

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

**JUNE 30, 2010**



WESTMINSTER REDEVELOPMENT AGENCY

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**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100  
IRVINE, CALIFORNIA 92606-5165  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevans.com](http://www.diehlevans.com)

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTKAMP, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA  
WILLIAM C. PENTZ, CPA

\*A PROFESSIONAL CORPORATION

November 24, 2010

## INDEPENDENT AUDITORS' REPORT

Agency Members  
Westminster Redevelopment Agency  
Westminster, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westminster Redevelopment Agency (a component unit of the City of Westminster), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Westminster Redevelopment Agency as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2010 on our consideration of the Westminster Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedule, identified as required supplementary information in the 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. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 Westminster Redevelopment Agency's basic financial statements as a whole. The computation of the excess surplus of the Low and Moderate Income Housing Special Revenue Fund, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Diehl, Evans and Company, LLP*

**WESTMINSTER REDEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010**

As management of the Westminster Redevelopment Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010.

**FINANCIAL HIGHLIGHTS**

- Assets exceeded liabilities at the close of fiscal year 2010 by \$76.8 million.
- Total net assets increased by \$940 thousand.
- At the close of fiscal year 2010, governmental funds reported a combined ending fund balance of \$137.5 million, a decrease of \$25.4 million, in comparison with the prior year. \$29.7 million is unreserved and is available for spending at the Agency's discretion.
- Total debt decreased by \$1.0 million (1 percent) during fiscal year 2010. Changes in debt consisted of \$1.0 million in principal reduction payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

See accompanying independent auditor's report.

**WESTMINSTER REDEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**June 30, 2010**

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

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

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

**Fund Financial Statements**

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

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

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

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

See accompanying independent auditor's report.

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

**June 30, 2010**

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

**Fund Financial Statements (Continued)**

**Government funds (continued)** The Agency adopts an annual operating budget for the Special Revenue and Debt Service Funds. A budgetary comparison statement for its Low and Moderate Income Housing Special Revenue Fund has been provided to demonstrate compliance with this budget on page 35. The governmental fund financial statements can be found on pages 14-17 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 18-34 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes a Budgetary Comparison Schedule for the Low and Moderate Income Housing Special Revenue Fund, and the Computation of Low and Moderate Income Housing Funds – Excess/Surplus Schedule. Required supplementary information can be found on pages 35-37 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Agency assets exceeded liabilities by \$76.8 million at the close of fiscal year 2010. Net assets increased \$940 thousand when compared to prior year. The Statement of Net Assets for fiscal years 2010 and 2009 are summarized on the following page:

See accompanying independent auditor's report.

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

**June 30, 2010**

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

Statement of Net Assets\*

	Governmental Activities			
	June 30, 2010	June 30, 2009	Increase/ (Decrease) From 2009	Percent Increase/ (Decrease)
<b>Assets:</b>				
Current and other assets	\$ 157,691,474	\$ 177,266,620	\$ (19,575,146)	-11.0%
Capital assets (net of depreciation)	37,002,723	12,154,457	24,848,266	204.4%
Total assets	<u>194,694,197</u>	<u>189,421,077</u>	<u>5,273,120</u>	2.8%
<b>Liabilities:</b>				
Current and other liabilities	16,496,641	11,003,916	5,492,725	49.9%
Noncurrent liabilities	101,375,000	102,535,000	(1,160,000)	-1.1%
Total liabilities	<u>117,871,641</u>	<u>113,538,916</u>	<u>4,332,725</u>	3.8%
<b>Net assets:</b>				
Restricted for community development	76,822,556	75,882,161	940,395	1.2%
Total net assets	<u>\$ 76,822,556</u>	<u>\$ 75,882,161</u>	<u>\$ 940,395</u>	1.2%

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

**Governmental activities** had the greatest changes occur due to continuing work on the construction of the police facility. This resulted in an increase in "Capital assets (net of depreciation)", where the related asset resides in construction in progress. The "Current and other liabilities" also reflects an increase. This is due to increases in "Accounts payable and other liabilities", and "Due to City of Westminster". The majority of the increase in "Accounts payable and other liabilities" is due to construction invoices due at year end. The amount in "Due to the City of Westminster" is for expenses paid by the City on behalf of the Redevelopment Agency. These amounts are paid off periodically throughout the year. \$2.5 million of this amount is for repayment of police facility construction costs.

**Statement of Activities**

The statement of activities shows how the government's net assets changed during fiscal year 2010. The Agency's net assets increased by \$940 thousand during the current fiscal year as summarized on the following page:

See accompanying independent auditor's report.

