

CITY OF WESTMINSTER, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2017

Prepared by the Finance Department

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CITY OF WESTMINSTER

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INTRODUCTORY SECTION

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City of Westminster

8200 Westminster Boulevard, Westminster, CA 92683 714.898.3311
www.westminster-ca.gov



November 30, 2017

Honorable Tri Ta, Mayor
Honorable Members of the Council of the City of Westminster
Citizens of the City of Westminster:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Westminster (City) for the fiscal year ended June 30, 2017. The CAFR is prepared in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by an independent accounting firm of licensed Certified Public Accountants.

To ensure the reliability of the information contained herein, and consistent with the City's commitment to transparent financial reporting, the City contracted with the independent auditing firm of White Nelson Diehl Evans, LLP, to conduct the audit of the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. We are pleased to report that White Nelson Diehl Evans, LLP granted the City an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditor's report is presented as the first component of the financial section of this report.

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

TRI TA
Mayor

TYLER DIEP
Vice Mayor

SERGIO CONTRERAS
Council Member

KIMBERLY HO
Council Member

MARGIE L. RICE
Council Member

EDDIE MANFRO
City Manager

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

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

PROFILE OF THE CITY OF WESTMINSTER

The City of Westminster, incorporated in 1957, is located in the northeast corner of Orange County. The City currently occupies a land area of 10.6 square miles and serves a population of 93,533.

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

The City provides a full range of services, including police, water utility, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City contracts with the Orange County Fire Authority (OCFA) for the provision of fire protection and emergency medical services. The City is also financially accountable for the legally separate Westminster Public Financing Authority and Westminster Housing Authority. The City has accounted for these entities as “blended” component units and therefore they have been included as an integral part of the City’s financial statements.

The City currently prepares a two-year budget with appropriations approved by the City Council annually. The biannual budget serves as the foundation for the City’s financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council’s goal is to hold public hearings on the proposed budget and to adopt a final budget by June 30, the close of the City’s fiscal year. A spending resolution would be required if this goal cannot be met.

The Fiscal Year 2016-17 Budget was passed on August 24, 2016 and a spending resolution was in place from July 1, 2016 until August 24, 2016. The Fiscal Years 2017-19 Budget was passed on June 28, 2017.

The budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department directors may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Manager's approval. Transfers between funds, as well as any increase to appropriations, require approval of the City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general and major governmental funds, this comparison is presented as part of the required supplementary information section of the report. For other funds with appropriated annual budgets, this comparison is presented as part of the other supplementary information section of the report.

FACTORS AFFECTING ECONOMIC CONDITION

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

Local Economy

The long recovery from the "Great Recession" has now entered its eighth year. At this time, there are signs that the economic recovery is picking up steam in both California and in Orange County. Orange County is expected to enjoy its seventh consecutive year of job growth according to the latest forecast from the economists at Chapman University. Nevertheless, the City of Westminster continues to face a number of budget challenges as State takeaways have impacted the City's ability to address basic city needs. In addition, the City's proportional share of property tax is one of the smallest shares of all the cities in Orange County, and has forced the City to look elsewhere for the needed revenue. The City receives \$7 dollars or 7 percent on every \$100 dollars collected. Surrounding cities range from 11% to 19%.

Tax revenue – primarily property and sales – comprise the majority of Westminster's general fund revenue (90%). Therefore, improvements to the local real estate and retail markets will directly impact the City's revenues in a positive manner. Total tax revenues are projected to increase 34.6% over the prior year. This growth is primarily from sales taxes and is due to the voter approved sales tax measure allowing for a 1% transaction tax that was implemented April 1, 2017. Based on discussions with the City's sales tax consultant, Hinderliter, deLlamas, and Associates, receipts from the transaction tax are projected at \$13.9 million in Fiscal Year 2017-18. These projections are based on anticipated gains from fuel, service stations and restaurants, and an anticipated decline in vehicle sales, as well as consumer preference of spending more on services, rather than goods.

The City's central location allows the City to draw upon the economic engines and jobs in both Orange County and Los Angeles regions. This provides many opportunities for businesses and residents, resulting in a strong economic base.

The City also enjoys its position as the internationally recognized social, cultural, and retail hub of the Vietnamese American community. The Little Saigon marketplace serves as an important economic engine for the City. Retailers there are provided with the opportunity to reach a broad demographic base that is actively looking for variety in shopping and entertainment choices, from large, well-established brands to emerging and specialty boutiques.

