# WESTMINSTER REDEVELOPMENT AGENCY

## COMPONENT UNIT FINANCIAL STATEMENTS

## WITH REPORT ON AUDIT
## BY INDEPENDENT
## CERTIFIED PUBLIC ACCOUNTANTS

## JUNE 30, 2011

WESTMINSTER REDEVELOPMENT AGENCY

TABLE OF CONTENTS

June 30, 2011


| | Page Number |
|---|---|
| Independent Auditors' Report | 1 - 2 |
| Management's Discussion and Analysis (Required Supplementary Information) | 3 - 11 |
| Basic Financial Statements: | |
| Statement of Net Assets | 12 |
| Statement of Activities | 13 |
| Balance Sheet - Governmental Funds | 14 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 17 |
| Notes to Basic Financial Statements | 18 - 40 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule - RDA Low and Moderate Income Housing Special Revenue Fund | 41 |
| Note to Required Supplementary Information | 42 |
| Supplementary Information: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Westminster Housing Authority Special Revenue Fund | 43 |
| Computation of Low/Moderate Income Housing Funds - Excess Surplus | 44 |
| Independent Auditors' Report on Compliance and on Internal Control Over Compliance | 45 - 46 |

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

# 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, 2011, 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, 2011, 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.

As described in Note 8 to the basic financial statements, the Agency has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

As explained further in Note 9, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.



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*Offices located in Orange and San Diego Counties*

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2011 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 schedule of revenues, expenditures and changes in fund balance - budget and actual - Westminster Housing Authority Special Revenue Fund and the computation of the excess surplus of the Low and Moderate Income Housing Special Revenue Fund, 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 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.

White Nelson Diehl Evans LLP

November 25, 2011
Irvine, California

# WESTMINSTER REDEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2011**

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, 2011.

## FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities at the close of fiscal year 2011 by $15.6 million.
- Total net assets decreased by $60.9 million.
- At the close of fiscal year 2011, governmental funds reported a combined ending fund balance of $131.8 million, a decrease of $5.4 million, in comparison with the prior year.
- Total debt increased by $39.1 million (38 percent) during fiscal year 2011. Changes in debt consisted of bond issuances of $40.3 million and $1.2 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.

## 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, capital projects funds and other governmental 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 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 41. The governmental fund financial statements can be found on pages 14-17 of this report.

See accompanying independent auditor's report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-40 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, a Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual for the Westminster Housing Authority Special Revenue Fund, and the Computation of Low and Moderate Income Housing Funds - Excess/Surplus Schedule. Required supplementary information can be found on pages 41-44 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency has presented its financial statements under the 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 $15.6 million at the close of fiscal year 2011. Net assets decreased $60.9 million when compared to prior year. The Statement of Net Assets for fiscal years 2011 and 2010 are summarized on the following page:

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

| | Governmental Activities | | | |
|---|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | Increase/ (Decrease) From 2010 | Percent Increase/ (Decrease) |
| Assets: | | | | |
| Current and other assets | $ 151,128,636 | $ 157,691,474 | $ (6,562,838) | -4.2% |
| Capital assets (net of depreciation)** | 20,138,165 | 36,690,723 | (16,552,558) | -45.1% |
| Total assets | 171,266,801 | 194,382,197 | (23,115,396) | -11.9% |
| Liabilities: | | | | |
| Current and other liabilities | 15,213,230 | 16,496,641 | (1,283,411) | -7.8% |
| Noncurrent liabilities | 140,445,000 | 101,375,000 | 39,070,000 | 38.5% |
| Total liabilities | 155,658,230 | 117,871,641 | 37,786,589 | 32.1% |
| Net assets: | | | | |
| Restricted for community development** | 15,608,571 | 76,510,556 | (60,901,985) | -79.6% |
| Total net assets | $ 15,608,571 | $ 76,510,556 | $ (60,901,985) | -79.6% |

* A more detailed statement of net assets is shown on page 12 of this report.
** As restated, see Note 10 on page 40 of this report.

**Governmental activities** had the greatest changes occur due to completing work on the construction of the police facility, and the issuance of bonds during the year. Upon completion of the Westminster Police Facility, the related asset of $49.2 million was transferred to the City of Westminster. In addition, the Agency transferred "land" in the amount of $20.4 million. Construction has now begun on various city improvement projects as well as a Civic Center parking structure. To fund these new projects, the Agency issued bonds in the amount of $40.3 million. As a result of these transactions, "Capital assets (net of depreciation)", decreased by $16.6 or 45.1 percent, "Noncurrent liabilities" increased by $39.1 million or 38.5 percent and "Net assets – Restricted for community development" decreased by $60.9 million or 79.6 percent.

### Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2011. The Agency's net assets decreased by $60.9 million during the current fiscal year as summarized on the following page:

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities*

| | Governmental Activities | | | |
|---|---|---|---|---|
| | For the year-ended | | Increase/ | Percent |
| | June 30, 2011 | June 30, 2010 | (Decrease) From 2010 | Increase/ (Decrease) |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | $ 99,657 | $ - | $ 99,657 | 0.0% |
| Capital grants and contributions | 729,920 | - | 729,920 | 0.0% |
| General revenues: | | | | |
| Taxes: tax increment | 36,138,295 | 36,281,994 | (143,699) | -0.4% |
| Investment earnings | 1,063,963 | 2,023,505 | (959,542) | -47.4% |
| Other | - | 115,623 | (115,623) | -100.0% |
| Total Revenues | 38,031,835 | 38,421,122 | (389,287) | -1.01% |
| Expenses: | | | | |
| General government | 13,216,184 | 22,882,156 | (9,665,972) | -42.2% |
| Community development** | 79,858,724 | 9,185,371 | 70,673,353 | 769.4% |
| Interest expense | 5,858,912 | 5,725,200 | 133,712 | 2.3% |
| Total Expenses | 98,933,820 | 37,792,727 | 61,141,093 | 161.8% |
| Change in net assets | (60,901,985) | 628,395 | (61,530,380) | -9791.7% |
| Net assets - Beginning of year** | 76,510,556 | 75,882,161 | 628,395 | 0.8% |
| Net assets - End of year | $ 15,608,571 | $ 76,510,556 | $ (60,901,985) | -79.6% |

* A more detailed statement is shown on page 13 of this report.
** As restated, see Note 10 on page 40 of this report.

**Governmental activities** decreased the Agency's net assets by $60.9 million, or 79.6 percent. Community development is the largest expense function (80.7 percent), followed by General government (13.4 percent) and Interest expense (5.9 percent).

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Governmental activities (continued)** Total expenses increased overall by $61.1 million or 161.8 percent. Total expenses increased most significantly in "Community development", which increased by $70.7 million or 769.4 percent. The majority of this increase is due to $69.6 million in assets being transferred to the City. See Note 9 in the notes to the basic financial statements for additional information.

"General government" decreased by $9.7 million or 42.2 percent. The majority of this decrease is due to a reduction of $9.6 million for the payment to the State of California for the Westminster Redevelopment Agency's SERAF payment. The SERAF payments due in fiscal years 2011 and 2010 were $2.5 million and $12.1 million respectively.

"Total revenues" remained fairly static and showed only a slight decrease of $389.3 thousand or 1.01 percent. "Capital grants and contributions" showed an increase of $729.9 thousand. This revenue source will vary from year to year, depending on the completion of grant funded projects. "Investment earnings" decreased by $959.5 thousand or 47.4 percent as interest rates continue to fall. The Agency is currently examining different investment vehicles with the goal of increasing returns on these funds.

## 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. During the year, the Agency implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of the Statement is to enhance the usefulness of fund balances information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds. Refer to pages 14-17 of this report for more detail on governmental funds.

As of June 30, 2011, the Agency's governmental funds reported combined ending fund balances of $131.8 million, a decrease of $5.4 million in comparison with the prior year. Of the $131.8 million, $26.9 million, or 20.4 percent, constitutes nonspendable fund balance. The remainder of fund balance is restricted for specific purposes to (1) low and moderate income housing at $18.4 million (2) debt service at $13.2 million (3) capital projects at $73.3 million, and (4) housing authority at $384. For a more detailed description of these classifications see Note 8 in the notes to the basic financial statements.

## FINANCIAL ANALYSIS OF AGENCY FUNDS (CONTINUED)

The major factors in fund balance changes are as follows:

- The **Low and Moderate Special Revenue Fund** recognized a $734 thousand increase due to revenues greater than expenditures of $6.0 million. "Transfers Out" is mainly related to rehab loans and grants. $12.3 million in rehab loans and grants were transferred to the newly created Westminster Housing Authority Special Revenue Fund. "Transfers In" are unexpended amounts from the Capital Projects fund which have been reclassified back to the source fund. This fund is further detailed on page 16 this report.

- The **Debt Service Fund** recognized a $3.3 million increase due to revenues greater than expenses of $10.5 million. A "Transfers Out" of $13.5 million was made to the Redevelopment Capital Projects Fund for cash flow purposes. In addition a payment of $2.5 million was made to the State of California for the Agency's share of the SERAF contribution. In fiscal year 2012 a payment of $14.4 million is due to the State of California under Assembly Bill AB1x 27. See Note 9 in the notes to the basic financial statements for additional information. In fiscal year 2011 the fund received $5.8 million in bond proceeds. See Notes 3 and 5 in the notes to the basic financial statements for additional information.

- The **Capital Projects Fund** recognized a decrease in fund balance of $21.7 million. This is mainly due to completing construction of the police facility. A total of $60.9 million was spent on capital projects during the year. The funds received $34.5 million in bond proceeds. See Notes 3 and 5 in the notes to the basic financial statements for additional information.

- The **Westminster Housing Authority Special Revenue Fund** ended the fiscal year with a $12.3 million fund balance. This is due to a "Transfer in" of $12.3 million from the Low and Moderate Special Revenue Fund. See Note 9 in the notes to the basic financial statements for additional information.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets:

Agency investment in capital assets as of June 30, 2011 amounted to $20 million (net of accumulated depreciation). Investment in capital assets includes land, buildings and improvements, equipment, construction in progress. The total decrease in capital assets for fiscal year 2011 was $16.9 million or 45.6 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, 2011 and June 30, 2010 are summarized on the following page:

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (net of accumulated depreciation)

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Land | $ 12,437,828 | $ 4,582,276 |
| Buildings | 3,458,908 | 1,113,318 |
| Improvements other than buildings | 611,421 | 650,390 |
| Machinery and equipment | 133,116 | 23,922 |
| Office furniture and equipment | 764,742 | 32,216 |
| Construction in progress | 2,732,150 | 30,600,601 |
| Total capital assets, net | $ 20,138,165 | $ 37,002,723 |

Major capital asset events during fiscal year 2011 included the completion of the $49.2 million police facility which was transferred to the City. This asset included $28.4 million of "Construction in Progress". In addition, the Agency purchased $30.3 million in land to house lessee's as well as to improve the City yard facility, add a police shooting and training facility, and an evidence storage. Of this, $20.4 million in "land" was also transferred to the City. New construction began on a Civic Center parking structure and various other city improvement projects and added $2.7 million to "Construction in Progress" as a result. See Note 9 in the notes to the basic financial statements for additional information on the asset transfers to the City.