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

**June 30, 2010**

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

Statement of Activities\*

	Governmental Activities			
	For the year-ended		Increase/ (Decrease)	Percent Increase/ (Decrease)
	June 30, 2010	June 30, 2009		
Revenues:				
General revenues:				
Taxes: tax increment	\$ 36,281,994	\$ 36,924,630	\$ (642,636)	-1.7%
Investment earnings	2,023,505	2,875,560	(852,055)	-29.6%
Other	115,623	103,901	11,722	11.3%
Total Revenues	<u>38,421,122</u>	<u>39,904,091</u>	<u>(1,482,969)</u>	-3.7%
Expenses:				
General government	22,882,156	11,089,908	11,792,248	106.3%
Community development	8,873,371	2,627,777	6,245,594	237.7%
Interest expense	5,725,200	2,371,636	3,353,564	141.4%
Total Expenses	<u>37,480,727</u>	<u>16,089,321</u>	<u>21,391,406</u>	133.0%
Change in net assets	940,395	23,814,770	(22,874,375)	-96.1%
Net assets - Beginning of year	<u>75,882,161</u>	<u>52,067,391</u>	<u>23,814,770</u>	45.7%
Net assets - End of year	<u>\$ 76,822,556</u>	<u>\$ 75,882,161</u>	<u>\$ 940,395</u>	1.2%

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

**Governmental activities** increased the Agency's net assets by \$940 thousand, or 1.2 percent. General government is the largest expense function (61.0 percent), followed by Community development (23.7 percent) and Interest expense (15.3 percent). Total expenses increased overall by \$21.4 million or 133 percent. "General government" costs increased by \$11.8 million or 106.3 percent. The majority of this change was due to a \$12.1 million payment to the State of California for SERAF. Excluding this payment, the expenses in this category actually decreased by \$353 thousand.

See accompanying independent auditor's report.

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

**June 30, 2010**

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

**Governmental activities (continued)** "Community development" increased by \$6.2 million or 237.7 percent. The majority of this increase is due to the prior year's amount including a \$4.7 million transfer from the general fund which reduced the total costs. This transfer was for the construction in progress on the police facility that had previously been partially funded and maintained in the City's fixed assets. With the issuance of redevelopment funds, the asset and related debt are now maintained in the Agency. This year's amount included the reimbursement from the Redevelopment Agency to the City for the initial \$2.5 million in expenses on the police facility that were paid prior to bond funding.

"Interest expense" increased by \$3.4 million (141.4 percent). Prior year's amount included only accrued interest on the new debt issuance. This year's amount included interest payments on the 2009 debt issuance. Additional information can be found on Note 5 in the notes to the basic financial statements.

Revenues were fairly static from 2009 to 2010, as "Total Revenues" decreased by \$1.5 million or 3.7 percent.

**FINANCIAL ANALYSIS OF AGENCY FUNDS**

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

As of June 30, 2010, the Agency's governmental funds reported combined ending fund balances of \$137.5 million, a decrease of \$25.4 million in comparison with the prior year. Of the \$137.5 million, \$29.7 million, or 21.6 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 capital projects of \$69.1 million, (2) to advances to other fund of \$12.1 million, (3) to noncurrent notes receivables of \$11.1 million, (4) to low and moderate income housing of \$9 million, (5) to pay debt service of \$5.7 million, (6) to land held for resale of \$567 thousand, (7) to pay advances to the City of Westminster of \$142 thousand, or (7) for prepaid item of \$7 thousand.

See accompanying independent auditor's report.

## WESTMINSTER REDEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

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

The major factors in fund balance changes are as follows:

- The **Westminster Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund** recognized a \$5.2 million increase due to revenues greater than expenditures of \$6.8 million. "Transfers Out" is 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. In fiscal year 2009, the Agency transferred \$6 million for loans and grants. The amount transferred in fiscal year 2010 was \$1 million. This fund is further detailed on page 16 this report.
- The **Debt Service Fund** recognized a \$16.0 million decrease. A "Transfers Out" of \$18 million was made to the Capital Projects Fund for cash flows. In addition a payment of \$12.1 million was made to the State of California for the Agency's share of the SERAF contribution. Fiscal year 2011's payment is expected to be \$2.5 million.
- The **Capital Projects Funds** recognized a decrease in fund balance of \$14.5 million. This is due to a "Transfer in" of \$18.0 million from the Debt Service Fund, and the continuing expenditures on the construction of the police facility and various street projects. The total expenditures on the police facility were \$22.5 million for fiscal year 2010.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital assets:

Agency investment in capital assets as of June 30, 2010 amounted to \$37 million (net of accumulated depreciation). Investment in capital assets includes land, buildings and improvements, equipment, construction in progress. The total increase in capital assets for fiscal year 2010 was \$24.8 million or 204 percent.

