	3,904,845
Total outstanding debt	<u>\$41,032,747</u>	<u>\$ 7,268,067</u>	<u>\$48,300,814</u>
	June 30, 2006		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$36,925,000	\$ -	\$36,925,000
Certificates of participation	8,498,219	3,802,154	12,300,373
Loans payable	300,000	3,886,724	4,186,724
Total outstanding debt	<u>\$45,723,219</u>	<u>\$ 7,688,878</u>	<u>\$53,412,097</u>

The City's total debt decreased by \$5.1 million or 9.6 percent, during fiscal year 2007. The change in debt consisted of ongoing debt services payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City budget for fiscal year 2007-08 is balanced as to revenue and expenditures without the need to dip into reserves or raise taxes. Modest service level increases as well as capital spending maintain balance in meeting community needs. The City made great strides in balancing current expenditures with prudent reserves to meet future needs by authorizing "contingency", "emergency", and "designated" reserves for all operating funds.

The City will also maintain its equipment replacement and repair programs. Lost to the budget cuts of the early and middle 1990's, the City has restored and refunded the vehicle replacement programs, as well as created modest maintenance and replacement programs in building maintenance and information systems. These programs will help protect the City's operating efficiency.

The City continues to strive to provide the highest quality of services by taking into consideration the concerns and interests of the past year, and integrating these into a vision dedicated to meeting the needs of our citizens. This is accomplished by making fiscally responsible decisions (structuring a solid forecasting model) that will ultimately strengthen the organization, and improve the financial integrity of the City.

See accompanying independent auditor's report.

Future Issues

There are a number of future issues that are cause for serious concern. These concerns include:

- Revenue Stability

Sales Taxes revenue for the fiscal year 2006-07 has shown a slight decline of \$871 thousand or 5.0 percent from the prior fiscal year. The fiscal year 2006-07 marks the first year in the past 5 years that the City has experienced a decline in sales taxes. Furthermore, sales taxes, property taxes, and utility taxes comprise 75% of the total general fund revenues and are prone to Proposition 218 initiatives. As such, the City needs a strong economy and voter cooperation to maintain existing revenue levels.

- Water Rate Increases

For the past three fiscal years the City has not been subject to water rate increases. Additionally, no water rate increase has been scheduled until the fiscal year 2008-09. However, due to the impact of environmental issues in Northern California, the state's drought status, increases in pass-through costs, inflation, personnel increases and capital improvement projects to upgrade and maintain the City's water system, staff is recommending the scheduled water rate increase be moved up to the fiscal year 2007-08.

- GASB 45

With the first phase of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)" going into effect, planning for the OPEB liability will become a high priority for the City. For the City, the accrued expense of OPEB obligations for current and future retirees will create a significant, unfunded liability in the financial statements. This unfunded liability will be required to be disclosed on the financial statements issued for the fiscal year 2008-09 and the City will need to take a hard look at how GASB 45 and the funding of this liability will impact cash flows.

- State Actions

The proposals in the governor's 2005-06 proposed budget honored the will of the voters who passed Proposition 1A with an overwhelming 84% vote, and largely honored the spirit of the agreement he struck with local government last summer. Local officials appreciate that commitment.

It is also helpful to note that with the passing of Proposition 1A the State may *borrow*, but not permanently take local government revenues in the event of a fiscal emergency. This will help to restore predictability and certainty to the funding needed for police, fire and other essential local services.

See accompanying independent auditor's report.

- State Actions (Continued)

The Utility Users Tax has shown to be a strong component of General Fund Revenues due to business expansion and continued growth in telephone usage for both residential and business users. It is important to note, however, that proposed State and Federal legislation related to Utility Users Taxes may threaten this revenue stream to the City. As internet technology advances, combining phone and video services, the City is concerned about the potential for regulatory changes that will restrict the ability to protect the “time, manner and place” of the use of public rights-of-way, as well as their ability to charge fees and taxes to pay for related local services. It is crucial for any pending legislation not to impact the City negatively as Utility Users Tax is the third largest revenue source for the General Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City 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.

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BASIC FINANCIAL STATEMENTS

CITY OF WESTMINSTER

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments (Note 2)	\$ 94,501,565	\$ 2,538,668	\$ 97,040,233
Receivables, net of allowances (Note 4)	19,208,865	1,694,020	20,902,885
Prepaid items	60,734	1,460	62,194
Internal balances	990,021	(990,021)	-
Inventory	43,828	180,512	224,340
Deferred charges	83,875	177,636	261,511
Land held for resale (Note 5)	723,950	-	723,950
Restricted assets:			
Cash and investments (Note 2)	28,414,906	-	28,414,906
Cash and investments with fiscal agents (Note 2)	3,393,646	367,355	3,761,001
Capital assets (net of accumulated depreciation) (Note 6):			
Land	4,040,528	2,494,846	6,535,374
Construction in progress	2,384,090	-	2,384,090
Buildings	24,726,500	119,653	24,846,153
Improvements other than buildings	2,962,593	11,301,082	14,263,675
Water distribution lines	-	18,247,052	18,247,052
Vehicles, machinery and equipment	3,921,650	6,304,634	10,226,284
Office furniture and equipment	1,330,612	34,835	1,365,447
Leased property	33,610	-	33,610
Infrastructure	94,897,437	-	94,897,437
TOTAL ASSETS	281,718,410	42,471,732	324,190,142
LIABILITIES:			
Accounts payable and other liabilities	4,316,163	1,594,852	5,911,015
Due to other governments	9,469,278	-	9,469,278
Unearned revenue	1,638,761	-	1,638,761
Deposits	456,331	15,000	471,331
Long-term liabilities:			
Due within one year (Note 7)	3,940,345	573,339	4,513,684
Due in more than one year (Note 7)	41,483,000	6,814,246	48,297,246
TOTAL LIABILITIES	61,303,878	8,997,437	70,301,315
NET ASSETS:			
Invested in capital assets, net of related debt	93,264,276	31,234,034	124,498,310
Restricted for:			
Community development	41,425,729	-	41,425,729
Public safety	622,978	-	622,978
Public works	1,537,031	-	1,537,031
Debt service	19,320,266	367,355	19,687,621
Unrestricted	64,244,252	1,872,906	66,117,158
TOTAL NET ASSETS	\$ 220,414,532	\$ 33,474,295	\$ 253,888,827

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

CITY OF WESTMINSTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,867,505	\$ 770,204	\$ 120,687	\$ -
Public safety	36,299,935	2,693,966	666,787	-
Public works	9,276,287	661,371	5,143	-
Community development	12,185,104	1,839,972	5,614,461	4,887,888
Community services	2,883,655	260,998	266,258	-
Interest on long term debt	2,229,851	-	-	-
Total governmental activities	<u>70,742,337</u>	<u>6,226,511</u>	<u>6,673,336</u>	<u>4,887,888</u>
Business-type activity:				
Water enterprise	<u>12,084,948</u>	<u>10,673,586</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 82,827,285</u>	<u>\$ 16,900,097</u>	<u>\$ 6,673,336</u>	<u>\$ 4,887,888</u>

General revenues:

Unrestricted taxes:

Sales taxes

Property taxes, levied for general purposes

Utility users taxes

Business operation taxes

Franchise taxes

Transient occupancy taxes

Intergovernmental revenue - Motor vehicle taxes

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of Year, as Restated (Note 18)

Net assets - End of Year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (6,976,614)	\$ -	\$ (6,976,614)
(32,939,182)	-	(32,939,182)
(8,609,773)	-	(8,609,773)
157,217	-	157,217
(2,356,399)	-	(2,356,399)
(2,229,851)	-	(2,229,851)
<u>(52,954,602)</u>	<u>-</u>	<u>(52,954,602)</u>
-	(1,411,362)	(1,411,362)
<u>(52,954,602)</u>	<u>(1,411,362)</u>	<u>(54,365,964)</u>
16,537,117	-	16,537,117
44,158,452	-	44,158,452
5,398,058	-	5,398,058
1,186,437	-	1,186,437
1,276,637	-	1,276,637
571,686	-	571,686
535,896	-	535,896
5,754,628	144,030	5,898,658
(280,871)	280,871	-
<u>75,138,040</u>	<u>424,901</u>	<u>75,562,941</u>
22,183,438	(986,461)	21,196,977
<u>198,231,094</u>	<u>34,460,756</u>	<u>232,691,850</u>
<u>\$ 220,414,532</u>	<u>\$ 33,474,295</u>	<u>\$ 253,888,827</u>

CITY OF WESTMINSTER

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General	Special Revenue Funds	
		RDA Low and Moderate Income Housing	Housing and Community Development
ASSETS			
Cash and investments (Note 2)	\$ 19,898,626	\$ -	\$ 37,571
Receivables, net of allowances (Note 4)	5,100,590	5,206,667	4,625,839
Prepaid items	16,308	-	-
Due from other funds (Note 3)	2,464,658	-	-
Restricted assets:			
Cash and investments (Note 2)	-	11,102,816	-
Cash and investments with fiscal agents (Note 2)	-	-	-
Advances to other funds (Note 3)	423,208	-	-
Land held for resale (Note 5)	-	-	-
TOTAL ASSETS	\$ 27,903,390	\$ 16,309,483	\$ 4,663,410
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and other liabilities	\$ 1,296,684	\$ 13,593	\$ 44,293
Deposits	452,628	-	-
Deferred revenue	2,171,733	3,047	-
Due to other funds (Note 3)	-	-	1,925,000
Due to other governments	540	-	3,100,738
Advances from other funds (Note 3)	-	-	-
TOTAL LIABILITIES	3,921,585	16,640	5,070,031
FUND BALANCES (DEFICITS):			
Reserved (Note 15)	439,516	16,292,843	850,000
Unreserved, reported in:			
General Fund	23,542,289	-	-
Special Revenue Funds	-	-	(1,256,621)
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	23,981,805	16,292,843	(406,621)
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,903,390	\$ 16,309,483	\$ 4,663,410

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

Special Revenue Funds (Continued)		Capital Projects Funds			Other	Total
Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Governmental Funds	Governmental Funds	
\$ 1,114,424	\$ 20,519,511	\$ 12,254,118	\$ 21,832,253	\$ 3,468,523	\$ 79,125,026	
1,419,061	1,698,396	-	736,352	355,557	19,142,462	
-	-	-	8,393	34,804	59,505	
-	-	6,869,000	-	-	9,333,658	
-	500,000	10,902,338	3,108,990	-	25,614,144	
-	3,338,275	-	-	55,371	3,393,646	
-	1,212,852	1,288,550	-	-	2,924,610	
-	-	-	723,950	-	723,950	
<u>\$ 2,533,485</u>	<u>\$ 27,269,034</u>	<u>\$ 31,314,006</u>	<u>\$ 26,409,938</u>	<u>\$ 3,914,255</u>	<u>\$ 140,317,001</u>	
\$ 32,884	\$ 15,560	\$ 1,349,168	\$ 333,249	\$ 207,604	\$ 3,293,035	
-	-	-	-	3,703	456,331	
-	482,184	-	-	5,746	2,662,710	
5,285,000	-	-	1,164,658	959,000	9,333,658	
-	6,368,000	-	-	-	9,469,278	
-	423,208	-	-	-	423,208	
<u>5,317,884</u>	<u>7,288,952</u>	<u>1,349,168</u>	<u>1,497,907</u>	<u>1,176,053</u>	<u>25,638,220</u>	
340,178	19,980,082	1,288,550	732,343	438,228	40,361,740	
-	-	-	-	-	23,542,289	
(3,124,577)	-	-	-	2,299,974	(2,081,224)	
-	-	28,676,288	24,179,688	-	52,855,976	
<u>(2,784,399)</u>	<u>19,980,082</u>	<u>29,964,838</u>	<u>24,912,031</u>	<u>2,738,202</u>	<u>114,678,781</u>	
\$ 2,533,485	\$ 27,269,034	\$ 31,314,006	\$ 26,409,938	\$ 3,914,255	\$ 140,317,001	

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CITY OF WESTMINSTER

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

June 30, 2007

Fund balances - total governmental funds		\$ 114,678,781
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet:		
Capital assets	\$ 258,202,450	
Accumulated depreciation	<u>(130,041,207)</u>	128,161,243
Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Activities. Internal Service funds net assets are		
		16,136,645
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances as of June 30, 2007 are:		
Tax allocation bonds payable	(32,895,000)	
Certificates of participation payable	(5,731,269)	
Notes payable	(300,000)	
Accrued interest	<u>(659,817)</u>	(39,586,086)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements.		
		<u>1,023,949</u>
Net assets of governmental activities		<u><u>\$ 220,414,532</u></u>

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

CITY OF WESTMINSTER

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

For the year ended June 30, 2007

	General	Special Revenue Funds	
		RDA Low and Moderate Income Housing	Housing and Community Development
REVENUES:			
Taxes	\$ 34,994,119	\$ 6,710,263	\$ -
Licenses and permits	673,474	-	-
Fines	1,121,880	-	700
Investment and rental	3,155,432	680,702	15,360
Intergovernmental	228,009	-	1,953,058
Charges for services	6,427,014	-	-
Other	179,572	4,060	238,404
TOTAL REVENUES	46,779,500	7,395,025	2,207,522
EXPENDITURES:			
Current:			
General government	1,114,729	-	-
Public safety	32,937,926	-	-
Public works	3,704,058	-	-
Community development	2,563,118	431,899	1,850,266
Community services	1,873,869	-	-
Capital outlay	178,696	2,922	524
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	42,372,396	434,821	1,850,790
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,407,104	6,960,204	356,732
OTHER FINANCING SOURCES (USES):			
Sale of equipment and property	1,679	-	-
Transfers in	653,265	1,207,632	32,567
Transfers out	(6,999,891)	(1,862,546)	(1,044,726)
TOTAL OTHER FINANCING SOURCES (USES)	(6,344,947)	(654,914)	(1,012,159)
NET CHANGE IN FUND BALANCES	(1,937,843)	6,305,290	(655,427)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	25,919,648	9,987,553	248,806
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 23,981,805	\$ 16,292,843	\$ (406,621)

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

Special Revenue Funds (Continued)		Capital Projects Funds			Other	Total
Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Governmental Funds	Governmental Funds	
\$ 3,895,657	\$ 26,658,374	\$ -	\$ -	\$ 1,319,320	\$ 73,577,733	
-	-	-	-	-	673,474	
-	-	-	-	-	1,122,580	
164,709	462,126	160,630	1,468,895	225,846	6,333,700	
1,279,580	-	-	1,417,971	2,208,362	7,086,980	
21,450	-	-	-	283,066	6,731,530	
-	-	-	12,678	202,744	637,458	
<u>5,361,396</u>	<u>27,120,500</u>	<u>160,630</u>	<u>2,899,544</u>	<u>4,239,338</u>	<u>96,163,455</u>	
-	7,500,606	-	-	76,487	8,691,822	
-	-	-	-	754,914	33,692,840	
-	-	-	-	-	3,704,058	
2,023,424	-	-	2,129,320	1,120,097	10,118,124	
-	-	-	-	307,714	2,181,583	
-	-	6,446,688	1,910,651	173,130	8,712,611	
220,910	4,030,000	-	-	261,982	4,512,892	
119,267	1,805,040	-	-	146,795	2,071,102	
<u>2,363,601</u>	<u>13,335,646</u>	<u>6,446,688</u>	<u>4,039,971</u>	<u>2,841,119</u>	<u>73,685,032</u>	
<u>2,997,795</u>	<u>13,784,854</u>	<u>(6,286,058)</u>	<u>(1,140,427)</u>	<u>1,398,219</u>	<u>22,478,423</u>	
-	-	-	-	-	1,679	
-	509,542	9,810,785	9,343,004	516,580	22,073,375	
<u>(3,475,271)</u>	<u>(8,000,000)</u>	<u>(1,762,933)</u>	<u>(4,064,510)</u>	<u>(94,720)</u>	<u>(27,304,597)</u>	
<u>(3,475,271)</u>	<u>(7,490,458)</u>	<u>8,047,852</u>	<u>5,278,494</u>	<u>421,860</u>	<u>(5,229,543)</u>	
<u>(477,476)</u>	<u>6,294,396</u>	<u>1,761,794</u>	<u>4,138,067</u>	<u>1,820,079</u>	<u>17,248,880</u>	
<u>(2,306,923)</u>	<u>13,685,686</u>	<u>28,203,044</u>	<u>20,773,964</u>	<u>918,123</u>	<u>97,429,901</u>	
<u>\$ (2,784,399)</u>	<u>\$ 19,980,082</u>	<u>\$ 29,964,838</u>	<u>\$ 24,912,031</u>	<u>\$ 2,738,202</u>	<u>\$ 114,678,781</u>	

CITY OF WESTMINSTER

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 \$ 17,248,880

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 cost of those assets is allocated over
the estimated useful lives as depreciation expense. This is the amount
by which depreciation exceeded capital expense in the current period.