**Long-term debt:**

At June 30, 2011, the Agency had total debt outstanding of $141.6 million, which is an increase of $39.1 million or 38.1 percent from the prior year. See Note 5 in the notes to the basic financial statements. Long-term debt at June 30, 2011 and June 30, 2010 is summarized below:

Outstanding Debt

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Tax allocation bonds | $ 141,340,000 | $ 102,235,000 |
| Note payable | 300,000 | 300,000 |
| Total outstanding debt | $ 141,640,000 | $ 102,535,000 |

See accompanying independent auditor's report.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The Agency's change in debt consisted of ongoing debt service payments of $1.2 million as well as the following debt issuances:

- $24.3 million tax allocation bond for the construction of a Civic Center parking facility and a police evidence storage facility.
- $10.4 million tax allocation bond for the purpose of financing improvements to City's administrative center and to certain City parks to provide for certain economic development grants.
- $5.6 million tax allocation bond for the purpose of acquiring property for economic development.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As with the 2010-11 Budget, the 2011-12 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. Over the past two years, the Agency has paid over $14 million for the Supplemental Education Revenue Augmentation Fund shift. Additionally, the Legislature recently passed Assembly Bills 1x 26 and 27. Should these bills be upheld, the Agency will be required to pay $14.4 million to the State in the coming year, and approximately $3.1 million annually thereafter. In addition, many of the transfers and administrative costs paid by the Redevelopment Agency to the City are currently in question. Should these need to be reversed or eliminated, it would greatly impact the City. As a result, the City is currently working with all departments to reduce dependence on redevelopment dollars for funding interdepartmental charges and certain salaries. As clearer direction and legislation by the state and/or rulings from the courts become known the 2011-12 Budget will need to be revisited and potentially revised. More detail on this issue can be found in Note 9 "Commitments and Contingencies" in the notes to the basic financial statements.

## 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, 2011

| | Governmental Activities |
|---|---|
| ASSETS: | |
| Cash and investments (Note 2) | $ 55,107,514 |
| Receivables: | |
| Taxes, including interest, penalties and liens | 941,306 |
| Loans (Note 3) | 6,586,084 |
| Notes (Note 3) | 5,686,301 |
| Interest | 408,693 |
| Deferred charges | 6,627,304 |
| Restricted assets: | |
| Restricted cash and investments (Note 2) | 24,703,880 |
| Restricted cash and investments with fiscal agents (Note 2) | 51,067,554 |
| Capital assets, not depreciated (Note 4) | 15,169,978 |
| Capital assets, being depreciated, net (Note 4) | 4,968,187 |
| TOTAL ASSETS | 171,266,801 |
| LIABILITIES: | |
| Accounts payable and accrued liabilities | 6,390,923 |
| Deferred revenue | 98,772 |
| Due to City of Westminster | 429,535 |
| Due to other governments | 7,099,000 |
| Noncurrent liabilities: | |
| Due within one year (Note 5) | 1,195,000 |
| Due in more than one year (Note 5) | 140,445,000 |
| TOTAL LIABILITIES | 155,658,230 |
| NET ASSETS: | |
| Restricted for community development | 15,608,571 |
| TOTAL NET ASSETS | $ 15,608,571 |

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

WESTMINSTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities |
|---|---|---|---|---|---|
| PRIMARY GOVERNMENT: | | | | | |
| Governmental activities: | | | | | |
| General government | $ 13,216,184 | $ - | $ - | $ - | $(13,216,184) |
| Community development | 79,858,724 | 99,657 | - | 729,920 | (79,029,147) |
| Interest expense | 5,858,912 | - | - | - | (5,858,912) |
| Total governmental activities | $ 98,933,820 | $ 99,657 | $ - | $ 729,920 | (98,104,243) |
| GENERAL REVENUES: | | | | | |
| Taxes: | | | | | |
| Tax increment | | | | | 36,138,295 |
| Investment earnings | | | | | 1,063,963 |
| Total general revenues | | | | | 37,202,258 |
| CHANGE IN NET ASSETS | | | | | (60,901,985) |
| NET ASSETS - BEGINNING OF YEAR, AS RESTATED (NOTE 10) | | | | | 76,510,556 |
| NET ASSETS - END OF YEAR | | | | | $ 15,608,571 |