Additional information on the Agency's capital assets can be found on Note 4 in the notes to the basic financial statements. Capital assets (net of accumulated depreciation) at June 30, 2010 and June 30, 2009 are summarized on the following page:

See accompanying independent auditor's report.

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

**June 30, 2010**

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

**Capital assets (Continued):**

Capital Assets (net of accumulated depreciation)

	June 30, 2010	June 30, 2009
Land	\$ 4,582,276	\$ 4,382,276
Buildings	1,113,318	1,160,928
Improvements other than buildings	650,390	670,071
Machinery and equipment	23,922	21,121
Office furniture and equipment	32,216	34,427
Construction in progress	30,600,601	5,885,634
Total capital assets, net	<u>\$ 37,002,723</u>	<u>\$ 12,154,457</u>

Major capital asset events during fiscal year 2010 included adding \$22.5 million to "Construction in Progress" as part of the on-going construction of a new police facility and the purchase of land for \$200 thousand.

**Long-term debt:**

At June 30, 2010, the Agency had total debt outstanding of \$102.5 million, which is a decrease of \$1 million or 1 percent from the prior year. Additional information can be found on Note 5 in the notes to the basic financial statements. Long-term debt at June 30, 2010 and June 30, 2009 is summarized below:

Outstanding Debt

	June 30, 2010	June 30, 2009
Revenue refunding bonds	\$ 29,180,000	\$ 30,140,000
Subordinate tax allocation bonds	73,055,000	73,055,000
Advances from the City of Westminster	-	49,166
Note payable	300,000	300,000
Total outstanding debt	<u>\$ 102,535,000</u>	<u>\$ 103,544,166</u>

The Agency's change in debt consisted of ongoing debt service payments that reduced total debt by \$1 million.

See accompanying independent auditor's report.

## WESTMINSTER REDEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

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

The 2010-11 Budget was prepared during an, as of yet, unsolved State budget crisis that has put local government revenues at risk of "take-aways" by the Legislature and Governor to help compensate for declining State revenues and increased State spending in spite of the passage of Proposition 1A, the Agency paid over \$12 million for the Supplemental Education Revenue Augmentation Fund shift. Additionally, the Legislature is expected to continue considering local government revenue cuts as the State Budget is debated throughout the fiscal year 2010-11. The State of California's fiscal year 2010-11 budget, as with prior years, was adopted late and reflects a budget gap of close to \$19 billion. Given the State's budget uncertainty we cannot predict what cuts, if any, will be adopted at the State level and the impacts of such cuts on the Agency. As such, there may be a need to revisit this budget after the State budget is adopted in the fall.

Key features of the State's fiscal year 2010-11 Budget include:

- \$6.8 billion of expenditure-related solutions (including ongoing and temporary cost or service reductions).
- \$5.4 billion of new federal funding (most of it not yet approved by Congress).
- \$3.3 billion of revenue actions (including \$1.4 billion in higher assumed baseline state revenues consistent with our May 2010 state revenue forecast).
- \$2.7 billion of largely one-time loans, transfers, and funding shifts.

With the patchwork of over a dozen separate bills and the rapidly moving negotiations, it is difficult to ascertain the full impact of the budget on local governments. Cuts and suspension to K-12 and Higher Education funding will dominate much of the media coverage, and the impacts to cities and counties are much less clear. In a statement released early this morning the State Association of Counties (CSAC) tentatively backed the plan, saying "The budget as passed by the legislature is fraught with uncertainties and assumptions that do not give a clear picture of how counties will be impacted... at this stage; lack of a budget is seen as more harmful than not having one."

Unlike the prior year's budget, there are no clear "raids" on Redevelopment. The budget does call for a \$762 million "loan" of Highway Users Tax Account (HUTA) funds to the general fund, though preliminary reports indicate this does not impact local government shares of the fund.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Agency finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, City of Westminster, 8200 Westminster Boulevard, City of Westminster, California 92683, or call (714) 548-3188.

See accompanying independent auditor's report.