Westminster has a diversified retail base and is also home to many national retailers including: Lexus, Toyota, Honda, Infiniti, Wal-Mart, Home Depot, Best Buy, Macy's, Target, J.C. Penney, Sears and Costco Business Center. Westminster is also home to major motorcycle and recreation vehicle dealerships, including Harley Davidson, Indian Motorcycle, Airstream and Dillon RV. This well capitalized and established business community is also supported by a regional mall and growing development demand. The City recently adopted a new General Plan, which supports the development of additional housing and commercial developments.

An accessible central location, a unique Vietnamese-American market niche, and the demonstrated ability to attract both large national chains, while supporting smaller emerging businesses, are all examples of Westminster's economic versatility and its potential for long-term sustainable growth.

New Accounting Pronouncements

No GASB standards implemented in the current fiscal year impacted the City.

Redevelopment Elimination and the City's Response

The State legislative action having the most impact on Westminster in recent years dealt with the dissolution of redevelopment throughout California. Westminster continues to deal with the aftermath of the passage of Assembly Bills 1x 26 and 1484 – the two bills which dissolved redevelopment effective January 31, 2012. (See Note 15 of these financial statements for more information on the dissolution of redevelopment.) The elimination of the Westminster Redevelopment Agency (WRA) has had a significant impact on the City's ability to maintain capital improvement schedules and fund future projects. In addition to significantly hindering the City's ability to fund capital improvement projects and support economic development efforts, the dissolution directly impacts the City's General Fund as the WRA was staffed by City personnel.

Westminster was dealt this significant setback at the time it was dealing with the harsh effects of the recession on its budget. To help mitigate the recessionary impacts on general fund revenues along with the loss of redevelopment funds, staff reduced the operating budget through a number of means. Two early retirement incentive programs ("golden handshakes") were implemented in fiscal years 2009-10 and 2010-11 in an effort to shrink the City's workforce. In addition, a severance package was given to employees whose jobs were eliminated at the beginning of fiscal year 2012-13.

In July 2015 the City hired an independent financial consultant to conduct a full review of the City's budget and financial practices. A three-year financial forecast with reliable and verified estimates of the size of the projected General Fund deficits for fiscal year 2015-16 through fiscal year 2017-18 was provided to the City Council.

This was done to develop a timeline for how long the City Council had to address the deficit before the General Fund reserves would be fully depleted. The resulting forecast also identified both the City's "budget deficits" and its "structural deficits". Information related to the long-range financial forecast can be found in the Supplemental Information section in the City's Fiscal Year's 2017-19 Budget.

The City also took steps to analyze and ensure that the City was protecting the municipal funds with which it is entrusted. To ensure that the City's financial control policies were in line with the industry's best practices and standards, the City contracted with an independent auditing firm to test the integrity of the City's processes. The results of this independent assessment showed that the City was current in its practices and had instituted effective control systems needed to protect public funds.

In addition to the preceding steps, a five-member Financial Task Force was appointed to evaluate and recommend possible ideas for addressing the City's structural deficit situation. Their recommendations were presented to the City Council at the May 18, 2016 budget study session.

At their meeting on June 22, 2016, the City Council voted to place a 1% Transactions and Use Tax measure on the November 8, 2016 General Election ballot. Measure SS ultimately passed by an over 60% vote of the Westminster Citizens. This tax will be in effect from April 1, 2017 and expire on December 31, 2021. The Transaction Tax enabled the City Council to adopt the first balanced budget with the use of reserves in 10 years.

Outlook for the Future

Even with the approval of the transaction tax, maintaining a balanced budget will require the City to continue to take actions internally to reduce costs, while pursuing ways to support development in the business community to increase revenues. Adding in the Measure SS Transaction Tax revenue to the long-term financial projections postpones the deficit spending, but doesn't completely eliminate it. In fiscal year 2019-20 and fiscal year 2020-21 the City is not structurally balanced but it does have sufficient reserves to cover the shortages. The projection is balanced again in fiscal year 2021-22 but only by removing capital project funding.

The City's ability to restrain ongoing expenditures while maintaining suitable levels of service will be a key factor in helping achieve sustained fiscal health. However, ongoing expenditures continue to grow at a faster pace than ongoing revenues. Westminster's future sustainability, in terms of its ability to deliver acceptable levels of public services, particularly public safety services, is dependent upon the generation of revenues adequate to support them. Since law enforcement and fire services represent 75% of the City's General Fund operating expenditure budget, any increase in these costs has a dramatic impact on the remaining services and the City's overall financial condition.