Net change in capital assets	\$ 5,710,571	
Depreciation expense	<u>(6,209,480)</u>	(498,909)

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.

Principal payments		4,512,892
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Some expenses reported in the Statement of Activities do not require the use of
current financial resources and therefore are not reported as expenditures in
the governmental funds:

Net change in accrued interest	38,805	
Amortization of issuance costs	<u>(61,717)</u>	(22,912)

Internal service funds are used by management to charge the costs of certain
activities, such as fleet management, telephones, and warehouse operations
to individual funds. The net revenue (expense) of these internal service funds
are reported as governmental activities.

		961,281
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Some revenues reported previously in the Statement of Activities were reported as
revenues in the governmental funds as they were received in the current fiscal year.

Net change in sales tax accrual		<u>(17,794)</u>
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Change in net assets of governmental activities		<u><u>\$ 22,183,438</u></u>
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See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 2,538,668	\$ 15,376,539
Receivables, net of allowances (Note 4)	1,694,020	66,403
Prepaid items	1,460	1,229
Inventories	180,512	43,828
Restricted assets:		
Cash and investments	-	2,800,762
Cash and investments with fiscal / other agents	367,355	-
TOTAL CURRENT ASSETS	4,782,015	18,288,761
NONCURRENT ASSETS:		
Deferred bond charges	177,636	83,875
CAPITAL ASSETS (NOTE 6):		
Land	2,494,846	-
Buildings	208,285	4,166,795
Water distribution lines	41,099,102	-
Improvements other than buildings	11,808,269	12,500
Vehicles	-	3,044,593
Machinery and equipment	12,505,942	226,878
Office furniture, computers and equipment	97,524	1,219,898
Leased property	-	604,808
Construction in progress	-	451,135
TOTAL CAPITAL ASSETS	68,213,968	9,726,607
Less accumulated depreciation	(29,711,866)	(3,590,830)
NET CAPITAL ASSETS	38,502,102	6,135,777
TOTAL NONCURRENT ASSETS	38,679,738	6,219,652
TOTAL ASSETS	43,461,753	24,508,413

(Continued)

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

CITY OF WESTMINSTER

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (CONTINUED)

June 30, 2007

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other liabilities	\$ 1,594,852	\$ 363,311
Deposits	15,000	-
Advances from other funds (Note 3)	2,501,402	-
Claims payable	-	631,381
Compensated absences	119,517	1,603,964
Certificates of participation	160,000	202,107
Loans payable	293,822	-
	4,684,593	2,800,763
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES:		
Claims payable	-	1,894,143
Compensated absences	-	261,110
Certificates of participation	3,503,223	1,904,371
Loans payable	3,311,023	-
	6,814,246	4,059,624
TOTAL LONG-TERM LIABILITIES		
	11,498,839	6,860,387
TOTAL LIABILITIES		
NET ASSETS:		
Invested in capital assets, net of related debt	31,234,034	4,029,299
Restricted	367,355	-
Unrestricted	361,525	13,618,727
	31,962,914	\$ 17,648,026
TOTAL NET ASSETS		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,511,381	
Net assets of business-type activity	\$ 33,474,295	

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

CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

For the year ended June 30, 2007

	Business-type Activity	Governmental Activities
	Enterprise Fund	Internal Service Funds
OPERATING REVENUES:		
Rentals	\$ 3,023	\$ -
Intergovernmental	-	160,860
Charges for services	10,612,060	19,445,283
Other	58,500	810,917
TOTAL OPERATING REVENUES	<u>10,673,583</u>	<u>20,417,060</u>
OPERATING EXPENSES:		
Salaries	2,273,271	4,949,138
Maintenance and operations	3,145,937	4,016,518
Purchased water	2,256,381	-
Equity taxes	2,302,907	-
Insurance premiums and legal fees	6,697	3,127,194
Claims and benefits	-	12,027,913
Depreciation and amortization	1,437,346	647,537
TOTAL OPERATING EXPENSES	<u>11,422,539</u>	<u>24,768,300</u>
OPERATING LOSS	<u>(748,956)</u>	<u>(4,351,240)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	144,030	236,690
Interest and fiscal charges	(425,953)	(135,838)
Gain (loss) on sale of equipment	-	24,869
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(281,923)</u>	<u>125,721</u>
LOSS BEFORE TRANSFERS	<u>(1,030,879)</u>	<u>(4,225,519)</u>
TRANSFERS:		
Transfers in	1,390,871	6,082,169
Transfers out	(1,110,000)	(1,131,818)
TOTAL TRANSFERS	<u>280,871</u>	<u>4,950,351</u>
CHANGE IN NET ASSETS	(750,008)	724,832
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>32,712,922</u>	<u>16,923,194</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 31,962,914</u>	<u>\$ 17,648,026</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	\$ (236,453)	
Change in net assets - Enterprise Funds	<u>(750,008)</u>	
Change in net assets of business-type activity	<u>\$ (986,461)</u>	

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

CITY OF WESTMINSTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2007

	Business-type Activity	Governmental Activities
	Enterprise Fund	Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 10,564,112	\$ 20,431,914
Payment to suppliers	(7,240,127)	(18,900,452)
Payment to employees	(2,273,271)	(4,949,138)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,050,714</u>	<u>(3,417,676)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	1,390,871	6,082,169
Cash paid to other funds	(1,423,930)	(1,491,818)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(33,059)</u>	<u>4,590,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(293,775)	(702,275)
Proceeds from sale of property	-	19,368
Principal payments on long-term debt	(436,878)	(202,106)
Interest expense	(400,266)	(109,501)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,130,919)</u>	<u>(994,514)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	143,890	236,690
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,626	414,851
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,875,397</u>	<u>17,762,450</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,906,023</u>	<u>\$ 18,177,301</u>
CASH AND CASH EQUIVALENTS:		
Cash and investments - current assets	\$ 2,538,668	\$ 15,376,539
Cash and investments - restricted assets	<u>367,355</u>	<u>2,800,762</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,906,023</u>	<u>\$ 18,177,301</u>

(Continued)

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

CITY OF WESTMINSTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2007

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
RECONCILIATION OF OPERATING LOSS TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (748,956)	\$ (4,351,240)
Depreciation and amortization	1,437,346	647,537
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(109,221)	14,854
(Increase) decrease in other receivables	(250)	-
(Increase) decrease in prepaid charges	(1,460)	157
(Increase) decrease in inventories	(60,996)	4,080
Increase (decrease) in accounts payable and other liabilities	515,539	65,678
Increase (decrease) in claims payable	-	150,413
Increase (decrease) in compensated absences payable	18,712	50,845
	<u>\$ 1,050,714</u>	<u>\$ (3,417,676)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,050,714	\$ (3,417,676)

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

CITY OF WESTMINSTER

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

June 30, 2007

RESTRICTED ASSETS:

Cash and investments

\$ 88,379

LIABILITIES:

Due to bondholders

\$ 88,379

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of the Reporting Entity:

The basic financial statements of the City of Westminster include the activities of the City, the Westminster Redevelopment Agency and the Westminster Public Financing Authority.

The City of Westminster was incorporated in 1957 under the General Laws of the State of California. The City operates under a Council-Manager form of government governed by a five-member council and provides the following services: public safety (police, fire, paramedic and ambulance), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement 14. The City of Westminster is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency and Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, these basic financial statements present the City and its component units, the Westminster Redevelopment Agency and the Westminster Public Financing Authority. Each blended component unit has a June 30 year end.

The Westminster Redevelopment Agency (the Agency) was established in September 1982 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to eliminate blighted areas, enhance job creation and retention, improve the tax base for the City, promote quality new development and improve the image of the City. City Council members, in separate session, serve as the governing board of the Agency. The activity of the Agency is reported in the Special Revenue, Debt Service and Capital Project Funds. The Agency prepares separate Basic Financial Statements and a copy can be obtained from the City's Finance Department.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Description of the Reporting Entity (Continued):

The Westminster Public Financing Authority (the Authority) was established on March 23, 1993 pursuant to California Government Code, Section 6500. The Authority was established to provide a financing mechanism for the City's and Agency's various public projects. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the City and Agency. The payments are reported in the Special Revenue, Debt Service, Enterprise and Internal Service Funds. There are no separate Basic Financial Statements prepared for the Public Financing Authority.

The accounting policies of the City of Westminster, the Westminster Redevelopment Agency and the Westminster Public Financing Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. 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. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activity, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activity have not been eliminated.

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.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Government-Wide and Fund Financial Statements (Continued):

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. 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.

Separate financial statements for the government's governmental, proprietary, and fiduciary 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 and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statement. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

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):**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be 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. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending 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.

Under the modified accrual basis of accounting, 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

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):**

The City's Fiduciary Fund consists of Agency Funds which have no measurement focus.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Redevelopment Agency (RDA) Low and Moderate Income Housing Special Revenue Fund is used to account for the 20% set-aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing, as required by section 33334.2 of the Health and Safety Code.

The Housing and Community Development Special Revenue Fund is used to account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are to be used for the development of a viable community by providing decent housing, suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

The Special Gas Tax and Street Improvements Special Revenue Fund is used to account for revenues and expenditures apportioned under the Streets and Highways Code of the State of California, Measure M sales taxes, and various grant programs available for street-related expenditures. Expenditures may be made for any street-related purpose in the City's system of streets, including maintenance thereof.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Classifications (Continued):

The City reports the following major governmental funds (Continued):

The Capital Improvement Capital Projects Fund is used to account for City projects funded by various sources.

The Redevelopment Projects Capital Projects Fund is used to account for the proceeds of notes and advances, and the expenditure of such funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the Westminster Redevelopment Agency.

The City reports the following major enterprise fund:

The Water Enterprise Fund is used to account for the provision of water services to residential, commercial and industrial customers.

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include risk management, compensation and benefits, motor pool and equipment maintenance, and facilities maintenance.

The Agency Funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for the 1915 Act Bonds (Limited Obligation Improvement Bonds) for which the City acts as an agent for debt service activity.

Capital Assets:

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$500 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, storm drains, bridges and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2007.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets (Continued):

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-Wide Financial Statements and in the Fund Financial Statements of the Enterprise Fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The lives used for depreciation purposes of each capital asset class are:

Buildings	30 to 50 years
Improvements other than buildings	20 years
Water distribution lines	65 years
Vehicles	4 to 15 years
Machinery and equipment	5 to 30 years
Office furniture, computers and equipment	5 to 20 years
Leased property	5 to 10 years
Infrastructure	20 to 50 years

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. 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 appropriation.

Statement of Cash Flows:

For purposes of the Statement of Cash Flows, City's Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. As amounts are available to these Funds on demand, all cash and investments are considered to be cash and cash equivalents for statement of cash flow purposes.

Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof).

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Inventories:

Inventories are valued at cost, which approximates market, on a first-in, first-out basis. Inventory in the Enterprise Fund consists mostly of water meters and spare parts. Inventory in the Internal Service Funds consists of expendable supplies held for consumption.

Land Held for Resale:

Land held for resale is carried in the Redevelopment Projects Capital Projects Fund at the lower of acquisition cost or estimated net realizable value. The land values are reappraised on a periodic basis and any adjustments on the properties are shown in the Redevelopment Projects Capital Projects Fund statement of revenues, expenditures, and changes in fund balance.

Property Taxes:

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 December 11 and April 11. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% per year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

Compensated Absences:

Costs associated with compensated absences, along with any related accruals, are accounted for in the Compensation/Benefits Internal Service Fund. The costs for this program will be recovered from those governmental units through inter-departmental charges for services. Other proprietary funds with payroll costs account for their own respective compensated absences.

Retirement Benefits:

The City accounts for CalPERS retirement benefit expenditures in the Compensation/Benefits Internal Service Fund.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Interest Rate Swaps:

The City has entered into interest rate swap agreements to fix the interest rates on outstanding variable rate debt. Other than the fixed interest expenditure resulting from these agreements, no amounts are recorded in the basic financial statements.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable, notes receivable, amounts due from other funds and amounts advanced to other funds), the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2007 consisted of the following:

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 97,040,233	\$ -	\$ 97,040,233
Total unrestricted assets	<u>97,040,233</u>	<u>-</u>	<u>97,040,233</u>
Restricted assets:			
Cash and investments	28,414,906	88,379	28,503,285
Investments with fiscal agents	<u>3,761,001</u>	<u>-</u>	<u>3,761,001</u>
Total restricted assets	<u>32,175,907</u>	<u>88,379</u>	<u>32,264,286</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 129,216,140</u>	<u>\$ 88,379</u>	<u>\$ 129,304,519</u>

Cash and investments consist of deposits and investments, as noted below:

Deposits	\$ 159,362
Investments	<u>129,145,157</u>
	<u>\$ 129,304,519</u>

The City follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents, and legally restricted funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Unrestricted assets - cash and investments" or "Restricted assets - cash and investments".

Investment income earned on pooled cash and investments is allocated to the various funds based on ending cash and investment balances. Interest from cash and investments of funds excluded from pooled amounts is credited directly to the related fund.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City'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 City, rather than the general provisions of the California Government Code or the City'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	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	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

N/A - Not Applicable

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

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	No Limit	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit
Banker's Acceptances	360 days	No Limit	No Limit
Time Certificate of Deposits	360 days	No Limit	No Limit
Commercial Paper	270 days	No Limit	No Limit
Money Market Mutual Funds	N/A	No Limit	No Limit

N/A - Not Applicable

See accompanying independent auditors' report.

CITY OF WESTMINSTER

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 City 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 City'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 City'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	\$ 59,006,306	\$ -	\$ -	\$ 59,006,306
U.S. Treasury Obligations	797,500	10,388,376	2,522,000	13,707,876
Federal Home Loan Mortgage Corporation	3,225,615	9,807,894	4,964,063	17,997,572
Federal Home Loan Bank	1,983,750	12,162,721	-	14,146,471
Federal National Mortgage Association	3,232,300	11,195,143	5,595,877	20,023,320
Money Market Mutual Funds	<u>4,263,612</u>	<u>-</u>	<u>-</u>	<u>4,263,612</u>
	<u>\$ 72,509,083</u>	<u>\$ 43,554,134</u>	<u>\$ 13,081,940</u>	<u>\$129,145,157</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

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 City's investment policy, or debt agreements, and the actual rating 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	\$ 59,006,306	\$ -	\$ -	\$ 59,006,306
U.S. Treasury Obligations	13,707,876	-	13,707,876	-
Federal Home Loan Mortgage Corporation	17,997,572	17,997,572	-	-
Federal Home Loan Bank	14,146,471	14,146,471	-	-
Federal National Mortgage Association	20,023,320	20,023,320	-	-
Money Market Mutual Funds	4,263,612	4,263,612	-	-
	<u>\$ 129,145,157</u>	<u>\$56,430,975</u>	<u>\$13,707,876</u>	<u>\$ 59,006,306</u>

Concentration of Credit Risk:

The investment policy of the City 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 City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 17,997,572
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	14,146,471
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	20,023,320

See accompanying independent auditors' report.