## **BASIC FINANCIAL STATEMENTS**

WESTMINSTER REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments (Note 2)	\$ 72,697,078
Receivables:	
Taxes, including interest, penalties and liens	1,202,187
Loans	5,241,697
Notes	5,888,361
Interest	892,457
Other	6,361
Prepaid items	7,121
Advances to the City of Westminster	141,643
Deferred charges	6,074,717
Land held for resale (Note 3)	567,200
Restricted assets:	
Restricted cash and investments (Note 2)	14,516,105
Restricted cash and investments with fiscal agents (Note 2)	50,456,547
Capital assets, not depreciated (Note 4)	35,182,877
Capital assets, being depreciated, net (Note 4)	<u>1,819,846</u>
 TOTAL ASSETS	 <u>194,694,197</u>
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	4,075,947
Deferred revenue	49,500
Due to City of Westminster	4,026,194
Due to other governments	7,185,000
Noncurrent liabilities:	
Due within one year (Note 5)	1,160,000
Due in more than one year (Note 5)	<u>101,375,000</u>
 TOTAL LIABILITIES	 <u>117,871,641</u>
<b>NET ASSETS:</b>	
Restricted for community development	<u>76,822,556</u>
 TOTAL NET ASSETS	 <u><u>\$ 76,822,556</u></u>

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

WESTMINSTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>PRIMARY GOVERNMENT:</b>					
Governmental activities:					
General government	\$ 22,882,156	\$ -	\$ -	\$ -	\$(22,882,156)
Community development	8,873,371	-	-	-	(8,873,371)
Interest expense	5,725,200	-	-	-	(5,725,200)
<b>Total governmental activities</b>	<b>\$ 37,480,727</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(37,480,727)</b>
<b>GENERAL REVENUES:</b>					
Taxes:					
Tax increment					36,281,994
Investment earnings					2,023,505
Other					115,623
<b>Total general revenues</b>					<b>38,421,122</b>
<b>CHANGE IN NET ASSETS</b>					<b>940,395</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>					<b>75,882,161</b>
<b>NET ASSETS - END OF YEAR</b>					<b>\$ 76,822,556</b>

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

## WESTMINSTER REDEVELOPMENT AGENCY

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

ASSETS	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Cash and investments	\$ -	\$ 23,696,206	\$ 49,000,872	\$ 72,697,078
Receivables:				
Taxes, including interest, penalties and liens	230,537	971,650	-	1,202,187
Loans	5,241,697	-	-	5,241,697
Notes	5,888,361	-	-	5,888,361
Interest	37,912	62,236	792,309	892,457
Other	6,361	-	-	6,361
Prepaid items	-	-	7,121	7,121
Advances to other fund	12,145,264	-	-	12,145,264
Advances to the City of Westminster	-	141,643	-	141,643
Land held for resale	-	-	567,200	567,200
Restricted cash and investments	9,361,444	500,000	4,654,661	14,516,105
Restricted cash and investments with fiscal agents	-	3,480,981	46,975,566	50,456,547
<b>TOTAL ASSETS</b>	<b>\$ 32,911,576</b>	<b>\$ 28,852,716</b>	<b>\$ 101,997,729</b>	<b>\$ 163,762,021</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 131,122	\$ 269	\$ 2,739,445	\$ 2,870,836
Deferred revenue	-	49,500	-	49,500
Advances from other fund	-	12,145,264	-	12,145,264
Due to City of Westminster	49,949	-	3,976,245	4,026,194
Due to other governments	-	7,185,000	-	7,185,000
<b>TOTAL LIABILITIES</b>	<b>181,071</b>	<b>19,380,033</b>	<b>6,715,690</b>	<b>26,276,794</b>
<b>FUND BALANCES:</b>				
<b>Reserved for:</b>				
Noncurrent notes and loans receivable	11,130,058	-	-	11,130,058
Prepaid items	-	-	7,121	7,121
Advances to other fund	12,145,264	-	-	12,145,264
Advances to the City of Westminster	-	141,643	-	141,643
Land held for resale	-	-	567,200	567,200
Low and moderate income housing	9,015,183	-	-	9,015,183
Debt service	440,000	5,240,981	-	5,680,981
Capital projects	-	-	69,050,512	69,050,512
<b>Unreserved:</b>				
Reported in debt service fund	-	4,090,059	-	4,090,059
Reported in capital projects fund	-	-	25,657,206	25,657,206
<b>TOTAL FUND BALANCES</b>	<b>32,730,505</b>	<b>9,472,683</b>	<b>95,282,039</b>	<b>137,485,227</b>
<b>TOTAL LIABILITIES AND AND FUND BALANCES</b>	<b>\$ 32,911,576</b>	<b>\$ 28,852,716</b>	<b>\$ 101,997,729</b>	<b>\$ 163,762,021</b>