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

WESTMINSTER REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

| ASSETS | Low and Moderate Special Revenue | Debt Service | Capital Projects | Other Governmental Fund<br>Westminster Housing Authority Special Revenue | Total Governmental Funds |
|---|---|---|---|---|---|
| Cash and investments | $ - | $ 28,120,919 | $ 26,986,595 | $ - | $ 55,107,514 |
| Receivables: | | | | | |
| Taxes, including interest, penalties and liens | 168,507 | 772,799 | - | - | 941,306 |
| Loans | - | - | - | 6,586,084 | 6,586,084 |
| Notes | - | - | - | 5,686,301 | 5,686,301 |
| Interest | 4,417 | 24,276 | 380,000 | - | 408,693 |
| Advances to other fund | 14,645,760 | - | - | - | 14,645,760 |
| Restricted cash and investments | 19,091,423 | 500,000 | 5,112,073 | 384 | 24,703,880 |
| Restricted cash and investments with fiscal agents | - | 5,284,662 | 45,782,892 | - | 51,067,554 |
| TOTAL ASSETS | $ 33,910,107 | $ 34,702,656 | $ 78,261,560 | $ 12,272,769 | $ 159,147,092 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable and accrued liabilities | $ 445,870 | $ 134,972 | $ 4,520,185 | $ - | $ 5,101,027 |
| Deferred revenue | - | 98,772 | - | - | 98,772 |
| Advances from other fund | - | 14,645,760 | - | - | 14,645,760 |
| Due to City of Westminster | - | - | 429,535 | - | 429,535 |
| Due to other governments | - | 7,099,000 | - | - | 7,099,000 |
| TOTAL LIABILITIES | 445,870 | 21,978,504 | 4,949,720 | - | 27,374,094 |
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Receivables | - | - | - | 12,272,385 | 12,272,385 |
| Advances | 14,645,760 | - | - | - | 14,645,760 |
| Restricted for: | | | | | |
| Low and moderate income housing | 18,378,477 | - | - | - | 18,378,477 |
| Debt service | 440,000 | 12,724,152 | - | - | 13,164,152 |
| Capital projects | - | - | 73,311,840 | - | 73,311,840 |
| Housing authority | - | - | - | 384 | 384 |
| TOTAL FUND BALANCES | 33,464,237 | 12,724,152 | 73,311,840 | 12,272,769 | 131,772,998 |
| TOTAL LIABILITIES AND AND FUND BALANCES | $ 33,910,107 | $ 34,702,656 | $ 78,261,560 | $ 12,272,769 | $ 159,147,092 |

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, 2011

| | | |
|---|---|---|
| Fund balances for governmental funds | | $ 131,772,998 |
| 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 | $ 21,225,647 | |
| Less: Accumulated depreciation | (1,087,482) | |
| | | 20,138,165 |
| 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 | (141,340,000) | |
| Notes payable | (300,000) | |
| Bond issuance costs | 6,627,304 | |
| | | (135,012,696) |
| Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds | | (1,289,896) |
| Net assets of governmental activities | | $ 15,608,571 |

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, 2011

| | Low and Moderate Special Revenue | Debt Service | Capital Projects | Other Governmental Fund<br>Westminster Housing Authority Special Revenue | Total Governmental Funds |
|---|---|---|---|---|---|
| REVENUES: | | | | | |
| Tax increment revenue | $ 7,227,659 | $ 28,910,636 | $ - | $ - | $ 36,138,295 |
| Investment and rental | 268,330 | 80,407 | 809,649 | 5,234 | 1,163,620 |
| Intergovernmental | - | - | 729,920 | - | 729,920 |
| TOTAL REVENUES | 7,495,989 | 28,991,043 | 1,539,569 | 5,234 | 38,031,835 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | 10,986,761 | 2,229,423 | - | 13,216,184 |
| Community development | 1,416,373 | - | 2,530,232 | - | 3,946,605 |
| Capital outlay | 37,870 | - | 60,850,775 | - | 60,888,645 |
| Debt service: | | | | | |
| Bond issuance costs | - | 772,601 | - | - | 772,601 |
| Principal retirement | - | 1,160,000 | - | - | 1,160,000 |
| Interest and fiscal charges | - | 5,554,113 | - | - | 5,554,113 |
| TOTAL EXPENDITURES | 1,454,243 | 18,473,475 | 65,610,430 | - | 85,538,148 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 6,041,746 | 10,517,568 | (64,070,861) | 5,234 | (47,506,313) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of equipment and property | - | - | 1,841,084 | | 1,841,084 |
| Proceeds from issuance of bonds | - | 5,765,000 | 34,500,000 | - | 40,265,000 |
| Transfers in | 11,143,169 | 468,901 | 17,214,747 | 12,267,535 | 41,094,352 |
| Transfers out | (16,451,183) | (13,500,000) | (11,143,169) | - | (41,094,352) |
| TOTAL OTHER FINANCING SOURCES (USES) | (5,308,014) | (7,266,099) | 42,412,662 | 12,267,535 | 42,106,084 |
| NET CHANGE IN FUND BALANCES | 733,732 | 3,251,469 | (21,658,199) | 12,272,769 | (5,400,229) |
| FUND BALANCES - BEGINNING OF YEAR, AS RESTATED | 32,730,505 | 9,472,683 | 94,970,039 | - | 137,173,227 |
| FUND BALANCES - END OF YEAR | $ 33,464,237 | $ 12,724,152 | $ 73,311,840 | $ 12,272,769 | $ 131,772,998 |