The challenge for cities in California, including Westminster, is to develop a sustainable budget that addresses all the priority service choices necessary to meet the needs of our community, and allow the City to continue to be a safe place to live and work. The approval of Measure SS will assist with this ongoing task.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Westminster for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 22nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its budget document dated July 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Sherry Johnson
Finance Director

CITY OF WESTMINSTER

Principal Officials

CITY COUNCIL

TRI TA, Mayor

TYLER DIEP, Vice Mayor

SERGIO CONTRERAS, Council Member

KIMBERLY HO, Council Member

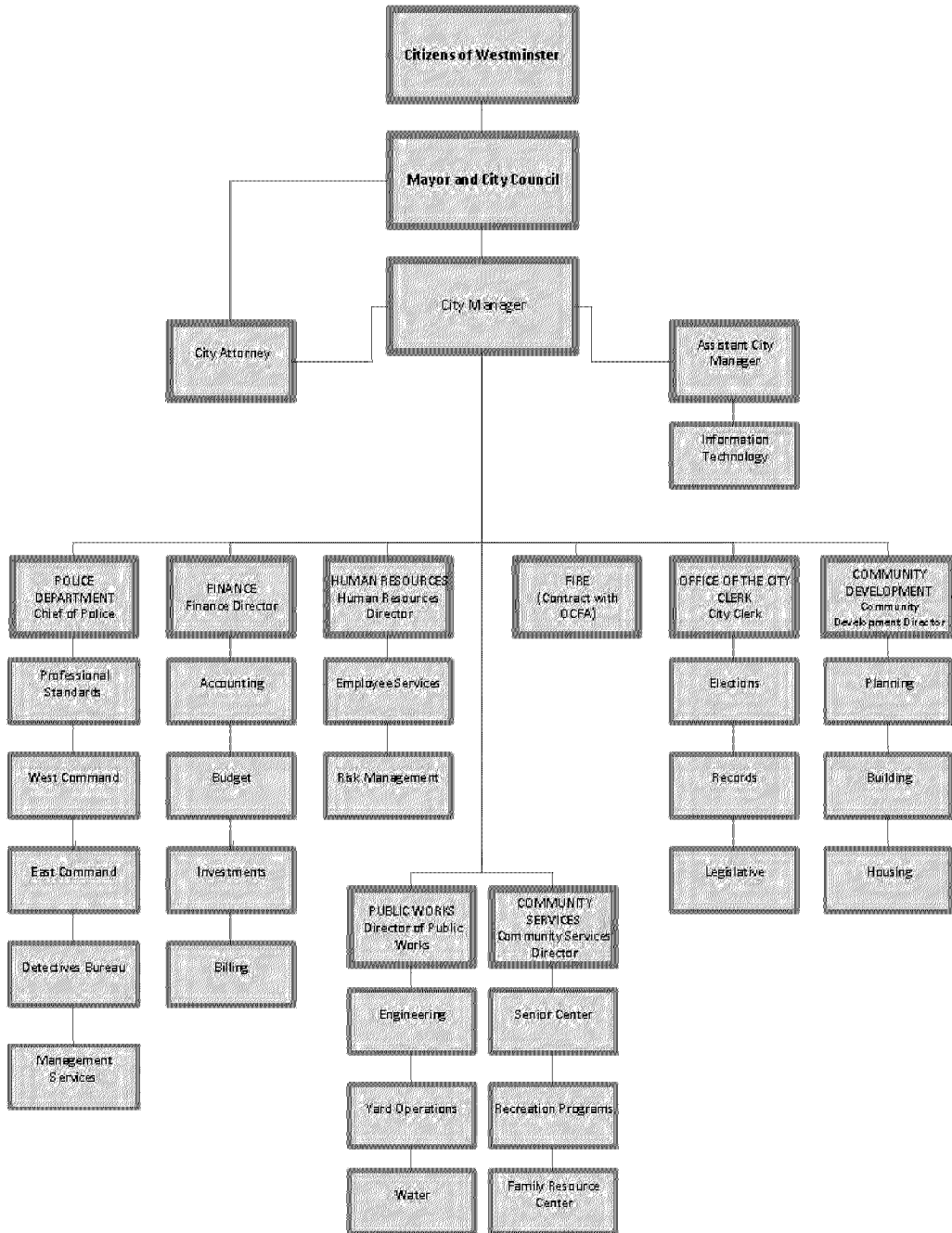
MARGIE L. RICE, Council Member

CITY STAFF

| | |
|------------------|-------------------------------------|
| Eddie Manfro | City Manager |
| Chester Simmons | Assistant City Manager |
| Richard D. Jones | City Attorney |
| Ralph Ornelas | Police Chief |
| Robert Acosta | O.C. Fire Authority Division Chief |
| Diana Dobbert | Community Services Director |
| Michael Harary | Human Resources Director |
| Marian Contreras | Interim City Clerk |
| Sherry Johnson | Finance Director/City Treasurer |
| Soroosh Rahbari | Community Development Director |
| Marwan Youssef | Public Works Director/City Engineer |

CITY OF WESTMINSTER

Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Westminster
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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FINANCIAL SECTION

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CITY OF WESTMINSTER

Comprehensive Annual Financial Report

June 30, 2017

Financial Section

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INDEPENDENT AUDITORS' REPORT

City Council Members
City of Westminster
Westminster, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the CalPERS pension plans - schedule of proportionate share of the net pension liability and the schedule of contributions - safety plan, the schedule of changes in the net pension liability and related ratios and the schedule of contributions - miscellaneous plan, the PARS pension plan - schedule of changes in the net pension liability and related ratios and the schedule of contributions, the schedule of funding progress - other post-employment benefit plan, and the budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Westminster (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017, along with comparisons to the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the financial statements that follow.

FINANCIAL HIGHLIGHTS

At the close of fiscal year 2017, the City's net position – the difference between its assets and deferred outflows of resources compared to its liabilities and deferred inflows of resources – was \$236.1 million, a decrease of \$6.4 million or 2.63% from the restated prior year amount of \$242.5 million. The net position of business-type activity decreased by \$0.7 million or 1.93%. While the net position of governmental activities decreased by \$5.7 million or 2.75%; the net position before extraordinary items decreased by \$7.4 million or 3.56%.