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

WESTMINSTER REDEVELOPMENT AGENCY

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

June 30, 2010

Fund balances for governmental funds \$ 137,485,227

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

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

Cost	\$ 37,989,202	
Less: Accumulated depreciation	<u>(986,479)</u>	
		37,002,723

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

Tax allocation bonds payable	(102,235,000)	
Notes payable	(300,000)	
Bond issuance costs	<u>6,074,717</u>	
		(96,460,283)

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds		<u>(1,205,111)</u>
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Net assets of governmental activities		<u><u>\$ 76,822,556</u></u>
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See accompanying independent auditors' report and notes to basic financial statements.

WESTMINSTER REDEVELOPMENT AGENCY

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

For the year ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>				
Tax increment revenue	\$ 7,256,399	\$ 29,025,595	\$ -	\$ 36,281,994
Investment and rental	474,721	251,769	1,297,015	2,023,505
Intergovernmental	-	-	105,638	105,638
Other	385	-	9,600	9,985
<b>TOTAL REVENUES</b>	<b>7,731,505</b>	<b>29,277,364</b>	<b>1,412,253</b>	<b>38,421,122</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	20,565,451	2,316,705	22,882,156
Community development	970,015	-	4,682,127	5,652,142
Capital outlay	-	-	28,069,495	28,069,495
Debt service:				
Principal retirement	-	960,000	-	960,000
Interest and fiscal charges	-	6,177,138	-	6,177,138
Principal payment on advances from City	-	49,166	-	49,166
<b>TOTAL EXPENDITURES</b>	<b>970,015</b>	<b>27,751,755</b>	<b>35,068,327</b>	<b>63,790,097</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,761,490</b>	<b>1,525,609</b>	<b>(33,656,074)</b>	<b>(25,368,975)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	102,783	435,261	19,223,182	19,761,226
Transfers out	(1,658,443)	(18,000,000)	(102,783)	(19,761,226)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,555,660)</b>	<b>(17,564,739)</b>	<b>19,120,399</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,205,830</b>	<b>(16,039,130)</b>	<b>(14,535,675)</b>	<b>(25,368,975)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>27,524,675</b>	<b>25,511,813</b>	<b>109,817,714</b>	<b>162,854,202</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 32,730,505</b>	<b>\$ 9,472,683</b>	<b>\$ 95,282,039</b>	<b>\$ 137,485,227</b>

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

WESTMINSTER REDEVELOPMENT AGENCY

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

For the year ended June 30, 2010

Net change in fund balances - total governmental funds \$ (25,368,975)

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

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

Net change in capital assets	\$ 24,938,999	
Depreciation expense	<u>(90,733)</u>	
		24,848,266

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

Principal payments on advances from City of Westminster	960,000	
Payment on advances from City of Westminster	<u>49,166</u>	
		1,009,166

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

Interest	670,295	
Amortization of issuance costs	<u>(218,357)</u>	
		<u>451,938</u>

Change in net assets of governmental activities \$ 940,395

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



**NOTES TO BASIC FINANCIAL STATEMENTS**

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**History and Organization:**

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

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

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

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

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

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

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

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Westminster Redevelopment Agency has no business-type activities.

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

**Fund Financial Statements:**

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

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Fund Financial Statements (Continued):**

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

Governmental Fund Types

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

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

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

**Measurement Focus:**

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

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

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

See accompanying independent auditors’ report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Measurement Focus (Continued):**

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

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

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

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

**Basis of Accounting:**

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Basis of Accounting (Continued):**

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

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

**Encumbrances:**

Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. As of June 30, 2010 all encumbrances at year-end were closed. Unexpended appropriations are reencumbered in the following year after reconsideration, without additional budget appropriations.

**Cash and Investments:**

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Land Held for Resale:**

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

**Capital Assets and Depreciation:**

Capital assets, which consist of land, buildings, improvements other than buildings, machinery and equipment, and office furniture, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial cost of more than \$5,000 and an estimated life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Agency has no infrastructure assets.

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

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

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

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Self-Insurance Program:**

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

**Property Taxes and Tax Increment Financing:**

The Agency's primary source of revenue comes from property taxes, referred to in the accompanying financial statements as "tax increment revenue". The assessed valuation of all property within each project area was determined on the date of adoption of the Project Area. Except for certain amounts provided by specific agreement (see Note 7), property taxes related to the incremental increase in assessed values after the adoption of the Project Area have been allocated to the Agency, while all property taxes on the "frozen" assessed valuation as of the adoption date have been allocated to the City and other districts.