CITY OF WESTMINSTER

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 City'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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2007, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law. The difference between the bank balances and deposits represent deposits in transit and outstanding checks.

Investment in State Investment Pool:

The City 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 City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Interfund receivables and payables at June 30, 2007 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,464,658	\$ -
Special Revenue Funds:		
Housing and Community Development	-	1,925,000
Special Gas Tax and Street Improvements	-	5,285,000
Capital Projects Funds:		
Capital Improvements	6,869,000	-
Redevelopment Projects	-	1,164,658
Other Governmental Funds	-	959,000
	<u>\$ 9,333,658</u>	<u>\$ 9,333,658</u>

The interfund amounts from the General Fund and Capital Improvements Capital Projects Fund to the Housing and Community Development Special Revenue Fund, the Special Gas Tax and Street Improvements Special Revenue Fund and Other Governmental Funds are for short-term loans to cover operations.

The receivable and payable between the General Fund and the Redevelopment Projects Capital Projects Fund are for short-term operations related to activity between the funds.

Advances to and from other funds at June 30, 2007 are as follows:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 423,208	\$ -
Debt Service Fund	1,212,852	423,208
Capital Projects Funds:		
Capital Improvements	1,288,550	-
Enterprise Fund:		
Water	-	2,501,402
	<u>\$ 2,924,610</u>	<u>\$ 2,924,610</u>

The advances from the General Fund of \$423,208 to the Debt Service Fund are to provide for operations of the Redevelopment Agency. The advances from the Debt Service Fund and Capital Improvements Capital Projects Fund to the Water Enterprise Fund are to provide funds for capital improvements.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The compositions of the City's interfund transfer balances as of June 30, 2007 are as follows:

Governmental Activities:

	Transfers Out							
	General	RDA Low and Moderate Income Housing	Housing and Community Development	Debt Service	Capital Improvements	Redevelopment Projects	Other Govt Funds	Total Govt Funds
<u>Transfers In:</u>								
General	\$ -	\$ -	\$ -	\$ -	\$ 848,905	\$ -	\$ 440,580	\$ 1,289,485
RDA Low and Moderate								
Income Housing	-	-	-	509,542	-	1,343,004	-	1,852,546
Housing and Community								
Development	-	-	-	-	1,034,726	-	-	1,034,726
Special Gas Tax and								
Street Improvements	-	-	-	-	3,475,271	-	-	3,475,271
Debt Service	-	-	-	-	-	8,000,000	-	8,000,000
Capital Improvements	35,117	-	-	-	-	-	-	35,117
Redevelopment Projects	618,148	1,207,632	32,567	-	2,206,163	-	-	4,064,510
Other Governmental								
Funds	-	-	-	-	94,720	-	-	94,720
Water Enterprise	-	-	-	-	1,050,000	-	60,000	1,110,000
Internal Service	-	-	-	-	1,101,000	-	16,000	1,117,000
	<u>\$ 653,265</u>	<u>\$ 1,207,632</u>	<u>\$ 32,567</u>	<u>\$ 509,542</u>	<u>\$ 9,810,785</u>	<u>\$ 9,343,004</u>	<u>\$ 516,580</u>	<u>\$ 22,073,375</u>

Business-type Activity:

	Transfers Out		
	Water Enterprise	Internal Service	Total
<u>Transfers In:</u>			
General	\$ 140,000	\$ 5,570,406	\$ 5,710,406
RDA Low and Moderate Income Housing	10,000	-	10,000
Housing and Community Development	10,000	-	10,000
Capital Improvements	1,230,871	496,945	1,727,816
Internal Service	-	14,818	14,818
	<u>\$ 1,390,871</u>	<u>\$ 6,082,169</u>	<u>\$ 7,473,040</u>

Transfers between/to Capital Improvements and Redevelopment Projects Funds from the other funds are to primarily fund capital projects, which are then transferred back to the original fund upon completion of the project.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The General Fund transferred monies to the Internal Service Fund to fund operations in the Compensation/Benefits and Facilities/Maintenance funds. Other transfers from the General Fund to the Capital Improvements Capital Projects Fund and Other Governmental Funds are for operations.

4. RECEIVABLES:

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds:

	RDA Low and Moderate Income	Housing and Community Development	Special Gas Tax and Street Improvements	Debt Service	Redevelopment Projects	Other Governmental	Total
	General	Housing					
Taxes	\$ 3,979,951	\$ 287,594	\$ -	\$ -	\$ -	\$ 156,424	\$ 6,056,528
Accounts	217,436	-	-	-	9,329	-	226,765
Interest	889,864	-	-	65,837	727,023	725	1,683,449
Loans	-	3,220,740	3,100,738	-	-	-	6,321,478
Notes	-	1,698,333	850,000	-	-	-	2,548,333
Other	-	-	193	-	-	20,628	20,821
Due from other governments	13,339	-	674,908	1,419,061	-	177,780	2,285,088
	<u>\$ 5,100,590</u>	<u>\$ 5,206,667</u>	<u>\$ 4,625,839</u>	<u>\$ 1,419,061</u>	<u>\$ 736,352</u>	<u>\$ 355,557</u>	<u>\$ 19,142,462</u>

Proprietary Funds:

	Water Enterprise	Internal Service	Total
Accounts	\$ 1,687,310	\$ 50,387	\$ 1,737,697
Interest	1,715	-	1,715
Other	4,995	16,016	21,011
Net Total Receivables	<u>\$ 1,694,020</u>	<u>\$ 66,403</u>	<u>\$ 1,760,423</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Redevelopment Agency and held for resale. The property is carried at the lower of cost or estimated net realizable value. The estimated net realizable value as of 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.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows:

Governmental Activities:	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 4,040,528	\$ -	\$ -	\$ 4,040,528
Construction in progress	<u>471,287</u>	<u>1,912,803</u>	<u>-</u>	<u>2,384,090</u>
Total capital assets, not being depreciated	<u>4,511,815</u>	<u>1,912,803</u>	<u>-</u>	<u>6,424,618</u>
Capital assets, being depreciated:				
Buildings	32,115,457	25,916	-	32,141,373
Improvements other than buildings	4,068,466	-	-	4,068,466
Vehicles, machinery and equipment	5,581,969	855,223	(37,860)	6,399,332
Office furniture and equipment	4,055,080	197,421	(112,571)	4,139,930
Leased property	695,070	-	(90,262)	604,808
Infrastructure	<u>210,727,315</u>	<u>3,423,220</u>	<u>-</u>	<u>214,150,535</u>
Total capital assets, being depreciated	<u>257,243,357</u>	<u>4,501,780</u>	<u>(240,693)</u>	<u>261,504,444</u>
Less accumulated depreciation for:				
Buildings	(6,656,576)	(758,297)	-	(7,414,873)
Improvements other than buildings	(904,806)	(201,067)	-	(1,105,873)
Vehicles, machinery and equipment	(1,931,147)	(583,772)	37,237	(2,477,682)
Office furniture and equipment	(2,382,114)	(538,816)	111,612	(2,809,318)
Leased property	(592,925)	(68,535)	90,262	(571,198)
Infrastructure	<u>(114,550,888)</u>	<u>(4,702,210)</u>	<u>-</u>	<u>(119,253,098)</u>
Total accumulated depreciation	<u>(127,018,456)</u>	<u>(6,852,697)</u>	<u>239,111</u>	<u>(133,632,042)</u>
Total capital assets, being depreciated, net	<u>130,224,901</u>	<u>(2,350,917)</u>	<u>(1,582)</u>	<u>127,872,402</u>
Governmental activities capital assets, net	<u>\$134,736,716</u>	<u>\$ (438,114)</u>	<u>\$ (1,582)</u>	<u>\$134,297,020</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activity capital assets at June 30, 2007 is as follows:

Business-type Activity:	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land and land rights	\$ 2,494,846	\$ -	\$ -	\$ 2,494,846
Construction in progress	<u>1,448,714</u>	<u>-</u>	<u>(1,448,714)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,943,560</u>	<u>-</u>	<u>(1,448,714)</u>	<u>2,494,846</u>
Capital assets, being depreciated:				
Buildings	208,285	-	-	208,285
Improvements other than buildings	11,808,269	-	-	11,808,269
Water distribution lines	41,099,102	-	-	41,099,102
Machinery and equipment	10,773,918	1,732,024	-	12,505,942
Office furniture and equipment	<u>96,789</u>	<u>3,136</u>	<u>(2,401)</u>	<u>97,524</u>
Total capital assets, being depreciated	<u>63,986,363</u>	<u>1,735,160</u>	<u>(2,401)</u>	<u>65,719,122</u>
Less accumulated depreciation for:				
Buildings	(85,991)	(2,641)	-	(88,632)
Improvements other than buildings	(269,287)	(237,900)	-	(507,187)
Water distribution lines	(22,219,755)	(632,295)	-	(22,852,050)
Machinery and equipment	(5,648,267)	(553,041)	-	(6,201,308)
Office furniture and equipment	<u>(58,767)</u>	<u>(6,323)</u>	<u>2,401</u>	<u>(62,689)</u>
Total accumulated depreciation	<u>(28,282,067)</u>	<u>(1,432,200)</u>	<u>2,401</u>	<u>(29,711,866)</u>
Total capital assets, being depreciated, net	<u>35,704,296</u>	<u>302,960</u>	<u>-</u>	<u>36,007,256</u>
Business-type Activity capital assets, net	<u>\$ 39,647,856</u>	<u>\$ 302,960</u>	<u>\$ (1,448,714)</u>	<u>\$ 38,502,102</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

6. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 75,295
Public safety	605,335
Public works	4,743,919
Community development	215,190
Community services	569,741
Internal service funds	<u>643,217</u>

Total depreciation expense - governmental activities	<u>\$ 6,852,697</u>
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Business-type Activity:

Water Fund	<u>\$ 1,432,200</u>
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7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

Governmental Activities:

	Balance July 1, 2006	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2007	Amount Due Within One Year
Tax allocation bonds payable	\$36,925,000	\$ -	\$ 4,030,000	\$ -	\$32,895,000	\$ 990,000
Certificates of participation	8,498,219	-	685,000	24,528	7,837,747	715,000
Note payable	300,000	-	-	-	300,000	-
Compensated absences	1,814,229	1,655,363	1,604,518	-	1,865,074	1,603,964
Claims liabilities	<u>2,375,110</u>	<u>982,184</u>	<u>831,770</u>	<u>-</u>	<u>2,525,524</u>	<u>631,381</u>
Total Governmental Activities	<u>49,912,558</u>	<u>2,637,547</u>	<u>7,151,288</u>	<u>24,528</u>	<u>45,423,345</u>	<u>3,940,345</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

The following is a summary of long-term liability transactions for the year ended June 30, 2007 (Continued):

Business-type Activity:

	Balance July 1, 2006	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2007	Amount Due Within One Year
Certificates of participation	\$ 3,802,154	\$ -	\$ 155,000	\$ 16,069	\$ 3,663,223	\$ 160,000
Loans payable	3,886,724	-	281,879	-	3,604,845	293,822
Compensated absences	100,805	147,371	128,659	-	119,517	119,517
Total Business-type Activity	<u>7,789,683</u>	<u>147,371</u>	<u>565,538</u>	<u>16,069</u>	<u>7,387,585</u>	<u>573,339</u>
City Total	<u>\$57,702,241</u>	<u>\$ 2,784,918</u>	<u>\$ 7,716,826</u>	<u>\$ 40,597</u>	<u>\$52,810,930</u>	<u>\$ 4,513,684</u>

Governmental Activities:

The Governmental Activities long-term liability transactions at June 30, 2007 are comprised of the following individual items:

Tax Allocation 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 \$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.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Tax Allocation Bonds (Continued)

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.

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

\$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.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Tax Allocation Bonds (Continued)

\$5,900,000 Westminster Commercial Redevelopment Project No. 1, 2004 Subordinate Tax Allocation Notes, 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.

\$ -

\$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.

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Total Tax Allocation Bonds

\$ 32,895,000

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Certificates of Participation

\$13,600,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998A (1998 Civic Center Refunding Program), dated October 1, 1998. The Certificates are payable in annual installments ranging from \$300,000 to \$815,000 until maturity on June 1, 2022. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$9,000,000 Civic Center and Street Improvement Project Certificates of Participation (1994 Certificates), and the \$5,000,000 Public Improvement Project Certificates of Participation (1995 Certificates). Proceeds from the Series 1998A Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1994 and 1995 Certificates until fully retired. The 1994 and 1995 Certificates are legally defeased and no longer a liability of the City. The principal balances on the 1994 and 1995 defeased Certificates of Participation at June 30, 2007 to be paid by the trustee from the escrow fund were \$4,445,000 and \$3,770,000, respectively.

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Certificates of Participation (Continued)

The City continues to pay interest to the certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. 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 City's making or receiving a termination payment.

Gross Principal	\$ 8,130,000
Less: Deferred Amounts on Advance Refunding	<u>(292,253)</u>
Net Amount Certificates of Participation	<u>\$ 7,837,747</u>

Note Payable

\$300,000 California Housing Finance Agency 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%.

	<u>\$ 300,000</u>
Total Note Payable	<u>\$ 300,000</u>

Compensated Absences/Claims Liabilities

Compensated absences and claims liabilities are being liquidated in the internal service funds. These internal service funds predominately serve the governmental funds. Accordingly, these liabilities are part of the total liabilities for governmental activities.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity:

The Business-type Activity long-term liability transactions at June 30, 2007 are comprised of the following individual items:

Certificates of Participation

\$5,210,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998B (1998 Water System Refunding Program), dated October 1, 1998. The certificates are payable in annual installments ranging from \$115,000 to \$320,000 until maturity on June 1, 2024. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$5,300,000 1993 Water System Improvement Project Certificates of Participation (1993 Certificates). Proceeds from the 1998B Series Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1993 Certificates until fully retired. The 1993 Certificates are legally defeased and no longer a liability of the City. The principal balance on the 1993 defeased Certificates of Participation is fully paid.

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued):

Certificates of Participation (Continued)

The City continues to pay interest to certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. 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 City's making or receiving a termination payment.

Gross Principal	\$ 3,935,000
Less: Deferred Amounts on Advance Refunding	<u>(271,777)</u>
Net Amount Certificates of Participation	<u>\$ 3,663,223</u>

The covenants authorizing the 1998 Water System Refunding Program Certificates of Participation stipulate that water rates must be maintained at levels sufficient to generate revenues in excess of certain predetermined amounts. Additionally, the City must establish certain management guidelines with respect to the operation of the water system. Resolution No. 3449, authorizing the issuance, terms and conditions of the 1998 Water System Refunding Program Certificates of Participation, includes a covenant requiring that the charges for the services, facilities and water costs of the enterprise be so fixed that the "net revenues" of the enterprise shall be at least 125% of the installment payments on the Certificates.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued):

Certificates of Participation (Continued)

For the fiscal year ended June 30, 2007, the calculation of the Enterprise Fund's compliance with the rate coverage covenant is as follows:

Gross revenues:	
Charges for services	\$ 10,612,060
Investment income	144,030
Other	<u>61,523</u>
Total gross revenues	<u>10,817,613</u>
Operating expenses:	
Operating expenses	11,422,539
Depreciation and amortization	(1,437,346)
Vehicle replacement charges	<u>(99,675)</u>
Total operating costs	<u>9,885,518</u>
Net revenues	<u>\$ 932,095</u>
Installment payments:	
Principal payments	\$ 155,000
Interest payments	<u>175,146</u>
Total installment payments	<u>\$ 330,146</u>
Net revenues to installment payment coverage ratio	<u>282%</u>

City management believes it is in compliance with all such covenants.