The net position of \$236.1 million consisted of: \$255.8 million of net investment in capital assets; \$27.2 million of resources that are subject to external restrictions on how they may be used; \$6.0 million that may be used to meet the City's obligations for its business-type activity; and a \$52.9 million deficit related to its governmental activities.

The City's total revenues for fiscal year 2017 were \$76.4 million and total expenses were \$84.5 million. Revenues decreased by \$0.4 million over the prior year, while expenses decreased by \$0.7 million. The decrease in revenue is due to a decrease of \$7.5 million in capital grants and contributions which is offset by increases of \$3.9 million in general revenues, \$2.2 million in operating grants and contributions, and \$1.0 million in charges for services. Expenses decreased for most of the City's programs, with the largest change coming from public safety, which had a decrease of \$1.1 million. Extraordinary gains were \$1.7 million this year, compared to an extraordinary gain of \$27.2 million last year.

As of June 30, 2017 the City's governmental funds reported a combined ending fund balance of \$73.2 million, a decrease of \$0.9 million from the restated beginning fund balance. Of this amount, \$27.2 million (the sum of assigned and unassigned fund balances) is available for spending at the City's discretion.

Council recently adopted a Reserve Policy with new committed and assigned balances. The Committed fund balance for the General Fund at June 30, 2017 was \$9.2 million, or 17.00% of total General Fund expenditures. This percentage hits the City's target rate and is in accordance with the recommendation of the Government Finance Officers Association (GFOA). The Assigned fund balance for the General Fund at June 30, 2017 was \$2.7 million. Unassigned fund balance for the General Fund at June 30, 2017 was \$8.9 million, or 16.46% of total General Fund expenditures. This compares to \$22.1 million at June 30, 2016, which was 44.65% of General Fund expenditures for that year.

Total City debt (excluding compensated absences, claims, OPEB, and pension liabilities) decreased by \$1.03 million or 13.97%. The changes in debt consisted of principal reduction payments and an overall decrease in leases payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all assets, liabilities, deferred outflows and inflows with the difference between them reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., uncollected taxes or earned but unused vacation leave).

Both of these statements distinguish functions of the City government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City include general government, public safety, public works, community development and community services. A business-type activity of the City includes the water utility.