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

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

**Fund Balances:**

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Use of Estimates:**

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

2. CASH AND INVESTMENTS:

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

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

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

Cash and investments	\$ 72,697,078
Restricted cash and investments	14,516,105
Restricted cash and investments with fiscal agents	<u>50,456,547</u>
	<u>\$ 137,669,730</u>

At June 30, 2010, cash and investments consisted of deposits and investments, as follows:

Deposits	\$ 573,392
Investments	<u>137,096,338</u>
	<u>\$ 137,669,730</u>

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (CONTINUED):

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

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

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

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

N/A - Not Applicable

**Investments Authorized by Debt Agreements:**

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk:**

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

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 36 Months	37 - 60 Months	
Local Agency Investment Fund	\$ 39,199,739	\$ -	\$ -	\$ 39,199,739
United States Treasury Obligations	6,043,718	11,612,469	673,193	18,329,380
Federal Home Loan Mortgage Corporation	7,494,563	11,683,346	678,657	19,856,566
Federal Home Loan Bank	10,713,875	7,077,599	667,954	18,459,428
Federal National Mortgage Association	13,521,081	6,826,488	1,687,966	22,035,535
Federal Farm Credit Bank	4,782,715	11,437,202	1,687,355	17,907,272
Money Market Mutual Funds	1,308,418	-	-	1,308,418
	<u>\$ 83,064,109</u>	<u>\$ 48,637,104</u>	<u>\$ 5,395,125</u>	<u>\$137,096,338</u>

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

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

Investment Type	Minimum Legal Rating	Total as of June 30, 2010	AAA	Not Required to be Rated	Not Rated
Local Agency Investment Fund	N/A	\$ 39,199,739	\$ -	\$ -	\$ 39,199,739
United States Treasury Obligations	N/A	18,329,380	-	18,329,380	-
Federal Home Loan Mortgage Corporation	N/A	19,856,566	19,856,566	-	-
Federal Home Loan Bank	N/A	18,459,428	18,459,428	-	-
Federal National Mortgage Association	N/A	22,035,535	22,035,535	-	-
Federal Farm Credit Bank	N/A	17,907,272	17,907,272	-	-
Money Market Mutual Funds	AAA	1,308,418	1,308,418	-	-
		<u>\$ 137,096,338</u>	<u>\$ 79,567,219</u>	<u>\$ 18,329,380</u>	<u>\$ 39,199,739</u>

N/A - Not Applicable

**Concentration of Credit Risk:**

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	United States Government Sponsored Enterprise Securities	\$ 19,856,566
Federal Home Loan Bank	United States Government Sponsored Enterprise Securities	18,459,428
Federal National Mortgage Association	United States Government Sponsored Enterprise Securities	22,035,535
Federal Farm Credit Bank	United States Government Sponsored Enterprise Securities	17,907,272

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2010, the Agency deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

**Investment in State Investment Pool:**

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

3. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Agency and held for resale. The property is carried in the Agency's Capital Projects Fund at the lower of cost or estimated net realizable value. The estimated net realizable value at June 30, 2010 is \$567,200 with this amount offset by a reservation of fund balance. Certain properties held by the Agency have been leased to private parties with future options to purchase the land.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

4. CAPITAL ASSETS:

A summary of capital assets for the year ended June 30, 2010 is as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 4,382,276	\$ 200,000	\$ -	\$ 4,582,276
Construction in progress	5,885,634	24,714,967	-	30,600,601
 Total capital assets, not being depreciated	 10,267,910	 24,914,967	 -	 35,182,877
Capital assets, being depreciated:				
Buildings	1,952,333	-	-	1,952,333
Improvements other than buildings	760,429	18,517	-	778,946
Machinery and equipment	24,773	5,515	-	30,288
Office furniture and equipment	45,500	-	(742)	44,758
 Total capital assets, being depreciated	 2,783,035	 24,032	 (742)	 2,806,325
Less accumulated depreciation for:				
Buildings	(791,405)	(47,610)	-	(839,015)
Improvements other than buildings	(90,358)	(38,198)	-	(128,556)
Machinery and equipment	(3,652)	(2,714)	-	(6,366)
Office furniture and equipment	(11,073)	(2,211)	742	(12,542)
 Total accumulated depreciation	 (896,488)	 (90,733)	 742	 (986,479)
 Total capital assets, being depreciated	 1,886,547	 (66,701)	 -	 1,819,846
 Net Capital Assets	 \$ 12,154,457	 \$ 24,848,266	 \$ -	 \$ 37,002,723