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, 2011

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (5,400,229) |
| 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: | | |
| Additions to capital assets | $ 54,799,151 | |
| Deletions to capital assets | (2,001,260) | |
| Contribution of assets to City of Westminster | (69,560,186) | |
| Depreciation expense | (102,263) | |
| | | (16,864,558) |
| 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: | | |
| Issuance of bonds | (40,265,000) | |
| Principal payments on bonds | 1,160,000 | |
| Bond issuance cost | 772,601 | |
| | | (38,332,399) |
| 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 | (84,785) | |
| Amortization of issuance costs | (220,014) | |
| | | (304,799) |
| Change in net assets of governmental activities | | $ (60,901,985) |

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

# NOTES TO BASIC FINANCIAL STATEMENTS

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 Westminster Housing Authority (the Housing Authority) was established on February 9, 2011 in accordance with California Housing Authority Law (Health and Safety Code Sections 34200). The Housing Authority was established to provide the City with the ability to participate in one or more of the public Housing Programs offered by Housing and Urban Development (HUD). As such, the City will be able to own and operate housing developments, alleviating the need to find prospective owners or operators for the units created. A Housing Authority may contract with a redevelopment agency to exercise its powers to a contract with the redevelopment agency and funded from the agency's Low and Moderate Income Housing Fund for purposes of creating affordable housing. The activity of the Housing Authority is reported in the Other Governmental Special Revenue Fund. There are no separate Basic Financial Statements prepared for the Housing Authority.

The Agency and the Housing Authority are component units 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**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

**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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Fund Financial Statements (Continued):**

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.

The Agency reports the following major governmental funds, as described below:

The Low and Moderate 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.

The Agency's fund structure also includes the following other governmental fund:

The Westminster Housing Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

**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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**Measurement Focus (Continued):**

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.

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

**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.

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 (within 60 days) 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, 2011 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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**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 |

**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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Property Taxes and Tax Increment Financing (Continued):**

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.

**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 and Capital Projects Funds.

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.

2. CASH AND INVESTMENTS (CONTINUED):

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

| | |
|---|---|
| Cash and investments | $ 55,107,514 |
| Restricted cash and investments | 24,703,880 |
| Restricted cash and investments with fiscal agents | 51,067,554 |
| | $ 130,878,948 |

At June 30, 2011, cash and investments consisted of deposits and investments, as follows:

| | |
|---|---|
| Deposits | $ 966,349 |
| Investments | 129,912,599 |
| | $ 130,878,948 |

**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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio* | Maximum Investment in One Issuer |
|---|---|---|---|
| United States Treasury Obligations | 5 years | No Limit | No Limit |
| United States Government Sponsored Agency 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 |

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

N/A - Not Applicable

See accompanying independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

**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.

**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:

| | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|
| Investment Type | 12 Months or Less | 13 - 36 Months | 37 - 60 Months | Total |
| Local Agency Investment Fund | $ 30,965,742 | $ - | $ - | $ 30,965,742 |
| United States Treasury Obligations | 5,824,279 | 5,199,886 | 653,955 | 11,678,120 |
| Federal Home Loan Mortgage Corporation | 5,949,332 | 6,045,228 | 2,455,296 | 14,449,856 |
| Federal Home Loan Bank | 3,539,578 | 7,720,527 | 999,465 | 12,259,570 |
| Federal National Mortgage Association | 3,947,386 | 8,172,837 | 949,173 | 13,069,396 |
| Federal Farm Credit Bank | 8,535,166 | 4,625,650 | 1,024,302 | 14,185,118 |
| Money Market Mutual Funds | 33,304,797 | - | - | 33,304,797 |
| | $ 92,066,280 | $ 31,764,128 | $ 6,082,191 | $129,912,599 |

See accompanying independent auditors' report.

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, 2011 | AAA | Not Required to be Rated | Not Rated |
|---|---|---|---|---|---|
| Local Agency Investment Fund | N/A | $ 30,965,742 | $ - | $ - | $ 30,965,742 |
| United States Treasury Obligations | N/A | 11,678,120 | - | 11,678,120 | - |
| Federal Home Loan Mortgage Corporation | N/A | 14,449,856 | 14,449,856 | - | - |
| Federal Home Loan Bank | N/A | 12,259,570 | 12,259,570 | - | - |
| Federal National Mortgage Association | N/A | 13,069,396 | 13,069,396 | - | - |
| Federal Farm Credit Bank | N/A | 14,185,118 | 14,185,118 | | |
| Money Market Mutual Funds | A | 33,304,797 | 33,304,797 | - | - |
| | | $ 129,912,599 | $ 87,268,737 | $ 11,678,120 | $ 30,965,742 |

Subsequent to June 30, 2011, Standards and Poor's reduced the rating of the United States Government Sponsored Agency Securities from AAA to AA+.

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 Agency Securities | $ 14,449,856 |
| Federal Home Loan Bank | United States Government Sponsored Agency Securities | 12,259,570 |
| Federal National Mortgage Association | United States Government Sponsored Agency Securities | 13,069,396 |
| Federal Farm Credit Bank | United States Government Sponsored Agency Securities | 14,185,118 |

See accompanying independent auditors' report.