Additionally, the City has agreed to maintain a replacement reserve at a level the City determines to be economically prudent. For the fiscal year ended June 30, 2007, the Enterprise Fund's capital equipment replacement reserve is as follows:

Capital equipment replacement reserve	<u>\$ 1,198,189</u>
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See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued):

Loans Payable

\$889,355 loan payable to Orange County Water District, dated August 1, 2000. The loan is payable in annual installments ranging from \$31,449 to \$60,640 until maturity on February 1, 2020. Interest is payable at a fixed rate of 3.5%. The loan was issued as per a conjunctive use well construction program agreement with the Orange County Water District for the completion of a well. \$ 644,705

\$2,200,000 installment purchase agreement payable to Zions First National Bank, dated December 12, 2001. The agreement is payable in annual installments ranging from \$159,000 to \$247,000 until maturity on June 1, 2012. Interest is payable at a fixed rate of 4.5%. The agreement was issued to provide for financing of improvements to the City's water system. 1,132,000

\$2,000,000 installment sale agreement payable to California Infrastructure and Economic Development Bank, dated January 28, 2002. The agreement was issued to provide for the financing of a water tank. The agreement is payable in annual installments ranging from \$40,000 to \$105,000 until maturity on August 1, 2032. Interest is payable at a fixed rate of 3.52% per annum. 1,828,140

Total Loans Payable \$ 3,604,845

Compensated Absences

Compensated absences expected to be liquidated by the Water Enterprise Fund are reported as a liability for Business-type Activity.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental and Business-type Activity:

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities

The annual requirements to amortize all governmental and business-type long-term liabilities (excluding compensated absences, claims payable and capitalized lease) outstanding as of June 30, 2007, including interest payments are as follows:

Year Ending June 30,	Tax Allocation Bonds		
	Principal	Interest	Total
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	2,415,000	-	2,415,000
	<u>\$ 32,895,000</u>	<u>\$ 18,736,562</u>	<u>\$ 51,631,562</u>

Year Ending June 30,	Certificates of Participation Governmental and Business-type Activity		
	Principal	Interest	Total
2008	\$ 875,000	\$ 507,540	\$ 1,382,540
2009	920,000	468,365	1,388,365
2010	955,000	427,443	1,382,443
2011	1,000,000	384,775	1,384,775
2012	630,000	349,200	979,200
2013-2017	3,605,000	1,102,163	4,707,163
2018-2022	3,455,000	640,018	4,095,018
2023-2027	625,000	68,531	693,531
	12,065,000	3,948,035	16,013,035
Less: deferred bond costs	(564,030)	-	(564,030)
	<u>\$ 11,500,970</u>	<u>\$ 3,948,035</u>	<u>\$ 15,449,005</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental and Business-type Activity (Continued):

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities
(Continued)

Year Ending June 30.	Note Payable		
	Principal	Interest	Total
2014	\$ 300,000	\$ 90,000	\$ 390,000

Year Ending June 30.	Loans Payable		
	Principal	Interest	Total
2008	\$ 293,822	\$ 137,031	\$ 430,853
2009	305,871	124,639	430,510
2010	319,026	111,734	430,760
2011	332,292	98,267	430,559
2012	346,672	84,234	430,906
2013-2017	553,373	310,061	863,434
2018-2022	530,234	207,055	737,289
2023-2027	421,940	126,442	548,382
2028-2032	501,615	45,363	546,978
	<u>\$ 3,604,845</u>	<u>\$ 1,244,826</u>	<u>\$ 4,849,671</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental and Business-type Activity (Continued):

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities (Continued)

Year Ending <u>June 30,</u>	<u>Grand Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,158,822	\$ 2,201,232	\$ 4,360,054
2009	2,205,871	2,099,052	4,304,923
2010	2,299,026	1,995,307	4,294,333
2011	2,407,292	1,886,820	4,294,112
2012	2,106,672	1,782,181	3,888,853
2013-2017	10,978,373	7,323,335	18,301,708
2018-2022	12,255,234	4,833,168	17,088,402
2023-2027	11,536,940	1,852,965	13,389,905
2028-2032	2,916,615	45,363	2,961,978
Less: deferred bond costs	(564,030)	-	(564,030)
	<u>\$ 48,300,815</u>	<u>\$ 24,019,423</u>	<u>\$ 72,320,238</u>

8. INTEREST RATE SWAP AGREEMENTS:

Objective:

As a means to lower borrowing costs when compared to fixed rate debt at the time of issuance, the City has entered into interest rate swap agreements in connection with its variable rate debt. The intention of the swaps was to artificially fix the City's variable interest rate on the bonds to a synthetic fixed rate. (See Note 7).

The City has entered into swap agreements related to the following Bonds/Certificates (Bonds):

<u>Bond Issue</u>	<u>Date of Agreement</u>	<u>Synthetic Fixed Rate</u>
\$40,250,000 1997 Tax Allocation Bonds (1997 Bonds)	December 17, 1997	4.870 %
\$13,600,000 Certificates of Participation, Series 1998A (1998A Certificates)	October 29, 1998	4.365 %
\$5,210,000 Certificates of Participation, Series 1998B (1998B Certificates)	October 29, 1998	4.365 %

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

Terms:

Under the terms of each swap, the City pays the swap provider, AMBAC Financial Services LLP, a fixed payment of the remaining notational 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 Bonds to the trustee. The swaps were entered into the same time the Bonds were issued. The notional value of the swaps will decline annually until the Bonds are repaid.

The notional value and the period when the Bonds are due are as follows:

<u>Bond Issue</u>	<u>Notational Value</u>	<u>Final Payment Year</u>
1997 Bonds	\$ 32,840,000	2027
1998A Certificates	8,130,000	2021
1998B Certificates	3,935,000	2023

Fair Value:

As of June 30, 2007, the swap related to the 1997 Bonds had a negative fair value and the swaps related to the 1998A and 1998B Certificates had positive fair values. The negative fair value of the swap is practically offset by the reduction 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.

The positive/(negative) fair value related to each of the swaps as follows:

<u>Bond Issue</u>	<u>Positive/ (Negative) Fair Value June 30, 2007</u>
1997 Bonds	\$ (1,869,458)
1998A Certificates	20,694
1998B Certificates	12,699

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

Credit Risk:

As of June 30, 2007, the City was not exposed to credit risk related to the negative fair value (1997 swap). If interest rates rise and the negative fair value (1997 swap) becomes positive, the City is exposed to credit risk in the amount of the fair value. The City is exposed to credit risk in the amount of the swaps positive fair value for the 1998A and 1998B swaps. 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- or VMIG -1 the swap provider, AMBAC Financial Services LLP, will notify the City 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.

Basis Risk:

The swaps expose the City to basis risk. Under the swap agreements 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 collected from the City 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:

Each swap agreement has standard termination events such as failure to pay and bankruptcy. In addition to optional termination by the City the swap agreements may also be terminated by the City 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 City 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 time of termination the swap has a negative fair value, the City would be liable to the swap provider, AMBAC Financial Services LLP for payment equal to the swaps fair value. If the City prepays the variable rate bonds, the City may still be liable to make payments under the swap agreement.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

9. ASSESSMENT DISTRICT BONDS:

In July 1992, the City issued \$400,373 Limited Obligation Improvement Bonds, on behalf of Assessment District No. 92-1. Proceeds of the bonds were used to finance the construction of streets, storm drains, and traffic improvements. The bonds are secured by the unpaid assessments, together with interest thereon, on parcels within the District. The City is in no way liable for repayment, but is only acting as an agent for the collection of principal and interest payments by property owners and remittance for such monies to the bondholders. At June 30, 2007, the unpaid obligation on the bonds was \$180,000 and cash and investments for bonds and interest coupons redemption of \$88,379 was held by the City and recorded on the 1915 Act Bonds Agency Fund.

10. PASS-THROUGH AGREEMENTS:

The Westminster Redevelopment 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 area. 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 and are recorded in the Debt Service Fund.

11. PENSION PLAN:

Plan Description:

The City's defined benefit pension plans, the Miscellaneous and Safety Plans for the City of Westminster (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As of July 1, 2005, the City was mandated by the State to participate in the risk pool for the Safety Plan. For the Safety Plan, the risk pool combines the assets and liabilities across employers of the risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. The Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

11. PENSION PLAN (CONTINUED):

Funding Policy:

Participants are required to contribute 7%-9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution requirement for fiscal year 2007 was \$769,522 for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost for the Miscellaneous Plan:

For fiscal year 2007, the City's actual and contributed annual pension cost was \$769,522. The required contribution for the fiscal year 2007 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, (c) inflation of 3.00%, (d) payroll growth of 3.25%, and (e) an individual salary growth based on merit scale varying by duration of employment, coupled with an assumed annual inflation component of 3.00%, and an annual production growth of 0.25%.

The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period. The Plan's initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The remaining Plan's amortization period at June 30, 2007 was 15 years for the Miscellaneous Plan.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

11. PENSION PLAN (CONTINUED):

Three-Year Trend Information for the Miscellaneous Plan:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 240,254	100%	\$ -
6/30/06	616,926	100%	-
6/30/07	769,522	100%	-

Schedule of Funding Progress for the Miscellaneous Plan for PERS (\$ Amount in Thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll [(B-A)/C]</u>
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
6/30/04	\$ 56,542	\$ 54,963	\$ (1,579)	102.9 %	\$ 9,109	(17.335) %
6/30/05	60,033	58,551	(1,482)	102.5 %	8,936	(16.585) %
6/30/06	63,898	64,464	566	99.1 %	9,628	5.879 %

Annual Required Contribution for the Safety Plan:

The contribution requirements of the Safety Plan members and the City are established and may be amended by the State. Plan members are required to contribute 9% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 33.561% of covered payroll. The City's contributions to CalPERS for the years ended June 30, 2007, 2006 and 2005 were \$2,849,915, \$2,451,723 and \$2,113,486, respectively, and were equal to the required contributions for each year.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

11. PENSION PLAN (CONTINUED):

Plan Description - Other Defined Contribution Pension Plans:

Part-time, Seasonal and Temporary Employees-Alternate Retirement System Plan

Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by Social Security or an alternate plan. In accordance with this federal law, the City provides pension benefits for all part-time, seasonal and temporary employees through the City of Westminster Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6% by the employee and 1.5% by the City. All part-time, seasonal or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested.

For the year ended June 30, 2007, the City's payroll covered by the plan was \$1,291,295. Contributions to the plan totaled \$96,847 with employee contributions in the amount of \$77,476 (6.0% of current covered payroll) and City contributions in the amount of \$19,371 (1.5% of current covered payroll).

Law Enforcement - Public Agency Retirement System Supplement

All full-time and permanent personnel represented by the Westminster Police Officers' Association are eligible to participate in the Public Agency Retirement System Supplement to the California Public Employees' Retirement System Plan. This supplemental plan is administered by PARS with Union Bank of California and operates in conjunction with the City's CalPERS pension plan. As a defined contribution plan, the City contributes on the employees behalf fifty dollars per month for each year of service with the Employer with a maximum benefit of \$1,250 per month. Employee service time vests immediately. The employees, however, must retire from the City of Westminster to receive the retirement benefit. City contributions are made monthly to PARS and participants fully vest in these benefits. For the year ended June 30, 2007, 20 law enforcement personnel participated in the plan and the City's total contribution to the plan was \$240,000.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

12. POSTRETIREMENT HEALTH CARE BENEFITS:

In addition to the pension benefits described in Note 11, the City provides postretirement health care benefits in accordance with memorandum of understanding agreements signed between the City and the various labor groups. Employees who retire from the City under the CalPERS retirement plan are eligible to have their medical, dental and life benefits continued in accordance with their eligibility level at retirement, subject to annual contribution caps of \$11,304 for all employees categorized under the Police Officers Association, and \$11,839 for all other employees. The City's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, there were 225 retired employees receiving postretirement benefits. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2007, the City recognized as incurred \$1,769,360 of expenditures, which was net of \$94,716 of retiree contributions.

13. DEFERRED COMPENSATION:

Certain provisions of the Small Business Job Protection Act (the Act) effected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The City has implemented GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The assets have been transferred into a trust, and are no longer subject to claims of the City's general creditors, and are no longer considered the assets of the City. The plan permits all City employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

The City contracts with private deferred compensation administration firms to act as an agent of the City to fulfill all the City's administrative responsibilities. The duties performed by this fiduciary on behalf of the City include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments.

Since the City has placed the assets into a trust and has little administrative involvement and does not perform the investing function for the plan, the assets have been removed from the City's financial statements.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The City retains the risk of loss for general liability claims of up to \$350,000 per occurrence and workers compensation claims of up to \$300,000 per person per occurrence. The City has established the Risk Management and Compensation/Benefits Internal Service Funds to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, whether or not reported, in each of these Funds.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 11 member cities in Orange County, California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. Portions of general liability and workers compensation claims exceeding the above mentioned amounts are covered by CIPA up to a maximum \$10,000,000 per claim and \$50,000,000 annual aggregate amount for general liability claims. The coverage for workers' compensation extends to statutory limit. Member cities make payments to CIPA based on underwriting estimates and may be assessed the difference between funds available and the \$50,000,000 annual aggregate in proportion to their annual premiums. Additional coverage is maintained through a commercial insurer for claims in excess of the per claim units and the annual aggregate amounts.

The City continues to carry commercial insurance for all other risks of loss, including employee health, fire, water, boiler and machinery insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

All Funds of the City participate in the risk management program and make payments to the Risk Management and Compensation/Benefits Internal Service Funds based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. At June 30, 2007, the Risk Management Fund had accumulated fund equity of \$5,444,683. Also, at June 30, 2007, the Compensation/Benefits Fund had a reserve for catastrophic losses of \$4,963,124, which is reported as net assets in this fund. The claims liabilities of \$934,567 and \$1,590,957 reported in the Risk Management and Compensation/Benefits Internal Service Funds, respectively, at June 30, 2007 are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and amount of the loss can be reasonably estimated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

14. RISK MANAGEMENT (CONTINUED):

Changes in the Risk Management and Compensation/Benefits Internal Service Funds' claims liability amounts in fiscal years 2007 and 2006 were as follows:

	Risk Management Fund		Compensation/Benefits Fund	
	2007	2006	2007	2006
Beginning-year liability	\$ 996,591	\$ 609,300	\$ 1,378,520	\$ 1,808,616
Current-year claims and changes in estimates	103,748	501,004	878,435	123,320
Claim payments	(165,772)	(113,713)	(665,998)	(553,416)
Balance at fiscal year-end	<u>\$ 934,567</u>	<u>\$ 996,591</u>	<u>\$ 1,590,957</u>	<u>\$ 1,378,520</u>

15. RESERVES AND DESIGNATIONS OF FUND BALANCE:

Reserves segregate portions of fund balance that are not available spendable resources. The various reserves established as of June 30, 2007 were as follows:

	General	RDA Low and Moderate Income Housing	Housing and Community Development	Special Gas Tax and Street Improvements	Debt Service	Capital Improvements	Redevelopment Projects	Other Govt Funds	Total Govt Funds
Reserves:									
Advances to other funds	\$ 423,208	\$ -	\$ -	\$ -	\$ 1,212,852	\$ 1,288,550	\$ -	\$ -	\$ 2,924,610
Notes receivable	-	4,916,027	850,000	-	-	-	-	-	5,766,027
Low and moderate income housing	-	9,956,816	-	-	-	-	-	-	9,956,816
Debt service	-	1,420,000	-	340,178	18,767,230	-	-	403,424	20,930,832
Prepaid charges	16,308	-	-	-	-	-	8,393	34,804	59,505
Land held for resale	-	-	-	-	-	-	723,950	-	723,950
	<u>\$ 439,516</u>	<u>\$ 16,292,843</u>	<u>\$ 850,000</u>	<u>\$ 340,178</u>	<u>\$ 19,980,082</u>	<u>\$ 1,288,550</u>	<u>\$ 732,343</u>	<u>\$ 438,228</u>	<u>\$ 40,361,740</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

	<u>General</u>	<u>Capital Improvements</u>	<u>Redevelopment Projects</u>	<u>Total Governmental Funds</u>
Designations:				
General contingencies	\$ 1,935,325	\$ -	\$ -	\$ 1,935,325
Emergency reserves	1,746,433	-	-	1,746,433
Capital projects	-	28,676,288	13,858,891	42,535,179
Debt service	-	-	3,108,990	3,108,990
	<u>\$ 3,681,758</u>	<u>\$ 28,676,288</u>	<u>\$ 16,967,881</u>	<u>\$ 49,325,927</u>

Reserved for Advances to Other Funds

These reserves represent the amounts that were advanced to other funds and are not anticipated to be repaid in the current year and are not considered as available resources.