Depreciation expense of \$90,733 was allocated to the community development function.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

5. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Due within One Year
2008 Tax Allocation					
Revenue Refunding Bonds	\$ 30,140,000	\$ -	\$ 960,000	\$ 29,180,000	\$ 1,160,000
2009 Subordinate Tax					
Allocation Bonds	73,055,000	-	-	73,055,000	-
Note payable	300,000	-	-	300,000	-
Advances from the					
City of Westminster	49,166	-	49,166	-	-
Totals	<u>\$ 103,544,166</u>	<u>\$ -</u>	<u>\$ 1,006,166</u>	<u>\$ 102,535,000</u>	<u>\$ 1,160,000</u>

**Tax Allocation Bonds Payable:**

2008 Tax Allocation Revenue Refunding Bonds

\$30,140,000 Westminster Commercial Redevelopment Project No. 1, 2008 Tax Allocation Refunding Bonds dated June 1, 2008. The bonds are payable in annual installments ranging from \$960,000 to \$2,260,000 until maturity on August 1, 2027. Interest is payable bi-annually at an average rate of 4.4%. The 2008 bonds were issued for the purpose of advance refunding \$40,250,000 Westminster Commercial Redevelopment Project No. 1, 1997 Tax Allocation Revenue Refunding Bonds. Proceeds from the 2008 bonds were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the bonds until fully retired. The 1997 bonds are legally defeased and are no longer a liability of the Agency.

\$ 29,180,000

2009 Subordinate Tax Allocation Bonds

\$73,055,000 Westminster Commercial Redevelopment Project No. 1, 2009 Subordinate Tax Allocation Bonds (Police Facility) dated March 12, 2009. The bonds are payable in annual installments ranging from \$2,360,000 to \$6,345,000 from November 1, 2028 until maturity on November 1, 2045. Interest is payable bi-annually at an average rate of 4.4%. The 2009 bonds were issued for the purpose of acquiring and constructing a new headquarters for the Westminster Police Department.

73,055,000

Total Tax Allocation Bonds

\$ 102,235,000

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

5. LONG-TERM LIABILITIES (CONTINUED):

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

The future debt service requirements on the 2008 Tax Allocation Revenue Refunding Bonds and the 2009 Subordinate Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,160,000	\$ 5,541,650	\$ 6,701,650
2012	1,195,000	5,506,325	6,701,325
2013	1,230,000	5,469,950	6,699,950
2014	1,270,000	5,426,100	6,696,100
2015	1,320,000	5,374,300	6,694,300
2016-2020	7,440,000	26,018,500	33,458,500
2021-2025	9,070,000	24,325,953	33,395,953
2026-2030	11,340,000	21,975,622	33,315,622
2031-2035	14,840,000	18,277,063	33,117,063
2036-2040	20,090,000	12,859,563	32,949,563
2041-2045	26,935,000	5,869,169	32,804,169
2046-2049	6,345,000	182,418	6,527,418
	<u>\$ 102,235,000</u>	<u>\$ 136,826,613</u>	<u>\$ 239,061,613</u>

**Note Payable:**

California Housing Finance Agency Note Payable

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

\$ 300,000

**Advances from the City of Westminster:**

The Agency has an advance from the City of Westminster in the amount of \$49,166. The advance was repaid during the fiscal year 2010.

\$ -

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Advances to and from other fund at June 30, 2010 are as follows:

	Advances To Other Fund	Advances From Other Fund
Special Revenue Fund	\$ 12,145,264	\$ -
Debt Service Fund	<u>-</u>	<u>12,145,264</u>
	<u>\$ 12,145,264</u>	<u>\$ 12,145,264</u>

The advance between the Special Revenue Fund and the Debt Service Fund is a transfer to cover the SERAF payment to the state.

The compositions of the Agency's interfund transfer balances as of June 30, 2010 are as follows:

	Transfers Out			Totals
	Special Revenue	Debt Service	Capital Projects	
Transfers In:				
Special Revenue	\$ -	\$ -	\$ 102,783	\$ 102,783
Debt Service	435,261	-	-	435,261
Capital Projects	1,223,182	18,000,000	-	19,223,182
Totals	<u>\$ 1,658,443</u>	<u>\$ 18,000,000</u>	<u>\$ 102,783</u>	<u>\$ 19,761,226</u>

Transfers to fund capital improvements were made from Special Revenue and Debt Service Funds to the Capital Projects Funds. Transfers to pay for debt service were made from the Special Revenue Fund to the Debt Service Fund. A transfer from the Capital Projects fund to the Special Revenue Fund was to close a capital project back to the original fund.