The basic government-wide financial statements can be found on pages 23-25 of this report.

Fund Financial Statements

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains several individual governmental funds organized by their type (general, special revenue, and capital improvements funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Westminster Housing Authority, Housing and Community Development, Special Gas Tax and Street Improvements, and Capital Improvements, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-32 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 33-37 of this report.

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

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-106 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to City employees. Also included in this section are the budgetary comparison schedules for the general and major special revenue funds. The required supplementary information can be found on pages 107-119 of this report.

Combining statements and individual fund statements for non-major governmental funds, internal service funds and the agency fund are presented immediately following the required supplementary information on pages 121-144 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$236.1 million at June 30, 2017. This is a decrease of \$6.4 million for the year, as the condensed summaries of the statement of net position show on the following pages. Last year, in comparison, the City's net position increased by \$20.3 million.

| Condensed Statement of Net Position | | | | |
|--|---------------------------|---------------------------|---------------------------------|---------------------------------|
| Primary Government | | | | |
| | June 30, | June 30, | Increase/ (Decrease) | Percent |
| | 2017 | 2016 | From 2016 | Increase/ (Decrease) |
| Assets: | | | | |
| Current and other assets, as restated | 120,639,899 | 115,300,176 | \$ 5,339,723 | 4.63% |
| Capital assets, net of accumulated depreciation | 261,586,611 | 268,368,505 | (6,781,894) | -2.53% |
| Total assets | <u>382,226,510</u> | <u>383,668,681</u> | <u>(1,442,171)</u> | -0.38% |
| Deferred Outflows of Resources: | <u>17,548,032</u> | <u>6,416,852</u> | <u>11,131,180</u> | 173.47% |
| Liabilities: | | | | |
| Current and other liabilities | 18,460,387 | 18,464,207 | (3,820) | -0.02% |
| Long-term liabilities | 140,029,531 | 119,050,953 | 20,978,578 | 17.62% |
| Total liabilities | <u>158,489,918</u> | <u>137,515,160</u> | <u>20,974,758</u> | 15.25% |
| Deferred Inflows of Resources: | <u>5,142,567</u> | <u>10,041,841</u> | <u>(4,899,274)</u> | -48.79% |
| Net position: | | | | |
| Net investment in capital assets | 255,800,265 | 261,329,703 | (5,529,438) | -2.12% |
| Restricted, as restated | 27,186,391 | 20,135,952 | 7,050,439 | 35.01% |
| Unrestricted | (46,844,599) | (38,937,123) | (7,907,476) | 20.31% |
| Total net position | <u><u>236,142,057</u></u> | <u><u>242,528,532</u></u> | <u><u>\$ (6,386,475)</u></u> | -2.63% |

At the end of fiscal year 2017, the City continued to report positive balances in two of the three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities.

The City's total restricted portion of net position for governmental and business-type activities combined (\$27.2 million or 11.51% of total net position) represents resources that are subject to external restrictions on how they may be used. This is a \$7.1 million, or 35.01% increase from prior year.

The largest portion (108.3%) of the City's net position reflects its investment of \$255.8 million in capital assets (net of accumulated depreciation); less any related outstanding debt used to acquire those assets. This is an overall decrease of \$5.5 million, or 2.12% from the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position has a deficit balance of \$46.8 million at June 30, 2017. The deficit balance is the result of implementing GASB statements related to pension liabilities. The deficit reflects the extent to which the City must defer to future periods the financing of a portion of its pension liability. Generally accepted accounting principles require financial statement recording when a liability is incurred. However, the City, like many other governments, raises and budgets resources needed to liquidate certain liabilities during the year in which the liability is to be liquidated rather than during the year in which the liability is incurred. In the case of the pension liability, the City will continue to fund its obligations on an actuarial basis, contributing the full amount of annual required contributions to the pension system every year.