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, 2011, 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. RECEIVABLES:

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

| | Low and Moderate Special Revenue | Debt Service | Capital Projects | Other Governmental Fund Westminster Housing Special Revenue | Totals |
|---|---|---|---|---|---|
| Taxes | $ 168,507 | $ 772,799 | $ - | $ - | $ 941,306 |
| Loans | - | - | - | 6,586,084 | 6,586,084 |
| Notes | - | - | - | 5,686,301 | 5,686,301 |
| Interest | 4,417 | 24,276 | 380,000 | - | 408,693 |
| | $ 172,924 | $ 797,075 | $ 380,000 | $ 12,272,385 | $ 13,622,384 |

A detailed summary of the loans and notes receivable balances follows:

Loans Receivable - Other Governmental Fund

| | |
|---|---|
| Housing Rehab Loans, due upon sale of property | $ 2,913,247 |
| Housing Single Residence Loans, deferred 35 years, or payable upon sale of property | 70,000 |
| Housing Lease Purchase Program - payable upon sale of property. The program is administered by American Family Housing, Inc. or Abrazar, Inc. | 3,602,837 |
| Total Loans Receivable - Other Governmental Fund | $ 6,586,084 |

See accompanying independent auditors' report.

3. RECEIVABLES (CONTINUED):

Summary of the Loans and Notes Receivable Balances (Continued):

Notes Receivable - Other Governmental Fund

| | |
|---|---|
| $600,000 note receivable with Corporation for Better Housing dated November 5, 2003. The purpose of the loan is to assist with the development of Very Low and Low Income Senior Housing (project). Repayment of the 55 year, 1% compounded annually interest loan is to be paid in annual payments equal to 50% of the projects "residual receipts". | $ 483,943 |
| $600,000 note receivable with The Related Companies of California dated November 5, 2003. The purpose of the loan is to assist with the development of an 86 residential units of affordable housing for families and seniors (project). Repayment of the 55 year, 3% simple interest loan was deferred for three years. Thereafter, repayment is to be made in annual payments equal to 20% of the projects "residual receipts". | 503,174 |
| $300,000 note receivable with Coventry Heights dated December 30, 2003. The purpose of the loan is to assist with the development of 76 units of affordable housing for seniors (project). Repayment of the 55 year, 3% simple interest loan is to be made in annual payments equal to 25% of the projects "residual receipts". | 227,517 |
| $200,000 note receivable with Shelter for the Homeless dated April 25, 2006. The purpose of the loan is to assist with the development of housing units for extremely low income families (project). Repayment of the 30 year, 1% simple interest loan is to be made in monthly payments of principal and interest. | 171,667 |
| $5,544,000 note receivable with AMCAL Royale Fund, L.P., dated February 2, 2010. The purpose of the loan is to assist with the developer in the purchase and development of property located at 230 Hospital Circle in the City of Westminster, California as a multi-family affordable housing (project). As of June 30, 2011, $4,200,000 has been disbursed to the developer. The remaining $1,344,000 is payable to the developer upon completion of the project. Repayment of the 55 year loan is to be made in annual payments equal to 50% of the projects "residual receipts". | 4,300,000 |
| Total Notes Receivable - Other Governmental Fund | $ 5,686,301 |

See accompanying independent auditors' report.

## 4. CAPITAL ASSETS:

A summary of capital assets for the year ended June 30, 2011 is as follows:

| | Balance at July 1, 2010 | Additions | Deletions | Balance at June 30, 2011 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 4,582,276 | $ 30,258,978 | $(22,403,426) | $ 12,437,828 |
| Construction in progress | 30,600,601 | 2,732,150 | (30,600,601) | 2,732,150 |
| Total capital assets, not being depreciated | 35,182,877 | 32,991,128 | (53,004,027) | 15,169,978 |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,952,333 | 2,397,196 | - | 4,349,529 |
| Improvements other than buildings | 778,946 | - | - | 778,946 |
| Machinery and equipment | 30,288 | 114,406 | (710) | 143,984 |
| Office furniture and equipment | 44,758 | 739,002 | (550) | 783,210 |
| Total capital assets, being depreciated | 2,806,325 | 3,250,604 | (1,260) | 6,055,669 |
| Less accumulated depreciation for: | | | | |
| Buildings | (839,015) | (51,606) | - | (890,621) |
| Improvements other than buildings | (128,556) | (38,969) | - | (167,525) |
| Machinery and equipment | (6,366) | (5,212) | 710 | (10,868) |
| Office furniture and equipment | (12,542) | (6,476) | 550 | (18,468) |
| Total accumulated depreciation | (986,479) | (102,263) | 1,260 | (1,087,482) |
| Total capital assets, being depreciated | 1,819,846 | 3,148,341 | - | 4,968,187 |
| Net Capital Assets | $ 37,002,723 | $ 36,139,469 | $(53,004,027) | $ 20,138,165 |

Depreciation expense of $102,263 was allocated to the community development function.

5. LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

| | Balance at July 1, 2010 | Additions | Deletions | Balance at June 30, 2011 | Due within One Year |
|---|---|---|---|---|---|
| Tax Allocation bonds payable | $ 102,235,000 | $ 40,265,000 | $ 1,160,000 | $ 141,340,000 | $ 1,195,000 |
| Note payable | 300,000 | - | - | 300,000 | - |
| Totals | $ 102,535,000 | $ 40,265,000 | $ 1,160,000 | $ 141,640,000 | $ 1,195,000 |

**Tax Allocation Bonds Payable:**

| | |
|---|---|
| $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. These bonds have an Aaa/AAA rating. | $ 28,020,000 |
| $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. These bonds have an AAA/Aa2 rating. | 73,055,000 |

5. LONG-TERM LIABILITIES (CONTINUED):

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

| | |
|---|---|
| $24,305,000 Westminster Commercial Redevelopment Project No. 1, 2011 Tax Allocation Bonds, Series A, dated June 9, 2011. The bonds are payable in annual installments ranging from $505,000 to $1,285,000 from November 1, 2014 until maturity on November 1, 2045. Interest is payable bi-annually at an average rate of 5.6%. The 2011 bonds were issued for the purpose of constructing a new Civic Center parking facility and an evidence storage facility for the City police department. These bonds have an A rating. | $ 24,305,000 |
| $10,400,000 Westminster Commercial Redevelopment Project No. 1, 2011 Tax Allocation Bonds, Series B, dated June 9, 2011. The bonds are payable in annual installments ranging from $2,355,000 to $8,065,000 from November 1, 2012 until maturity on November 1, 2013. Interest is payable bi-annually at an average rate of 3.3%. The 2011 bonds were issued for the purpose of financing improvements to the City's administrative center and to certain City parks to provide for certain economic development grants. These bonds have an A rating. | 10,400,000 |
| $5,560,000 Westminster Commercial Redevelopment Project No. 1, 2011 Tax Allocation Bonds, Series B-T, dated June 9, 2011. The bonds are payable upon maturity on November 1, 2012. Interest is payable bi-annually at an average rate of 3.0%. These bonds were issued for the purpose of acquiring property for economic development purposes. These bonds have an A rating. | 5,560,000 |
| Total Tax Allocation Bonds | $ 141,340,000 |

See accompanying independent auditors' report.

5. LONG-TERM LIABILITIES (CONTINUED):

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

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

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 1,195,000 | $ 7,058,091 | $ 8,253,091 |
| 2013 | 9,125,000 | 7,118,944 | 16,243,944 |
| 2014 | 9,335,000 | 6,868,219 | 16,203,219 |
| 2015 | 1,825,000 | 6,687,869 | 8,512,869 |
| 2016 | 1,890,000 | 6,616,094 | 8,506,094 |
| 2017-2021 | 10,665,000 | 31,844,707 | 42,509,707 |
| 2022-2026 | 13,180,000 | 29,237,217 | 42,417,217 |
| 2027-2031 | 15,235,000 | 25,671,561 | 40,906,561 |
| 2032-2036 | 19,020,000 | 20,754,806 | 39,774,806 |
| 2037-2041 | 25,660,000 | 13,921,978 | 39,581,978 |
| 2042-2046 | 34,210,000 | 5,156,944 | 39,366,944 |
| | $ 141,340,000 | $ 160,936,430 | $ 302,276,430 |

**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 |

6. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Advances to and from other fund at June 30, 2011 are as follows:

| | Advances To Other Fund | Advances From Other Fund |
|---|---|---|
| Low and Moderate Special Revenue Fund | $ 14,645,760 | $ - |
| Debt Service Fund | - | 14,645,760 |
| | $ 14,645,760 | $ 14,645,760 |

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

See accompanying independent auditors' report.

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

The compositions of the Agency's interfund transfer balances as of June 30, 2011 are as follows:

Transfers in and out consisted of the following as of June 30, 2011:

| | Transfers Out | | | |
|---|---|---|---|---|
| | Low and Moderate Special Revenue | Debt Service | Capital Projects | Totals |
| Transfers In: | | | | |
| Major Funds: | | | | |
| Low and Moderate Special Revenue | $ - | $ - | $ 11,143,169 | $ 11,143,169 |
| Debt Service | 468,901 | - | - | 468,901 |
| Capital Projects | 3,714,747 | 13,500,000 | - | 17,214,747 |
| Other Governmental Fund: | | | | |
| Westminster Housing Special Revenue | 12,267,535 | - | - | 12,267,535 |
| Totals | $ 16,451,183 | $ 13,500,000 | $ 11,143,169 | $ 41,094,352 |

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

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 2011 totaled $6,648,158 and pass-throughs due and payable totaled $7,099,000 at year-end.

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The Agency has implemented Governmental Accounting Standards Board Statement No. 54. "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Agency's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

9. COMMITMENTS AND CONTINGENCIES:

**Claims and Judgments:**

At June 30, 2011, 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.

9. 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, 2011, the aggregate principal amount of Bonds outstanding totaled $6,750,000.

**Transfers of Assets:**

On February 9, 2011, the City of Westminster established the Westminster Housing Authority to provide the City with the ability to provide housing programs. The Housing authority has contracted with the Westminster Redevelopment Agency to provide funding from the Redevelopment Agency's Low and Moderate Income Housing for the purposes of creating affordable housing. The Redevelopment Agency's Low and Moderate Income housing fund transferred loans and notes receivables in the amount of $ 12,267,535 to the Housing Authority during the fiscal year.

On March 9, 2011 the Board of Directors of the Redevelopment Agency approved the transfer of land to the City. The cost basis of the land transferred amounted to $20.4 million. The Redevelopment Agency transferred a police facility to the City with a cost of $49.2 million.