Reserved for Notes Receivable

This reserve is provided to indicate that the amounts that are to be paid on the notes are not considered "available" to meet the expenditures of the current period.

Reserved for Low and Moderate Income Housing

This reserve is the unexpended 20% portion of the tax increment revenue received under the California Health and Safety Code which is required to be used for Low and Moderate Income Housing.

Reserved for Debt Service

These reserves are amounts accumulated by the City that are restricted to the payment of long-term debt principal and interest amounts that mature in future years.

Reserved for Prepaid Charges

This reserve represents contractual obligations for cash payments made before June 30, 2007, but will not be recognized as an expenditure until after July 1, 2007.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

Reserved for Land Held for Resale

This reserve is provided to indicate that land held for resale is not “available” as a resource to meet the expenditures of the current period.

Designated for General Contingencies

These funds are designated for general contingencies of the City from the General Fund.

Designated for Emergency Reserves

These funds are designated as an emergency reserve of the City from the General Fund.

Designated for Capital Projects

These funds are designated to provide for future capital additions as determined by the City Council.

Designated for Debt Service

These funds are designated to provide for future debt payments as determined by the City Council.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

The following Special Revenue Funds have deficit fund balances at June 30, 2007. These deficits are primarily the result of cash being transferred to the Capital Projects Funds prior to the funding of projects. As projects are completed and funded, revenues will be accrued in the various Special Revenue Funds.

Housing and Community Development	\$	406,621
Special Gas Tax and Street Improvements		2,784,399
Other Governmental Funds - Park Dedication		865,453

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED):

Excess of Expenditures over Appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Redevelopment Agency Debt Service Fund	\$ 12,280,853	\$ 13,335,646	\$ (1,054,793)
Other Governmental Funds:			
Parks Dedication Special Revenue Fund	6,438	15,984	(9,546)
Offsite Drainage District Special Revenue Fund	165	263	(98)

17. COMMITMENTS AND CONTINGENCIES:

Claims and Judgments:

At June 30, 2007, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City 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 City.

Grant Contingencies:

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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. At June 30, 2007, \$5.4 million of the original amount of \$6.1 million in bonds was outstanding. The proceeds of the bonds were loaned by the Westminster Redevelopment 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.

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 the annual debt service.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

17. 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.

18. RESTATEMENT OF NET ASSETS/FUND BALANCE:

As of July 1, 2006, net assets of the governmental activities were restated from \$196,792,610 to \$198,231,094, to include loans and notes receivable which were not included in Receivable, net of allowances in the prior year.

As of July 1, 2006, the fund balance of the RDA Low and Moderate Income Housing Major Special Revenue Fund was restated from \$8,549,069 to \$9,987,553 to include loans and notes receivable which were not included in Receivable, net of allowances in the prior year.

See accompanying independent auditors' report.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes	\$ 33,646,516	\$ 33,646,516	\$ 34,994,119	\$ 1,347,603
Licenses and permits	701,000	701,000	673,474	(27,526)
Fines	1,195,000	1,195,000	1,121,880	(73,120)
Investment and rental	1,658,200	1,658,200	3,155,432	1,497,232
Intergovernmental	85,600	480,600	228,009	(252,591)
Charges for services	5,953,464	5,953,464	6,427,014	473,550
Other	100,311	100,311	179,572	79,261
TOTAL REVENUES	43,340,091	43,735,091	46,779,500	3,044,409
EXPENDITURES:				
Current:				
General government	1,471,247	1,595,453	1,114,729	480,724
Public safety	33,284,725	33,684,439	32,937,926	746,513
Public works	3,798,725	4,060,214	3,704,058	356,156
Community development	2,618,445	2,725,423	2,563,118	162,305
Community services	1,901,972	2,027,194	1,873,869	153,325
Capital outlay	71,620	137,337	178,696	(41,359)
TOTAL EXPENDITURES	43,146,734	44,230,060	42,372,396	1,857,664
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	193,357	(494,969)	4,407,104	4,902,073
OTHER FINANCING SOURCES (USES):				
Sale of equipment and property	3,500	3,500	1,679	(1,821)
Transfers in	618,148	653,252	653,265	13
Transfers out	(580,785)	(6,999,891)	(6,999,891)	-
TOTAL OTHER FINANCING SOURCES (USES)	40,863	(6,343,139)	(6,344,947)	(1,808)
NET CHANGE IN FUND BALANCE	234,220	(6,838,108)	(1,937,843)	4,900,265
FUND BALANCE - BEGINNING OF YEAR	25,919,648	25,919,648	25,919,648	-
FUND BALANCE - END OF YEAR	<u>\$ 26,153,868</u>	<u>\$ 19,081,540</u>	<u>\$ 23,981,805</u>	<u>\$ 4,900,265</u>

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

CITY OF WESTMINSTER

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:				
Taxes	\$ 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
TOTAL REVENUES	<u>6,096,929</u>	<u>6,096,929</u>	<u>7,395,025</u>	<u>1,298,096</u>
EXPENDITURES:				
Current:				
Community development	418,588	491,328	431,899	59,429
Capital outlay	-	5,000	2,922	2,078
TOTAL EXPENDITURES	<u>418,588</u>	<u>496,328</u>	<u>434,821</u>	<u>61,507</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,678,341</u>	<u>5,600,601</u>	<u>6,960,204</u>	<u>1,359,603</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,207,632	1,207,632
Transfers out	<u>(1,742,637)</u>	<u>(1,742,637)</u>	<u>(1,862,546)</u>	<u>(119,909)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,742,637)</u>	<u>(1,742,637)</u>	<u>(654,914)</u>	<u>1,087,723</u>
NET CHANGE IN FUND BALANCE	3,935,704	3,857,964	6,305,290	2,447,326
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>9,987,553</u>	<u>9,987,553</u>	<u>9,987,553</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,923,257</u>	<u>\$ 13,845,517</u>	<u>\$ 16,292,843</u>	<u>\$ 2,447,326</u>

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

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Fines	\$ -	\$ -	\$ 700	\$ 700
Investment and rental	7,620	7,620	15,360	7,740
Intergovernmental	1,808,445	3,671,986	1,953,058	(1,718,928)
Other	125,000	125,000	238,404	113,404
TOTAL REVENUES	1,941,065	3,804,606	2,207,522	(1,597,084)
EXPENDITURES:				
Current:				
Community development	1,303,686	3,096,329	1,850,266	1,246,063
Capital outlay	600	600	524	76
TOTAL EXPENDITURES	1,304,286	3,096,929	1,850,790	1,246,139
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	636,779	707,677	356,732	(350,945)
OTHER FINANCING SOURCES (USES):				
Transfers in	57,032	57,032	32,567	(24,465)
Transfers out	(711,191)	(1,069,191)	(1,044,726)	24,465
TOTAL OTHER FINANCING SOURCES (USES)	(654,159)	(1,012,159)	(1,012,159)	-
NET CHANGE IN FUND BALANCE	(17,380)	(304,482)	(655,427)	(350,945)
FUND BALANCE - BEGINNING OF YEAR	248,806	248,806	248,806	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 231,426	\$ (55,676)	\$ (406,621)	\$ (350,945)

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

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE
SPECIAL GAS TAX AND STREET IMPROVEMENTS SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 4,034,770	\$ 4,034,770	\$ 3,895,657	\$ (139,113)
Investment and rental	122,000	122,000	164,709	42,709
Intergovernmental	845,000	845,000	1,279,580	434,580
Charges for services	60,000	60,000	21,450	(38,550)
TOTAL REVENUES	<u>5,061,770</u>	<u>5,061,770</u>	<u>5,361,396</u>	<u>299,626</u>
EXPENDITURES:				
Current:				
Community development	2,240,285	2,270,591	2,023,424	247,167
Debt service:				
Principal retirement	220,910	220,910	220,910	-
Interest and fiscal charges	119,267	119,267	119,267	-
TOTAL EXPENDITURES	<u>2,580,462</u>	<u>2,610,768</u>	<u>2,363,601</u>	<u>247,167</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,481,308</u>	<u>2,451,002</u>	<u>2,997,795</u>	<u>546,793</u>
OTHER FINANCING USES:				
Transfers out	<u>(3,475,271)</u>	<u>(3,475,271)</u>	<u>(3,475,271)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(993,963)</u>	<u>(1,024,269)</u>	<u>(477,476)</u>	<u>546,793</u>
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(2,306,923)</u>	<u>(2,306,923)</u>	<u>(2,306,923)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (3,300,886)</u>	<u>\$ (3,331,192)</u>	<u>\$ (2,784,399)</u>	<u>\$ 546,793</u>

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

CITY OF WESTMINSTER

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City establishes accounting control through formal adoption of an annual operating budget for the General, Special Revenue and Debt Service Funds. The City Council's policy is to adopt a formal operating budget by June 30 of each year. The legal level of budgetary control, that is, the level at which expenditures cannot exceed appropriations, is the fund level for all General, Special Revenue and Debt Service Funds, and by project in the Capital Projects Funds.

The City Manager may authorize appropriation transfers within a single department, between capital projects with a single funding source, and between departments within the same fund. All increases at the overall fund level must be approved by the City Council. All budget appropriations, except capital project and grant funded budgets, lapse at the end of each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All increases to the adopted budget require Council approval and must clearly state the amount of increase requested, as well as the availability of appropriate funding sources.

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OTHER SUPPLEMENTAL INFORMATION

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or City Council resolution to expenditure for specific purposes.

Parks Dedication Fund - accounts for payments assessed against new residential developments to support community parks. Amounts are required to be used for acquisition and improvement of City parks.

Special Police Services Fund - accounts for the regional and local narcotics suppression programs, Federal grants related to crime prevention and the Westminster Mall police patrol.

Municipal Lighting Fund - accounts for the City's share of property taxes collected under the Municipal Lighting District Act of 1919. Property taxes are collected by the County and paid to the City for operating and maintaining the municipal lighting district.

Other Grants Fund - accounts for all Federal, State, County or other grants received which are not otherwise separately accounted for in other funds. These grants include summer youth, air quality management, and Safety, Health and Understanding in Education (S.H.U.E.).

Offsite Drainage District Fund - accounts for revenues received from developers and expenditures to provide storm drain systems within each District.

Community Promotion Fund - accounts for the assets generated by the sale of the City's cable franchise. Interest earnings on the proceeds of the sale are used to fund various cable television broadcasts and community promotion activities.

CITY OF WESTMINSTER

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2007

	<u>Parks Dedication</u>	<u>Special Police Services</u>	<u>Municipal Lighting</u>	<u>Other Grants</u>
ASSETS				
Cash and investments	\$ 43,547	\$ 570,472	\$ 1,604,058	\$ 227,097
Receivables, net of allowance:				
Taxes	-	-	36,976	-
Interest	-	-	-	-
Other	-	-	-	62
Due from other governments	-	148,207	-	29,573
Prepaid items	-	3,254	-	-
Restricted cash and investments	-	-	-	-
 TOTAL ASSETS	 <u>\$ 43,547</u>	 <u>\$ 721,933</u>	 <u>\$ 1,641,034</u>	 <u>\$ 256,732</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other liabilities	\$ -	\$ 70,252	\$ 98,258	\$ 10,877
Deposits	-	3,703	-	-
Deferred revenue	-	-	5,746	-
Due to other funds	909,000	25,000	-	25,000
 TOTAL LIABILITIES	 <u>909,000</u>	 <u>98,955</u>	 <u>104,004</u>	 <u>35,877</u>
FUND BALANCES (DEFICIT):				
Reserved for:				
Prepaid items	-	3,254	-	-
Debt service	-	161,370	-	-
Unreserved - undesignated	(865,453)	458,354	1,537,030	220,855
 TOTAL FUND BALANCES (DEFICIT)	 <u>(865,453)</u>	 <u>622,978</u>	 <u>1,537,030</u>	 <u>220,855</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 43,547</u>	 <u>\$ 721,933</u>	 <u>\$ 1,641,034</u>	 <u>\$ 256,732</u>

See accompanying independent auditors' report.

Offsite Drainage District	Community Promotion	Totals
\$ 93,715	\$ 929,634	\$ 3,468,523
-	119,448	156,424
-	725	725
-	20,566	20,628
-	-	177,780
-	31,550	34,804
-	55,371	55,371
<u>\$ 93,715</u>	<u>\$ 1,157,294</u>	<u>\$ 3,914,255</u>
\$ -	\$ 28,217	\$ 207,604
-	-	3,703
-	-	5,746
-	-	959,000
<u>-</u>	<u>28,217</u>	<u>1,176,053</u>
-	31,550	34,804
-	242,054	403,424
93,715	855,473	2,299,974
<u>93,715</u>	<u>1,129,077</u>	<u>2,738,202</u>
<u>\$ 93,715</u>	<u>\$ 1,157,294</u>	<u>\$ 3,914,255</u>

CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2007

	Parks Dedication	Special Police Services	Municipal Lighting	Other Grants
REVENUES:				
Taxes	\$ -	\$ -	\$ 841,527	\$ -
Investment and rental	36,699	33,920	47,185	11,136
Intergovernmental	135,534	568,999	-	503,829
Charges for services	147,455	132,720	-	-
Other	-	24,060	-	38,523
TOTAL REVENUES	319,688	759,699	888,712	553,488
EXPENDITURES:				
Current:				
General government	-	-	-	76,487
Public safety	-	754,914	-	-
Community development	15,984	-	697,221	190,819
Community services	-	-	-	275,421
Capital outlay	-	64,718	-	-
Debt service:				
Principal retirement	-	104,793	-	-
Interest and fiscal charges	-	61,930	-	-
TOTAL EXPENDITURES	15,984	986,355	697,221	542,727
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	303,704	(226,656)	191,491	10,761
OTHER FINANCING SOURCES (USES):				
Transfers in	-	364,080	-	16,000
Transfers out	(83,750)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(83,750)	364,080	-	16,000
NET CHANGE IN FUND BALANCES	219,954	137,424	191,491	26,761
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(1,085,407)	485,554	1,345,539	194,094
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (865,453)	\$ 622,978	\$ 1,537,030	\$ 220,855

See accompanying independent auditors' report.