| Condensed Statement of Net Position Governmental Activities | | | | |
|--|--------------------------|--------------------------|---|---|
| | June 30, 2017 | June 30, 2016 | Increase/ (Decrease) From 2016 | Percent Increase/ (Decrease) |
| Assets: | | | | |
| Current and other assets, as restated | 106,510,306 | 101,581,453 | \$ 4,928,853 | 4.85% |
| Capital assets, net of accumulated depreciation | <u>229,979,534</u> | <u>235,572,071</u> | <u>(5,592,537)</u> | -2.37% |
| Total assets | <u>336,489,840</u> | <u>337,153,524</u> | <u>(663,684)</u> | -0.20% |
| Deferred Outflows of Resources: | <u>16,749,009</u> | <u>5,989,952</u> | <u>10,759,057</u> | 179.62% |
| Liabilities: | | | | |
| Current and other liabilities | 15,589,576 | 15,672,272 | (82,696) | -0.53% |
| Long-term liabilities | <u>131,115,363</u> | <u>110,508,219</u> | <u>20,607,144</u> | 18.65% |
| Total liabilities | <u>146,704,939</u> | <u>126,180,491</u> | <u>20,524,448</u> | 16.27% |
| Deferred Inflows of Resources: | <u>5,082,569</u> | <u>9,807,025</u> | <u>(4,724,456)</u> | -48.17% |
| Net position: | | | | |
| Net investment in capital assets | 227,269,999 | 232,222,529 | (4,952,530) | -2.13% |
| Restricted, as restated | 27,073,245 | 20,023,287 | 7,049,958 | 35.21% |
| Unrestricted | <u>(52,891,903)</u> | <u>(45,089,856)</u> | <u>(7,802,047)</u> | 17.30% |
| Total net position | <u>\$ 201,451,341</u> | <u>\$ 207,155,960</u> | <u>\$ (5,704,619)</u> | -2.75% |

Governmental activities show an overall decrease in total net position of \$7.8 million or 2.75%. Key changes in the statement of net position are as follows:

Deferred outflows of resources increased by \$10.8 million, or 179.62%; and deferred inflows of resources decreased by \$4.7 million or 48.17%. The majority of these balances are related to the City's pension plan. \$6.5 million in deferred outflows is related to the pension contributions made in fiscal year 2016-17. This is an increase of \$.7 million when compared to fiscal year 2015-16. These monies will be recognized as a reduction of the net pension liability in fiscal year 2017-18. A majority of the remaining balance in deferred outflows, and the balance in deferred inflows will be amortized over 4 years and recognized as pension expense. These balances are made up of various components, the largest being the net differences between projected and actual earnings on plan investments, which increase and decrease pension expense over a rolling 4 year period (see note 8, page 85 for further discussion). Long-term liabilities increased by \$20.6 million or 18.65%. Again, the majority of this increase is related to the pension plan which increased by \$19.7 million or 25.38%. This increase is a result of CalPERS earnings below the plan's expected earnings. The City's other post-employment benefits (OPEB) liability increased by \$1.5 million or 7.6%. The assumptions used in calculating this zero percent funded liability were changed to lower the investment interest rate from 4.00% per annum to 3.75%, and the inflation rate was also lowered from 3% per annum to 2.75%. This resulted in higher annual required contribution (City makes payments on a pay-as-you-go method) and a greater shortfall between the required and the actual amounts paid. In fiscal year 2017-18, the City is opening Section 115 trust accounts to set-aside monies for future use on these two growing liabilities. More detailed information can be found in Notes 8 and 9 in the Notes to the Basic Financial Statements.

Net position – Restricted, as restated increased by \$7.0 million or 35.21%. This is due to the repayment of \$3.5 million for an advance from the Westminster Housing Authority Special Revenue Fund to the Successor Agency to the Westminster Redevelopment Agency (SAWRA), and increases in fund balances of \$.7 million in the Special Police Services Special Revenue Fund, \$1.2 million in the Municipal Lighting Special Revenue Fund, and \$1.7 million in the Special Gas Tax and Street Improvements Special Revenue Fund.