7. PASS-THROUGH AGREEMENTS:

The Agency has entered into agreements with various governmental entities to "pass-through" portions of tax increments received to entities, which are located within the Agency's project areas. Tax incremental revenues passed through to other agencies during fiscal year 2010 totaled \$6,628,647 and pass-throughs due and payable totaled \$7,185,000 at year-end.

8. COMMITMENTS AND CONTINGENCIES:

**Claims and Judgments:**

At June 30, 2010, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with workers compensation and general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the Agency.

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2010

8. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Debt Contingencies:**

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, 2010, the aggregate principal amount of Bonds outstanding totaled \$7,020,000.

**SERAF Contingency:**

SERAF Contributions for the Fiscal Years 2009-2010 and 2010-2011

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the CRA filed a class action lawsuit in behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional. The court ruled that the SERAF obligations were not unconstitutional.

The Agency's SERAF contributions are \$12,145,264 for the fiscal year 2009-2010 and \$2,498,095 for 2010-2011.

Fiscal Year 2009-2010

The Agency borrowed \$12,145,264 from the low and moderate income housing fund to make its estimated contributions for the fiscal year 2009-2010.

Fiscal Year 2010-2011

The Agency will borrow \$2,498,095 from the low and moderate income housing fund to make its estimated contributions for the fiscal year 2010-2011.

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**



WESTMINSTER REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE

RDALOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment revenue	\$ 7,117,513	\$ 7,117,513	\$ 7,256,399	\$ 138,886
Investment and rental	520,000	520,000	474,721	(45,279)
Other	-	-	385	385
<b>TOTAL REVENUES</b>	<b>7,637,513</b>	<b>7,637,513</b>	<b>7,731,505</b>	<b>93,992</b>
EXPENDITURES:				
Current:				
Community development	1,121,967	1,871,967	970,015	901,952
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,515,546</b>	<b>5,765,546</b>	<b>6,761,490</b>	<b>995,944</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	102,783	102,783
Transfers out	(1,692,579)	(1,692,579)	(1,658,443)	34,136
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,692,579)</b>	<b>(1,692,579)</b>	<b>(1,555,660)</b>	<b>136,919</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>4,822,967</b>	<b>4,072,967</b>	<b>5,205,830</b>	<b>1,132,863</b>
FUND BALANCE - BEGINNING OF YEAR	27,524,675	27,524,675	27,524,675	-
FUND BALANCE - END OF YEAR	\$ 32,347,642	\$ 31,597,642	\$ 32,730,505	\$ 1,132,863

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

WESTMINSTER REDEVELOPMENT AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

1. BUDGETARY PRACTICES:

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

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

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

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

COMPUTATION OF LOW/MODERATE INCOME  
HOUSING FUNDS - EXCESS SURPLUS

July 1, 2009

		<u>All Project Areas</u>
OPENING FUND BALANCE - JULY 1, 2009		\$ 27,524,675
LESS UNAVAILABLE AMOUNTS:		
Notes and loans receivable		(6,392,213)
Land held for resale		<u>(4,306,867)</u>
AVAILABLE LOW/MODERATE INCOME HOUSING FUNDS		16,825,595
LIMITATION (GREATER OF \$1,000,000 OR FOUR YEARS SET-ASIDE):		
Set-aside for last four years:		
2008 - 2009	\$ 7,384,926	
2007 - 2008	7,190,197	
2006 - 2007	6,710,263	
2005 - 2006	<u>5,487,553</u>	
TOTAL SET-ASIDE FOR LAST FOUR YEARS	<u>\$ 26,772,939</u>	
Base limitation	<u>\$ 1,000,000</u>	
GREATER AMOUNT		<u>26,772,939</u>
COMPUTED EXCESS SURPLUS - JULY 1, 2009		<u>\$ -</u>

See accompanying independent auditors' report.

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**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100  
IRVINE, CALIFORNIA 92606-5165  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevans.com](http://www.diehlevans.com)

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTkamp, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA  
WILLIAM C. PENTZ, CPA

\*A PROFESSIONAL CORPORATION

November 24, 2010

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

The Board of Directors  
Westminster Redevelopment Agency  
Westminster, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Westminster Redevelopment Agency (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

### Internal Control Over Financial Reporting (Continued)

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Westminster Redevelopment Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines For Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

*Diehl, Evans and Company, LLP*