Offsite Drainage District	Community Promotion	Totals
\$ -	\$ 477,793	\$ 1,319,320
3,405	93,501	225,846
-	1,000,000	2,208,362
1,862	1,029	283,066
-	140,161	202,744
<u>5,267</u>	<u>1,712,484</u>	<u>4,239,338</u>
-	-	76,487
-	-	754,914
263	215,810	1,120,097
-	32,293	307,714
-	108,412	173,130
-	157,189	261,982
-	84,865	146,795
<u>263</u>	<u>598,569</u>	<u>2,841,119</u>
<u>5,004</u>	<u>1,113,915</u>	<u>1,398,219</u>
-	136,500	516,580
-	(10,970)	(94,720)
-	125,530	421,860
5,004	1,239,445	1,820,079
88,711	(110,368)	918,123
<u>\$ 93,715</u>	<u>\$ 1,129,077</u>	<u>\$ 2,738,202</u>

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKS DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 45,000	\$ 45,000	\$ 36,699	\$ (8,301)
Intergovernmental	-	-	135,534	135,534
Charges for services	83,750	83,750	147,455	63,705
TOTAL REVENUES	128,750	128,750	319,688	190,938
EXPENDITURES:				
Current:				
Community development	6,438	6,438	15,984	(9,546)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	122,312	122,312	303,704	181,392
OTHER FINANCING USES:				
Transfers out	(83,750)	(83,750)	(83,750)	-
NET CHANGE IN FUND BALANCE	38,562	38,562	219,954	181,392
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(1,085,407)	(1,085,407)	(1,085,407)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$(1,046,845)</u>	<u>\$(1,046,845)</u>	<u>\$ (865,453)</u>	<u>\$ 181,392</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL POLICE SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 29,640	\$ 29,440	\$ 33,920	\$ 4,480
Intergovernmental	423,062	694,838	568,999	(125,839)
Charges for services	132,500	132,500	132,720	220
Other	-	-	24,060	24,060
TOTAL REVENUES	<u>585,202</u>	<u>856,778</u>	<u>759,699</u>	<u>(97,079)</u>
EXPENDITURES:				
Current:				
Public safety	714,341	1,022,478	754,914	267,564
Capital outlay	31,883	147,834	64,718	83,116
Debt service:				
Principal retirement	104,793	104,793	104,793	-
Interest and fiscal charges	57,077	64,077	61,930	2,147
TOTAL EXPENDITURES	<u>908,094</u>	<u>1,339,182</u>	<u>986,355</u>	<u>352,827</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(322,892)	(482,404)	(226,656)	255,748
OTHER FINANCING SOURCES:				
Transfers in	<u>366,785</u>	<u>364,080</u>	<u>364,080</u>	-
NET CHANGE IN FUND BALANCE	43,893	(118,324)	137,424	255,748
FUND BALANCE - BEGINNING OF YEAR	<u>485,554</u>	<u>485,554</u>	<u>485,554</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 529,447</u>	<u>\$ 367,230</u>	<u>\$ 622,978</u>	<u>\$ 255,748</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 849,036	\$ 849,036	\$ 841,527	\$ (7,509)
Investment and rental	21,000	21,000	47,185	26,185
TOTAL REVENUES	<u>870,036</u>	<u>870,036</u>	<u>888,712</u>	<u>18,676</u>
EXPENDITURES:				
Current:				
Community development	<u>737,331</u>	<u>737,688</u>	<u>697,221</u>	<u>40,467</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	132,705	132,348	191,491	59,143
FUND BALANCE - BEGINNING OF YEAR	<u>1,345,539</u>	<u>1,345,539</u>	<u>1,345,539</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,478,244</u>	<u>\$ 1,477,887</u>	<u>\$ 1,537,030</u>	<u>\$ 59,143</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OTHER GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 8,400	\$ 8,400	\$ 11,136	\$ 2,736
Intergovernmental	482,235	507,069	503,829	(3,240)
Other	78,100	78,100	38,523	(39,577)
TOTAL REVENUES	568,735	593,569	553,488	(40,081)
EXPENDITURES:				
Current:				
General government	79,677	79,677	76,487	3,190
Community development	230,535	230,535	190,819	39,716
Community services	278,986	304,149	275,421	28,728
Capital outlay	-	500	-	500
TOTAL EXPENDITURES	589,198	614,861	542,727	72,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,463)	(21,292)	10,761	32,053
OTHER FINANCING SOURCES (USES):				
Transfers in	28,000	44,000	16,000	(28,000)
Transfers out	(28,000)	(28,000)	-	28,000
TOTAL OTHER FINANCING SOURCES (USES)	-	16,000	16,000	-
NET CHANGE IN FUND BALANCE	(20,463)	(5,292)	26,761	32,053
FUND BALANCE - BEGINNING OF YEAR	194,094	194,094	194,094	-
FUND BALANCE - END OF YEAR	\$ 173,631	\$ 188,802	\$ 220,855	\$ 32,053

See accompanying independent auditors' report.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OFFSITE DRAINAGE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 3,300	\$ 3,300	\$ 3,405	\$ 105
Charges for services	-	-	1,862	1,862
TOTAL REVENUES	<u>3,300</u>	<u>3,300</u>	<u>5,267</u>	<u>1,967</u>
EXPENDITURES:				
Current:				
Community development	<u>165</u>	<u>165</u>	<u>263</u>	<u>(98)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,135	3,135	5,004	1,869
FUND BALANCE - BEGINNING OF YEAR	<u>88,711</u>	<u>88,711</u>	<u>88,711</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 91,846</u>	<u>\$ 91,846</u>	<u>\$ 93,715</u>	<u>\$ 1,869</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY PROMOTION SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 400,000	\$ 400,000	\$ 477,793	\$ 77,793
Investment and rental	110,000	110,000	93,501	(16,499)
Intergovernmental	-	-	1,000,000	1,000,000
Charges for services	-	-	1,029	1,029
Other	20,000	20,000	140,161	120,161
TOTAL REVENUES	530,000	530,000	1,712,484	1,182,484
EXPENDITURES:				
Current:				
Community development	249,882	228,170	215,810	12,360
Community services	37,000	37,000	32,293	4,707
Capital outlay	102,000	137,238	108,412	28,826
Debt service:				
Principal retirement	157,189	157,189	157,189	-
Interest and fiscal charges	84,865	84,865	84,865	-
TOTAL EXPENDITURES	630,936	644,462	598,569	45,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100,936)	(114,462)	1,113,915	1,228,377
OTHER FINANCING SOURCES (USES):				
Transfers in	134,000	136,500	136,500	-
Transfers out	-	(10,970)	(10,970)	-
TOTAL OTHER FINANCING SOURCES (USES)	134,000	125,530	125,530	-
NET CHANGE IN FUND BALANCE	33,064	11,068	1,239,445	1,228,377
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(110,368)	(110,368)	(110,368)	-
FUND BALANCE - END OF YEAR	\$ (77,304)	\$ (99,300)	\$ 1,129,077	\$ 1,228,377

See accompanying independent auditors' report.

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DEBT SERVICE FUND

The Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes	\$ 22,907,710	\$ 22,907,710	\$ 26,658,374	\$ 3,750,664
Investment and rental	250,000	250,000	462,126	212,126
TOTAL REVENUES	<u>23,157,710</u>	<u>23,157,710</u>	<u>27,120,500</u>	<u>3,962,790</u>
EXPENDITURES:				
Current:				
General government	6,532,885	6,532,885	7,500,606	(967,721)
Debt service:				
Principal retirement	4,030,000	4,030,000	4,030,000	-
Interest and fiscal charges	1,717,968	1,717,968	1,805,040	(87,072)
TOTAL EXPENDITURES	<u>12,280,853</u>	<u>12,280,853</u>	<u>13,335,646</u>	<u>(1,054,793)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,876,857</u>	<u>10,876,857</u>	<u>13,784,854</u>	<u>2,907,997</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	509,542	509,542	509,542	-
Transfers out	(8,000,000)	(8,000,000)	(8,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,490,458)</u>	<u>(7,490,458)</u>	<u>(7,490,458)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	3,386,399	3,386,399	6,294,396	2,907,997
FUND BALANCE - BEGINNING OF YEAR	<u>13,685,686</u>	<u>13,685,686</u>	<u>13,685,686</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,072,085</u>	<u>\$ 17,072,085</u>	<u>\$ 19,980,082</u>	<u>\$ 2,907,997</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Internal Service Funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis, including depreciation. The City used the following Internal Service Funds:

Risk Management Fund - accounts for the administration of the City's general liability insurance and for the payment of any related claims.

Compensation/Benefits Fund - finances and accounts for the City's group medical, vision and dental insurance, workers compensation insurance, unemployment insurance, employee life insurance and compensated absences.

Motor Pool/Equipment Fund - accounts for the maintenance and replacement of City-owned vehicles and equipment.

Facilities/Maintenance Fund - accounts for the City's buildings maintenance and utilities costs.

CITY OF WESTMINSTER
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS

June 30, 2007

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 6,145,608	\$ 6,389,051
Accounts receivable	-	-
Other receivables	-	16,016
Prepaid items	-	-
Inventories	-	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	6,145,608	6,405,067
	<hr/>	<hr/>
RESTRICTED ASSETS:		
Cash and investments	312,599	1,933,002
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Deferred bond charges	-	-
	<hr/>	<hr/>
CAPITAL ASSETS:		
Buildings	-	-
Improvements other than buildings	-	-
Vehicles	-	-
Machinery and equipment	-	-
Office furniture, computers and equipment	-	-
Leased property	-	-
Construction in progress	-	-
	<hr/>	<hr/>
TOTAL CAPITAL ASSETS	-	-
Less accumulated depreciation	-	-
	<hr/>	<hr/>
NET CAPITAL ASSETS	-	-
	<hr/>	<hr/>
TOTAL ASSETS	6,458,207	8,338,069
	<hr/>	<hr/>

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 2,831,895	\$ 9,985	\$ 15,376,539
50,387	-	50,387
-	-	16,016
1,229	-	1,229
43,828	-	43,828
<u>2,927,339</u>	<u>9,985</u>	<u>15,487,999</u>
<u>288,515</u>	<u>266,646</u>	<u>2,800,762</u>
<u>9,777</u>	<u>74,098</u>	<u>83,875</u>
-	4,166,795	4,166,795
-	12,500	12,500
3,044,593	-	3,044,593
201,638	25,240	226,878
881,427	338,471	1,219,898
604,808	-	604,808
451,135	-	451,135
<u>5,183,601</u>	<u>4,543,006</u>	<u>9,726,607</u>
<u>(2,663,368)</u>	<u>(927,462)</u>	<u>(3,590,830)</u>
<u>2,520,233</u>	<u>3,615,544</u>	<u>6,135,777</u>
<u>5,745,864</u>	<u>3,966,273</u>	<u>24,508,413</u>

(Continued)

CITY OF WESTMINSTER

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
(CONTINUED)

June 30, 2007

LIABILITIES AND NET ASSETS	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
CURRENT LIABILITIES:		
Accounts payable and other liabilities	\$ 78,957	\$ 7,379
Claims payable	233,642	397,739
Compensated absences	-	1,527,884
Certificates of participation	-	-
TOTAL CURRENT LIABILITIES	<u>312,599</u>	<u>1,933,002</u>
LONG-TERM LIABILITIES:		
Claims payable	700,925	1,193,218
Compensated absences	-	248,725
Certificates of participation	-	-
TOTAL LONG-TERM LIABILITIES	<u>700,925</u>	<u>1,441,943</u>
TOTAL LIABILITIES	<u>1,013,524</u>	<u>3,374,945</u>
NET ASSETS:		
Invested in capital assets, net of related debt	-	-
Unrestricted	5,444,683	4,963,124
TOTAL NET ASSETS	<u>\$ 5,444,683</u>	<u>\$ 4,963,124</u>

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 211,429	\$ 65,546	\$ 363,311
-	-	631,381
53,587	22,493	1,603,964
23,500	178,607	202,107
<u>288,516</u>	<u>266,646</u>	<u>2,800,763</u>
-	-	1,894,143
8,723	3,662	261,110
<u>249,841</u>	<u>1,654,530</u>	<u>1,904,371</u>
<u>258,564</u>	<u>1,658,192</u>	<u>4,059,624</u>
<u>547,080</u>	<u>1,924,838</u>	<u>6,860,387</u>
2,246,892	1,782,407	4,029,299
<u>2,951,892</u>	<u>259,028</u>	<u>13,618,727</u>
<u>\$ 5,198,784</u>	<u>\$ 2,041,435</u>	<u>\$ 17,648,026</u>

CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2007

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
OPERATING REVENUES:		
Intergovernmental	\$ -	\$ -
Charges for services	1,591,536	13,594,564
Other	384,770	250,680
	<u>1,976,306</u>	<u>13,845,244</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Salaries	-	3,500,955
Maintenance and operations	497,478	1,424,861
Insurance premiums and legal fees	1,005,607	2,121,587
Claims and benefits	103,748	11,924,165
Depreciation and amortization	-	-
	<u>1,606,833</u>	<u>18,971,568</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>369,473</u>	<u>(5,126,324)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	-	-
Interest and fiscal charges	-	(206)
Gain (loss) on sale of property and equipment	-	-
	<u>-</u>	<u>(206)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
NET INCOME (LOSS) BEFORE TRANSFERS	<u>369,473</u>	<u>(5,126,530)</u>
TRANSFERS:		
Transfers in	-	5,548,876
Transfers out	(14,818)	(16,000)
	<u>(14,818)</u>	<u>5,532,876</u>
TOTAL TRANSFERS		
CHANGE IN NET ASSETS	354,655	406,346
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>5,090,028</u>	<u>4,556,778</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 5,444,683</u>	<u>\$ 4,963,124</u>

See accompanying independent auditors' report.

Motor Pool/ Equipment	Facilities/ Maintenance	Totals
\$ 160,860	\$ -	\$ 160,860
2,774,793	1,484,390	19,445,283
175,363	104	810,917
<u>3,111,016</u>	<u>1,484,494</u>	<u>20,417,060</u>
921,822	526,361	4,949,138
1,441,478	652,701	4,016,518
-	-	3,127,194
-	-	12,027,913
520,583	126,954	647,537
<u>2,883,883</u>	<u>1,306,016</u>	<u>24,768,300</u>
<u>227,133</u>	<u>178,478</u>	<u>(4,351,240)</u>
188,551	48,139	236,690
(13,394)	(122,238)	(135,838)
24,869	-	24,869
<u>200,026</u>	<u>(74,099)</u>	<u>125,721</u>
<u>427,159</u>	<u>104,379</u>	<u>(4,225,519)</u>
526,763	6,530	6,082,169
(771,000)	(330,000)	(1,131,818)
<u>(244,237)</u>	<u>(323,470)</u>	<u>4,950,351</u>
182,922	(219,091)	724,832
<u>5,015,862</u>	<u>2,260,526</u>	<u>16,923,194</u>
<u>\$ 5,198,784</u>	<u>\$ 2,041,435</u>	<u>\$ 17,648,026</u>

CITY OF WESTMINSTER

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2007

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customer	\$ 1,976,306	\$ 13,861,206
Payment to suppliers	(1,650,125)	(15,263,722)
Payment to employees	-	(3,500,955)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>326,181</u>	<u>(4,903,471)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	5,548,876
Cash paid to other funds	(374,818)	(16,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(374,818)</u>	<u>5,532,876</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	-
Proceeds from sale of property	-	-
Principal payment on bonds	-	-
Interest and fiscal charges	-	(206)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,637)	629,199
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,506,844</u>	<u>7,692,854</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,458,207</u>	<u>\$ 8,322,053</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 369,473	\$ (5,126,324)
Depreciation and amortization	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	-	15,962
(Increase) decrease in prepaid charges	-	-
(Increase) decrease in inventories	-	-
Increase (decrease) in accounts payable and other liabilities	18,732	(37,650)
Increase (decrease) in claims payable	(62,024)	212,437
Increase (decrease) in compensated absences payable	-	32,104
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 326,181</u>	<u>\$ (4,903,471)</u>

See accompanying independent auditors' report.