**SERAF Contingency:**

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.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**SERAF Contingency (Continued):**

The Agency's SERAF contributions are $12,145,264 for the fiscal year 2009-2010 and $2,500,496 for 2010-2011. The Agency borrowed $14.6 million from the low and moderate income housing fund to make these contributions.

**Recent Changes in Legislation Affecting California Redevelopment Agencies:**

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each City would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Westminster intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1x 26.

In the event that Assembly Bill 1x 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):**

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1x 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

Because the stay provide by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlement; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill 1x 26.

On August 10, 2011, City Ordinance No. 2481 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills 1x 26 and/or 27 are upheld as constitutional. The initial payment by the City is $14.4 million with on half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated $3.1 million will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill 1x 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of Assembly Bill 1x 26.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):**

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of ligation surrounding the actions of the state. In the event that Assembly Bill 1x 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

10. RESTATEMENT OF NET ASSETS AND FUND BALANCE:

The net assets were restated from $76,822,556 to $76,510,556 at July 1, 2010. The Redevelopment Projects Capital Projects Fund was restated from $95,282,039 to $94,970,039 at July 1, 2010. The $312,000 decrease was to remove land held for resale which was sold in previous years.

# REQUIRED SUPPLEMENTARY INFORMATION

WESTMINSTER REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE

RDA LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2011

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Tax increment revenue | $ 7,190,720 | $ 7,190,720 | $ 7,227,659 | $ 36,939 |
| Investment and rental | 470,000 | 470,000 | 268,330 | (201,670) |
| TOTAL REVENUES | 7,660,720 | 7,660,720 | 7,495,989 | (164,731) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,945,812 | 14,361,238 | 1,416,373 | 12,944,865 |
| Capital outlay | - | 55,000 | 37,870 | 17,130 |
| TOTAL EXPENDITURES | 1,945,812 | 14,416,238 | 1,454,243 | 12,961,995 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 5,714,908 | (6,755,518) | 6,041,746 | 12,797,264 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 11,143,169 | 11,143,169 | - |
| Transfers out | (1,717,118) | (16,484,653) | (16,451,183) | 33,470 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,717,118) | (5,341,484) | (5,308,014) | 33,470 |
| NET CHANGE IN FUND BALANCE | 3,997,790 | (12,097,002) | 733,732 | 12,830,734 |
| FUND BALANCE - BEGINNING OF YEAR | 32,730,505 | 32,730,505 | 32,730,505 | - |
| FUND BALANCE - END OF YEAR | $ 36,728,295 | $ 20,633,503 | $ 33,464,237 | $ 12,830,734 |

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

WESTMINSTER REDEVELOPMENT AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

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.

# SUPPLEMENTARY INFORMATION

WESTMINSTER REDEVELOPMENT AGENCY

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

WESTMINSTER HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2011

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Investment and rental | $ - | $ - | $ 5,234 | $ 5,234 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | 12,267,535 | 12,267,535 | - |
| NET CHANGE IN FUND BALANCE | - | 12,267,535 | 12,272,769 | 5,234 |
| FUND BALANCE - BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE - END OF YEAR | $ - | $ 12,267,535 | $ 12,272,769 | $ 5,234 |

See accompanying independent auditors' report.

WESTMINSTER REDEVELOPMENT AGENCY

COMPUTATION OF LOW/MODERATE INCOME
HOUSING FUNDS - EXCESS SURPLUS

July 1, 2010

| | | All Project Areas |
|---|---|---|
| OPENING FUND BALANCE - JULY 1, 2010 | | $ 32,730,505 |
| Amounts transferred from City for prior transfers related to capital projects | | 7,643,169 |
| OPENING FUND BALANCE - JULY 1, 2010 WITH TRANSFER OF PRIOR FUNDS | | 40,373,674 |
| LESS UNAVAILABLE AMOUNTS: | | |
| Notes and loans receivable | | (11,130,058) |
| Advances to other fund | | (12,145,264) |
| AVAILABLE LOW/MODERATE INCOME HOUSING FUNDS | | 17,098,352 |
| LIMITATION (GREATER OF $1,000,000 OR FOUR YEARS SET-ASIDE): | | |
| Set-aside for last four years: | | |
| 2009 - 2010 | $ 7,256,399 | |
| 2008 - 2009 | 7,384,926 | |
| 2007 - 2008 | 7,190,197 | |
| 2006 - 2007 | 6,710,263 | |
| TOTAL SET-ASIDE FOR LAST FOUR YEARS | $ 28,541,785 | |
| Base limitation | $ 1,000,000 | |
| GREATER AMOUNT | | 28,541,785 |
| COMPUTED EXCESS SURPLUS - JULY 1, 2010 | | $ - |

See accompanying independent auditors' report.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
Westminster Redevelopment Agency
Westminster, California

## Compliance

We have audited the Westminster Redevelopment Agency's (the Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with the requirements referred to in the first paragraph.

As described below, the Agency did not comply with the California Health and Safety Code as required by Section 33080.1. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements referred to above.

> Health and Safety Code Section 33080.1(b) requires Redevelopment Agencies to submit a fiscal statement for the previous fiscal year that contains the information required pursuant to Section 33080.5.



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*Offices located in Orange and San Diego Counties*

Compliance (Continued)

In our opinion, except for the noncompliance described in the preceding paragraph, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June, 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the 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.

White Nelson Diehl Evans LLP

November 25, 2011
Irvine, California