Motor Pool/ Equipment	Facilities/ Maintenance	Totals
\$ 3,109,908	\$ 1,484,494	\$ 20,431,914
(1,339,524)	(647,081)	(18,900,452)
<u>(921,822)</u>	<u>(526,361)</u>	<u>(4,949,138)</u>
848,562	311,052	(3,417,676)
526,763	6,530	6,082,169
<u>(771,000)</u>	<u>(330,000)</u>	<u>(1,491,818)</u>
(244,237)	(323,470)	4,590,351
(698,260)	(4,015)	(702,275)
19,368	-	19,368
(23,500)	(178,606)	(202,106)
<u>(12,867)</u>	<u>(96,428)</u>	<u>(109,501)</u>
<u>(715,259)</u>	<u>(279,049)</u>	<u>(994,514)</u>
188,551	48,139	236,690
77,617	(243,328)	414,851
<u>3,042,793</u>	<u>519,959</u>	<u>17,762,450</u>
<u>\$ 3,120,410</u>	<u>\$ 276,631</u>	<u>\$ 18,177,301</u>
\$ 227,133	\$ 178,478	\$ (4,351,240)
520,583	126,954	647,537
(1,108)	-	14,854
157	-	157
4,080	-	4,080
83,639	957	65,678
-	-	150,413
<u>14,078</u>	<u>4,663</u>	<u>50,845</u>
<u>\$ 848,562</u>	<u>\$ 311,052</u>	<u>\$ (3,417,676)</u>

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AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals, principle organizations, other governments and/or funds.

1915 Acts Bonds Fund - accounts for the collection of assessments and debt repayments on the Limited Obligation Improvement Bonds issued to finance the costs of acquisition of streets, storm drains and traffic improvements in Assessment District No. 92-1.

CITY OF WESTMINSTER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
1915 ACT BONDS AGENCY FUND

For the year ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS:				
Restricted cash and investments	<u>\$ 85,913</u>	<u>\$ 42,616</u>	<u>\$ 40,150</u>	<u>\$ 88,379</u>
LIABILITIES:				
Due to bondholders	<u>\$ 85,913</u>	<u>\$ 42,616</u>	<u>\$ 40,150</u>	<u>\$ 88,379</u>

See accompanying independent auditors' report.

STATISTICAL SECTION

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

This part of the City of Westminster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118 - 127
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	128 - 137
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	138 - 144
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	145 - 146
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	147 - 149

CITY OF WESTMINSTER

NET ASSETS BY COMPONENT

Last Five Fiscal Years
(accrual bases of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 66,448,133	\$ 66,853,270	\$ 69,841,696	\$ 89,013,498
Restricted	27,334,806	33,729,348	40,578,288	43,466,845
Unrestricted	54,208,320	55,943,554	62,495,740	65,750,751
Total governmental activities net assets:	<u>\$ 147,991,259</u>	<u>\$ 156,526,172</u>	<u>\$ 172,915,724</u>	<u>\$ 198,231,094</u>
Business-type activity:				
Invested in capital assets, net of related debt	\$ 32,325,680	\$ 31,616,482	\$ 31,817,042	\$ 31,958,977
Restricted	357,139	355,111	361,722	367,947
Unrestricted	1,837,419	2,581,719	2,893,976	2,133,832
Total business-type activity net assets:	<u>\$ 34,520,238</u>	<u>\$ 34,553,312</u>	<u>\$ 35,072,740</u>	<u>\$ 34,460,756</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 98,773,813	\$ 98,469,752	\$ 101,658,738	\$ 120,972,475
Restricted	27,691,945	34,084,459	40,940,010	43,834,792
Unrestricted	56,045,739	58,525,273	65,389,716	67,884,583
Total primary government net assets:	<u>\$ 182,511,497</u>	<u>\$ 191,079,484</u>	<u>\$ 207,988,464</u>	<u>\$ 232,691,850</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fiscal Year

2007

\$ 93,264,276
62,906,004
64,244,252

\$ 220,414,532

\$ 31,234,034
367,355
1,872,906

\$ 33,474,295

\$ 124,498,310
63,273,359
66,117,158

\$ 253,888,827

CITY OF WESTMINSTER
 CHANGES IN NET ASSETS
 EXPENSES AND PROGRAM REVENUES

Last Five Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 4,392,839	\$ 6,433,847	\$ 6,015,172	\$ 6,228,357
Public safety	27,244,747	28,682,303	30,959,971	31,688,177
Public works	5,435,120	3,600,981	7,382,183	8,622,725
Community development	10,286,472	14,275,910	8,075,648	14,741,768
Community services	2,027,702	1,862,386	1,894,745	2,122,936
Interest on long-term debt	2,397,431	2,303,688	2,498,057	2,374,796
Total governmental activities expenses	<u>51,784,311</u>	<u>57,159,115</u>	<u>56,825,776</u>	<u>65,778,759</u>
Business-type activity:				
Water enterprise	8,871,713	10,077,883	10,675,044	11,145,539
Total business-type activity expenses	<u>8,871,713</u>	<u>10,077,883</u>	<u>10,675,044</u>	<u>11,145,539</u>
Total primary government expenses	<u>60,656,024</u>	<u>67,236,998</u>	<u>67,500,820</u>	<u>76,924,298</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	943,332	947,660	1,449,420	1,633,260
Public safety	3,875,111	3,662,085	3,931,255	3,305,174
Public works	776,134	1,148,568	871,794	837,055
Community development	1,889,925	2,031,913	2,020,380	1,954,382
Community services	239,607	255,160	271,867	294,745
Operating grants and contributions	7,556,590	5,958,376	5,564,678	6,705,228
Capital grants and contributions	1,442,637	216,666	1,845,256	442,300
Total governmental activities program revenues	<u>16,723,336</u>	<u>14,220,428</u>	<u>15,954,650</u>	<u>15,172,144</u>
Business-type activity:				
Charges for services:				
Water enterprise	9,489,236	10,162,780	10,329,216	10,091,120
Total business-type activity program revenues	<u>9,489,236</u>	<u>10,162,780</u>	<u>10,329,216</u>	<u>10,091,120</u>
Total primary government program revenues	<u>26,212,572</u>	<u>24,383,208</u>	<u>26,283,866</u>	<u>25,263,264</u>
Net revenues (expenses):				
Governmental activities	(35,060,975)	(42,938,687)	(40,871,126)	(50,606,615)
Business-type activity	617,523	84,897	(345,828)	(1,054,419)
Total net revenues (expenses)	<u>(34,443,452)</u>	<u>(42,853,790)</u>	<u>(41,216,954)</u>	<u>(51,661,034)</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
 Information prior to implementation of GASB 34 is not available.

Source: City Finance Department

Fiscal Year

2007

\$ 7,867,505
36,299,935
9,276,287
12,185,104
2,883,655
2,229,851
70,742,337

12,084,948

12,084,948

82,827,285

770,204
2,693,966
661,371
1,839,972
260,998
6,673,336
4,887,888
17,787,735

10,673,586

10,673,586

28,461,321

(52,954,602)

(1,411,362)

(54,365,964)

CITY OF WESTMINSTER

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Sales taxes	\$ 15,196,645	\$ 15,886,793	\$ 16,845,993	\$ 17,407,934
Property taxes, levied for general purposes	17,553,360	21,221,236	25,799,308	35,816,370
Utility users tax	4,548,381	4,750,700	5,013,869	5,203,530
Motor vehicle taxes	5,411,162	5,921,745	5,371,319	242,717
Other taxes	2,189,269	2,729,143	2,756,886	2,869,831
Unrestricted investment earnings	1,652,947	770,069	2,142,307	2,875,268
Miscellaneous	443,502	-	-	-
Transfers	523,987	193,914	(669,004)	(285,998)
Total governmental activities	<u>47,519,253</u>	<u>51,473,600</u>	<u>57,260,678</u>	<u>64,129,652</u>
Business-type activity:				
Unrestricted investment earnings	147,781	141,345	195,651	168,027
Miscellaneous	1,580,171	746	601	(11,590)
Transfers	(523,987)	(193,914)	669,004	285,998
Total business-type activity	<u>1,203,965</u>	<u>(51,823)</u>	<u>865,256</u>	<u>442,435</u>
Total primary government	<u>48,723,218</u>	<u>51,421,777</u>	<u>58,125,934</u>	<u>64,572,087</u>
Changes in net assets				
Governmental activities	12,458,278	8,534,913	16,389,552	13,523,037
Business-type activity	1,821,488	33,074	519,428	(611,984)
Total primary government	<u>\$ 14,279,766</u>	<u>\$ 8,567,987</u>	<u>\$ 16,908,980</u>	<u>\$ 12,911,053</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fiscal Year

2007

\$ 16,537,117
44,158,452
5,398,058
535,896
3,034,760
5,754,628
-
(280,871)
75,138,040

144,030
-

280,871

424,901

75,562,941

22,183,438

(986,461)

\$ 21,196,977

CITY OF WESTMINSTER

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 2,224,382	\$ 1,855,144	\$ 1,453,642	\$ 1,099,215
Unreserved	10,226,553	13,946,853	20,559,828	24,820,433
Total general fund	<u>\$ 12,450,935</u>	<u>\$ 15,801,997</u>	<u>\$ 22,013,470</u>	<u>\$ 25,919,648</u>
All other governmental funds:				
Reserved	\$ 16,115,399	\$ 18,041,121	\$ 21,234,149	\$ 28,162,911
Unreserved, reported in:				
Special revenue funds	1,150,142	808,575	163,573	(3,617,166)
Capital projects funds	41,298,187	48,434,181	49,860,609	46,964,508
Total all other governmental funds	<u>\$ 58,563,728</u>	<u>\$ 67,283,877</u>	<u>\$ 71,258,331</u>	<u>\$ 71,510,253</u>

The City of Westminster has elected to show only five years of data for this schedule.

Fiscal Year
2007

\$ 439,516
23,542,289

\$ 23,981,805

\$ 39,922,224

(2,081,224)
52,855,976

\$ 90,696,976

CITY OF WESTMINSTER

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 47,794,596	\$ 51,707,823	\$ 59,082,016	\$ 64,656,552
Licenses and permits	683,574	740,893	781,468	610,347
Fines	1,133,471	1,156,610	1,198,103	1,115,973
Investment and rental	2,142,508	1,168,895	2,583,482	3,323,952
Intergovernmental	5,390,846	2,673,376	3,995,166	4,010,412
Charges for services	6,048,718	5,530,755	5,981,705	6,230,734
Other	875,049	1,273,797	374,248	594,603
Total revenues	<u>64,068,762</u>	<u>64,252,149</u>	<u>73,996,188</u>	<u>80,542,573</u>
Expenditures				
Current:				
General government	4,402,404	4,869,899	6,143,610	7,152,460
Public safety	28,289,482	28,107,348	30,295,390	31,171,238
Public works	3,358,499	3,020,997	2,934,063	3,185,114
Community development	8,214,778	7,294,351	7,056,187	8,621,528
Community services	2,102,260	1,789,396	1,823,333	1,972,542
Capital outlay	5,680,079	10,126,674	12,022,185	18,959,758
Debt service:				
Principal retirement	1,528,873	1,602,971	4,617,646	4,345,269
Interest and fiscal charges	2,253,395	2,131,874	2,303,283	2,203,295
Note issuance cost	-	118,792	73,849	-
Total expenditures	<u>55,829,770</u>	<u>59,062,302</u>	<u>67,269,546</u>	<u>77,611,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,238,992</u>	<u>5,189,847</u>	<u>6,726,642</u>	<u>2,931,369</u>
Other financing sources (uses):				
Sale of equipment and property	8,133	557,727	3,295	3,390
Issuance of notes	-	6,200,000	3,100,000	-
Transfers in	26,033,282	24,021,375	20,305,765	25,103,940
Transfers out	<u>(25,968,650)</u>	<u>(23,897,738)</u>	<u>(19,949,775)</u>	<u>(23,880,599)</u>
Total other financing sources (uses)	<u>72,765</u>	<u>6,881,364</u>	<u>3,459,285</u>	<u>1,226,731</u>
Net change in fund balances	<u>\$ 8,311,757</u>	<u>\$ 12,071,211</u>	<u>\$ 10,185,927</u>	<u>\$ 4,158,100</u>
Debt service as a percentage of noncapital expenditures	7.5%	7.9%	12.7%	11.2%

The City of Westminster has elected to show only five years of data for this schedule.

Source: City Finance Department

Fiscal Year

2007

\$ 73,577,733
673,474
1,122,580
6,333,700
7,086,980
6,731,530
637,458
96,163,455

8,691,822
33,692,840
3,704,058
10,118,124
2,181,583
8,712,611

4,512,892
2,071,102

-
73,685,032

22,478,423

1,679

-
22,073,375
(27,304,597)

(5,229,543)
\$ 17,248,880

10.1%

CITY OF WESTMINSTER

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per \$100 of taxable value)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City Direct Rate:										
City basic rate	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340	0.09340
Redevelopment agency	0.10273	0.11464	0.12983	0.13720	0.21929	0.26190	0.31095	0.35554	0.39537	0.44615
Total City Direct Rate	0.19613	0.20804	0.22323	0.23060	0.31269	0.35530	0.40435	0.44894	0.48877	0.53955
Overlapping Rates:										
Special Districts	0.05291	0.05291	0.05291	0.05281	0.05171	0.05071	0.05011	0.04981	0.04921	0.04871
County of Orange	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285	0.15285
School Districts	0.70974	0.70974	0.70974	0.70974	0.70974	0.70974	0.71025	0.76727	0.75058	0.74778
Total Direct Rate	<u>1.00890</u>	<u>1.00890</u>	<u>1.00890</u>	<u>1.00880</u>	<u>1.00770</u>	<u>1.00670</u>	<u>1.00661</u>	<u>1.06333</u>	<u>1.04604</u>	<u>1.04274</u>

Notes:

In 1978 the voters of the State of California passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of voter approved bonds.

CITY OF WESTMINSTER
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Retail Property Trust	\$ 103,464,211	1.66%	\$ -	0.00%
WRI Golden State LLC	61,380,980	0.99%	-	0.00%
PK I Pavilions Place	33,598,284	0.54%	-	0.00%
CMF Inc.	29,800,000	0.48%	-	0.00%
Sears Roebuck & Company	28,841,397	0.46%	8,845,453	0.27%
Asian Garden Limited	24,503,846	0.39%	18,780,186	0.57%
Springdale #2 LP	23,084,565	0.37%	-	0.00%
Target Corporation	22,538,443	0.36%	-	0.00%
Delma Corporation	19,338,709	0.31%	14,515,973	0.44%
M Westland Corporation	16,978,649	0.27%	-	0.00%
Corporate Property Investors	-	0.00%	95,299,924	2.88%
HPBA Westminster Associates	-	0.00%	52,305,200	1.58%
Misui SBD America Fund 88-Q	-	0.00%	19,258,620	0.58%
Mary Hatchell Trust	-	0.00%	10,004,800	0.30%
Russell Development	-	0.00%	9,353,401	0.28%
Dayton Hudson Corporation	-	0.00%	8,580,000	0.26%
May Department Stores	-	0.00%	5,754,574	0.17%
	<u>\$ 363,529,084</u>	<u>5.83%</u>	<u>\$ 242,698,131</u>	<u>7.33%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

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CITY OF WESTMINSTER

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	\$ 3,074,095	\$ 3,028,518	98.52%	\$ 57,540	\$ 3,086,058	100.39%
1999	3,118,345	3,079,857	98.77%	86,722	3,166,579	101.55%
2000	3,276,654	3,306,660	100.92%	115,673	3,422,333	104.45%
2001	3,446,792	3,484,247	101.09%	122,916	3,607,163	104.65%
2002	3,278,382	3,289,060	100.33%	116,864	3,405,924	103.89%
2003	3,253,308	3,264,879	100.36%	125,173	3,390,052	104.20%
2004	3,250,303	3,258,761	100.26%	141,527	3,400,288	104.61%
2005	3,258,297	3,266,270	100.24%	218,569	3,484,839	106.95%
2006	3,206,864	3,209,909	100.09%	209,060	3,418,969	106.61%
2007	3,210,481	3,210,705	100.01%	151,216	3,361,920	104.72%

Note:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Sources: Orange County Assessor's Office
Orange County Office of Auditor-Controller

CITY OF WESTMINSTER

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Taxable Assessed Value
	Secured	Unsecured	Less: Exemptions	
1998	\$ 2,841,312,322	\$ 98,580,764	\$ 82,319,160	\$ 2,857,573,926
1999	2,917,710,904	100,152,445	82,233,394	2,935,629,955
2000	3,069,308,750	101,314,066	82,498,972	3,088,123,844
2001	3,704,775,410	160,313,311	82,180,106	3,782,908,615
2002	3,069,767,327	101,438,368	82,519,972	3,088,685,723
2003	3,070,142,985	101,438,368	82,526,972	3,089,054,381
2004	4,615,203,550	187,047,921	82,526,972	4,719,724,499
2005	3,070,142,985	101,438,368	82,526,972	3,089,054,381
2006	3,070,314,334	101,438,368	82,526,972	3,089,225,730
2007	3,070,312,328	101,438,368	82,533,972	3,089,216,724

Notes:

Beginning with the fiscal year ended June 30, 2002, exemptions are netted directly against the individual property categories.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Redevelopment Agency

Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
\$ 811,789,151	\$ 129,865,046	\$ 1,405,600	\$ 940,248,597	0.19613%
869,279,169	133,685,550	1,986,600	1,000,978,119	0.20804%
964,043,045	127,966,612	1,821,200	1,090,188,457	0.22323%
1,031,874,369	133,775,239	3,502,800	1,162,146,808	0.23060%
4,010,413,851	168,233,484	86,276,891	4,092,370,444	0.31269%
4,269,675,287	170,143,081	86,374,184	4,353,444,184	0.35530%
4,705,155,866	186,033,418	89,655,634	4,801,533,650	0.40435%
4,976,039,997	212,157,032	89,002,400	5,099,194,629	0.44894%
5,498,360,086	190,250,992	98,904,230	5,589,706,848	0.48877%
6,073,405,708	234,532,935	105,484,147	6,202,454,496	0.53955%

CITY OF WESTMINSTER

WATER CUSTOMERS

Current Year and Nine Years Ago

Water Customer	2007		1998	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
City of Westminster	\$ 141,544	1.40%	125,286	1.67%
Arnel Management	127,313	1.26%	165,294	2.20%
Westminster School District	88,878	0.88%	67,435	0.90%
Garden Grove Unified	77,640	0.77%	33,194	0.44%
HMR Property Management Co.	46,300	0.46%	36,807	0.49%
Mission del Amo Mobile Park	43,295	0.43%	-	0.00%
Granite Park Lane	38,223	0.38%	-	0.00%
Los Alisos	37,639	0.37%	67,883	0.91%
Pembroke Management Inc.	36,211	0.36%	76,916	1.03%
Rancho del Sol	36,024	0.36%	-	0.00%
Tres Vidas Apartments	35,051	0.35%	34,729	0.46%
Todai Plaza	33,783	0.33%	-	0.00%
Huntington Beach Union High School	-	0.00%	59,502	0.79%
JMR Enterprises Ltd.	-	0.00%	46,022	0.61%
Asian Garden Ltd.	-	0.00%	36,105	0.48%
Sutton Place Inv.	-	0.00%	34,215	0.46%
Total	<u>\$ 741,901</u>		<u>\$ 783,388</u>	

Source: City of Westminster

CITY OF WESTMINSTER

WATER RATES

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Monthly Base Rate</u>	<u>Rate per 1,000 Gallons</u>
1998	\$ -	1.41
1999	-	1.47
2000	-	1.47
2001	-	1.52
2002	4.50	1.30
2003	4.05	1.20
2004	4.82	1.26
2005	4.82	1.26
2006	4.82	1.26
2007	4.82	1.26

Note:

Rates are based on 5/8" meter, which is the standard household meter size. The City charges an excess-use rate above normal demand.

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CITY OF WESTMINSTER

WATER SOLD BY TYPE OF CUSTOMER

Last Ten Fiscal Years
(in millions of gallons)

Fiscal Year Ended June 30	Type of Customer					Total
	Residential	Industrial	Commercial	Military	Government	
1998	\$ 5,484,779	\$ 86,243	\$ 1,397,007	\$ -	\$ 45,794	\$ 7,013,823
1999	8,854,240	91,485	1,437,202	-	45,698	10,428,625
2000	6,958,326	110,044	1,626,670	-	53,702	8,748,742
2001	4,546,397	65,895	1,129,601	-	32,938	5,774,831
2002	2,929,686	37,867	614,889	-	81,852	3,664,294
2003	7,395,139	79,095	1,527,961	-	101,899	9,104,094
2004	7,411,563	91,508	1,444,947	-	183,526	9,131,544
2005	7,740,877	91,961	1,521,968	-	107,159	9,461,965
2006	8,338,946	103,672	1,661,118	-	118,161	10,221,897
2007	8,477,163	91,779	1,617,759	-	92,457	10,279,158

Total direct rate
per 1,000 gallons

CITY OF WESTMINSTER

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capitalized Lease	
1998	\$ 44,468,976	\$ 9,041,024	\$ 2,370,000	\$ 24,270	\$ 55,904,270
1999	43,271,725	13,111,522	2,085,000	69,823	58,538,070
2000	42,217,256	8,723,796	1,780,000	130,690	52,851,742
2001	41,110,408	11,580,579	1,460,000	92,034	54,243,021
2002	40,156,185	7,958,921	1,125,000	50,175	49,290,281
2003	36,385,000	10,319,635	770,000	18,062	47,492,697
2004	41,480,000	9,744,163	695,000	-	51,919,163
2005	40,805,000	9,133,691	300,000	-	50,238,691
2006	36,925,000	8,498,219	300,000	-	45,723,219
2007	32,895,000	7,837,747	300,000	-	41,032,747

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-type Activities					
Certificates of Participation	Loans Payable	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt per Capita
\$ 4,965,000	\$ -	\$ 4,965,000	\$ 60,869,270	6.72%	\$ 718
5,152,950	-	5,152,950	63,691,020	6.61%	738
4,510,747	-	4,510,747	57,362,489	5.41%	665
4,406,815	857,906	5,264,721	59,507,742	5.46%	675
4,297,883	2,866,358	7,164,241	56,454,522	5.05%	632
4,183,950	4,566,670	8,750,620	56,243,317	4.81%	620
4,065,018	4,417,041	8,482,059	60,401,222	4.84%	666
3,936,086	4,157,757	8,093,843	58,332,534	n/a	632
3,802,154	3,886,724	7,688,878	53,412,097	n/a	578
3,663,223	3,604,845	7,268,068	48,300,815	n/a	520

CITY OF WESTMINSTER

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1998	\$ -	\$ -	\$ -	0.00%	\$ -
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

CITY OF WESTMINSTER

DIRECT AND OVERLAPPING DEBT

June 30, 2007

City Assessed Valuation		\$ 3,171,750,696	
Redevelopment Agency Incremental Valuation		<u>3,043,555,510</u>	
Total Assessed Valuation		<u>\$ 6,215,306,206</u>	
			Estimated
	Percentage	Outstanding	Share of
	Applicable (1)	Debt 6/30/07	Overlapping
			Debt
<u>Overlapping Debt Repaid with Property Taxes:</u>			
Orange County Teeter Plan Obligations	0.931%	\$ 123,725,000	\$ 1,151,880
Metropolitan Water District	0.194%	359,115,000	696,683
Coast Community College District	4.044%	353,203,867	14,283,564
Huntington Beach Union High School District	8.191%	203,873,794	15,388,394
City of Westminster 1915 Act Bonds	100.000%	180,000	180,000
Total overlapping debt repaid with property taxes		<u>\$ 1,040,097,661</u>	<u>\$ 31,700,521</u>
<u>Overlapping Other Debt:</u>			
Orange County General Fund Obligations	0.931%	\$ 597,550,000	\$ 5,563,191
Orange County Pension Obligations	0.931%	89,893,078	836,905
Orange County Board of Education Certificates of Participation	0.931%	19,720,000	183,593
Orange County Transit Authority	0.931%	1,235,000	11,498
Orange County Sanitation District Certificates of Participation	1.304%	117,705,000	1,534,873
Municipal Water District of Orange County Water Facilities Corporation	1.106%	20,800,000	230,048
Huntington Beach Union High School District Certificates of Participation	7.548%	17,000,000	1,283,160
Ocean View School District Certificates of Participation	3.217%	8,610,000	276,984
Westminster School District Certificates of Participation	47.797%	17,790,000	8,503,086
City of Westminster Certificates of Participation	100.000%	8,130,000	8,130,000
Orange County Fire Authority	1.825%	13,570,000	247,653
Total gross overlapping other debt		<u>\$ 912,003,078</u>	<u>26,800,991</u>
Less: Orange County Transit Authority (80% self-supporting)			9,198
MWDOC Water Facilities Corporation (100% self-supporting)			230,048
Total net overlapping other debt			<u>\$ 26,561,745</u>
City direct debt			<u>\$ 31,700,521</u>
Gross total direct and overlapping debt			<u>\$ 58,501,512</u>
Net total direct and overlapping debt			<u>\$ 58,262,266</u>

Notes:

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics

CITY OF WESTMINSTER

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	1998	1999	2000	2001
Assessed valuation	\$ 2,939,893,086	\$ 3,017,863,349	\$ 3,170,622,816	\$ 3,947,268,827
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 734,973,272	\$ 754,465,837	\$ 792,655,704	\$ 986,817,207
Debt limit percentage	15%	15%	15%	15%
Debt limit	110,245,991	113,169,876	118,898,356	148,022,581
Total net debt applicable to limitation	60,869,270	63,691,020	57,362,489	59,507,742
Legal debt margin	49,376,721	49,478,856	61,535,867	88,514,839
Total debt applicable to the limit as a percentage of debt limit	55.2%	56.3%	48.2%	40.2%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 2,307,051,267	\$ 3,171,581,353	\$ 3,171,581,353	\$ 3,171,581,353	\$ 3,171,752,702	\$ 3,171,750,696
25%	25%	25%	25%	25%	25%
\$ 576,762,817	\$ 792,895,338	\$ 792,895,338	\$ 792,895,338	\$ 792,938,176	\$ 792,937,674
15%	15%	15%	15%	15%	15%
86,514,423	118,934,301	118,934,301	118,934,301	118,940,726	118,940,651
56,454,522	56,243,317	60,401,222	58,332,534	53,412,097	48,300,815
<u>30,059,901</u>	<u>62,690,984</u>	<u>58,533,079</u>	<u>60,601,767</u>	<u>65,528,629</u>	<u>70,639,836</u>
65.3%	47.3%	50.8%	49.0%	44.9%	40.6%

CITY OF WESTMINSTER

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 9,127,647	\$ 7,539,724	\$ 1,587,923	\$ 90,000	\$ 282,495	4.26
1999	9,186,032	7,833,088	1,352,944	200,000	243,266	3.05
2000	9,824,626	8,173,589	1,651,037	115,000	216,177	4.99
2001	9,619,952	7,865,648	1,754,304	120,000	211,048	5.30
2002	9,634,056	7,388,576	2,245,480	125,000	205,701	6.79
2003	9,637,017	7,384,480	2,252,537	130,000	200,135	6.82
2004	10,304,125	8,375,396	1,928,729	135,000	194,352	5.86
2005	10,524,867	9,035,378	1,489,489	145,000	188,241	4.47
2006	10,259,147	9,237,504	1,021,643	150,000	181,802	3.08
2007	10,817,613	9,885,518	932,095	155,000	175,146	2.82

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest or depreciation expenses.

CITY OF WESTMINSTER

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population (1)	Personal Income (in thousands)(2)*	Per Capita Personal Income (2) *	Unemployment Rate (3)
1998	84,835	90,579,927	32,663	5.80%
1999	86,248	96,288,099	34,194	5.10%
2000	87,637	106,003,904	37,103	5.10%
2001	89,927	109,010,278	37,651	5.20%
2002	89,683	111,750,294	38,169	6.70%
2003	90,643	116,997,802	39,536	6.90%
2004	91,464	124,853,736	41,868	6.30%
2005	92,270	n/a	n/a	5.00%
2006	92,408	n/a	n/a	4.70%
2007	92,870	n/a	n/a	3.90%

Sources:

(1) State Department of Finance

* (2) BEA - Bureau of Economic Analysis (Orange County)

(3) U.S. Dept of Labor, Bureau of Labor & Statistics

CITY OF WESTMINSTER

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2007		1998	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
B & E Farms/Ito Farms	700	1.56%	1998 Data not available	
Southern California Edison - Sempra Energy	613	1.37%		
Kindred Healthcare, Inc.	410	0.92%		
City of Westminster	393	0.88%		
DE Aerospace Manufacturing	350	0.78%		
Wal-Mart	300	0.67%		
Sears Roebuck & Co.	300	0.67%		
Westminster High School	250	0.56%		
Hapa Industries, Ltd.	250	0.56%		
JC Penney Co.	235	0.52%		
Target	210	0.47%		
Lexus of Westminster	175	0.39%		

"Total Employment" as used above represents the total employment of all employers located within City limits.

Sources: Inside Prospects, Inc.
California Employment Development Department

CITY OF WESTMINSTER

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Eight Fiscal Years

Function	Fiscal Year							
	2000	2001	2002	2003	2004	2005	2006	2007
General government	56	70	74	76	57	57	47	46
Public safety	177	176	179	178	171	174	169	168
Public works	39	39	39	36	33	36	35	38
Community development	46	42	45	58	55	39	50	46
Community service	52	86	64	41	63	64	64	66
Water	41	42	32	29	28	30	28	29
Total	<u>411</u>	<u>455</u>	<u>433</u>	<u>418</u>	<u>407</u>	<u>400</u>	<u>393</u>	<u>393</u>

The City has elected to show only eight years of data for this schedule.

CITY OF WESTMINSTER

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Arrests	4,635	2,767	3,153	3,062	2,517	2,384	2,384	2,384	2,694	n/a
Traffic violations	10,862	9,070	9,826	9,826	11,368	14,102	10,863	10,863	11,763	n/a
Parking violations	7,834	14,854	14,293	17,776	16,190	17,608	18,321	18,321	21,839	n/a
Fire:										
Number of calls answered	5,090	5,166	5,324	5,410	5,498	5,674	5,729	5,898	5,804	n/a
Inspections conducted	2,508	2,540	2,558	2,646	2,759	1,149	1,382	1,552	2,846	*1,294
Public works:										
Street resurfacing (miles)	17.50	6.50	29.67	12.25	6.84	9.03	17.86	11.73	7.00	9.00
Parks and recreation: **										
Number of recreation classes	n/a	n/a	560	560	554	707	602	673	988	924
Number of facility rentals	n/a	n/a	67	61	68	53	80	76	84	89
Water:										
New connections	307	32	120	135	295	353	410	284	56	38
Average daily consumption (in hundred cubic feet)	16,424	20,051	17,332	11,048	6,333	16,188	16,120	15,576	15,176	15,367

* As of 10/26/07

**Retention program requires only 4 years of documents

CITY OF WESTMINSTER
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Street (miles)	188	188	161	161	161	171	171	171	171	171
Streetlights	6,300	6,300	4,700	4,700	4,700	4,700	4,687	4,687	4,687	4,695
Traffic signals	61	61	61	61	61	61	62	63	64	64
Parks and recreation:										
Parks	22	23	23	24	24	25	25	25	25	24
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	275	275	157	157	157	157	157	157	157	230
Maximum daily capacity (in acre per feet per day)	63	70	68	67	67	81	60	60	60	76

Source: City of Westminster