**Condensed Statement of Net Position
Business-type Activity**

| | June 30, 2017 | June 30, 2016 | Increase/ (Decrease) From 2016 | Percent Increase/ (Decrease) |
|--|--------------------------|--------------------------|---|---|
| Assets: | | | | |
| Current and other assets | \$ 13,859,593 | \$ 13,718,723 | \$ 140,870 | 1.03% |
| Capital assets, net of accumulated depreciation | 31,877,077 | 32,796,434 | (919,357) | -2.80% |
| Total assets | <u>45,736,670</u> | <u>46,515,157</u> | <u>(778,487)</u> | -1.67% |
| Deferred Outflows of Resources: | <u>799,023</u> | <u>426,900</u> | <u>372,123</u> | 87.17% |
| Liabilities: | | | | |
| Current and other liabilities | 2,870,811 | 2,791,935 | 78,876 | 2.83% |
| Long-term liabilities | 8,914,168 | 8,542,734 | 371,434 | 4.35% |
| Total liabilities | <u>11,784,979</u> | <u>11,334,669</u> | <u>450,310</u> | 3.97% |
| Deferred Inflows of Resources: | <u>59,998</u> | <u>234,816</u> | <u>(174,818)</u> | -74.45% |
| Net position: | | | | |
| Net investment in capital assets | 28,530,266 | 29,107,174 | (576,908) | -1.98% |
| Restricted | 113,146 | 112,665 | 481 | 0.43% |
| Unrestricted | 6,047,304 | 6,152,733 | (105,429) | -1.71% |
| Total net position | <u>\$ 34,690,716</u> | <u>\$ 35,372,572</u> | <u>\$ (681,856)</u> | -1.93% |

Business-type activity shows an overall decrease of \$0.7 million or 1.93%. Key changes in the net position of business-type activity were as follows:

Deferred outflows of resources increased by \$.4 million, or 87.17%; long-term liabilities increased by \$.4 million or 4.35%; and deferred inflows of resources decreased by \$.2 million or 74.45%. As noted with the governmental activities, the majority of these changes are attributable to the pension and OPEB liabilities. More detailed information can be found in Notes 8 and 9 in the Notes to the Basic Financial Statements.

Analysis of Activities

The statement of activities shows how the government's net position changed during fiscal year 2017. The City's net position before extraordinary items decreased by \$8.0 million, and decreased overall by \$6.4 million as shown on the condensed summaries below and on the following pages.

**Condensed Statement of Activities
Primary Government**

| | <u>For the year ended</u> | | Increase/ (Decrease) From 2016 | Percent Increase/ (Decrease) |
|---|---------------------------|--------------------------|---|---|
| | June 30, 2017 | June 30, 2016 | | |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 22,760,563 | \$ 21,809,989 | \$ 950,574 | 4.36% |
| Operating grants and contributions | 9,141,531 | 6,984,437 | 2,157,094 | 30.88% |
| Capital grants and contributions | 72,760 | 7,548,627 | (7,475,867) | -99.04% |
| General revenues: | | | | |
| Taxes | 44,442,264 | 39,384,548 | 5,057,716 | 12.84% |
| Unrestricted investment earnings | (30,069) | 1,083,654 | (1,113,723) | -102.77% |
| Total Revenues | <u>76,387,049</u> | <u>76,811,255</u> | <u>(424,206)</u> | -0.55% |
| Expenses: | | | | |
| General government | 4,350,036 | 3,595,489 | 754,547 | 20.99% |
| Public safety | 43,809,880 | 44,860,014 | (1,050,134) | -2.34% |
| Public works | 11,583,654 | 11,596,949 | (13,295) | -0.11% |
| Community development | 7,625,758 | 8,276,191 | (650,433) | -7.86% |
| Community services | 2,893,873 | 3,021,121 | (127,248) | -4.21% |
| Interest on long term debt | 142,150 | 164,648 | (22,498) | -13.66% |
| Water enterprise | 14,045,523 | 13,600,864 | 444,659 | 3.27% |
| Total Expenses | <u>84,450,874</u> | <u>85,115,276</u> | <u>(664,402)</u> | -0.78% |
| Excess (Deficit) of Revenues over Expenses | (8,063,825) | (8,304,021) | 240,196 | -2.89% |
| Extraordinary item | <u>1,677,350</u> | <u>27,168,081</u> | <u>(25,490,731)</u> | -93.83% |
| Change in Net Position | (6,386,475) | 18,864,060 | (25,250,535) | -133.86% |
| Net Position - Beginning of Year, as Restated | <u>242,528,532</u> | <u>223,664,472</u> | <u>18,864,060</u> | 8.43% |
| Net Position - End of Year | <u>\$ 236,142,057</u> | <u>\$ 242,528,532</u> | <u>\$ (6,386,475)</u> | -2.63% |

**Condensed Statement of Activities
Governmental Activities**

| | For the year ended | | Increase/ (Decrease) From 2016 | Percent Increase/ (Decrease) |
|---|-----------------------|-----------------------|--------------------------------------|------------------------------------|
| | June 30, 2017 | June 30, 2016 | | |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 9,440,646 | \$ 9,078,259 | \$ 362,387 | 3.99% |
| Operating grants and contributions | 9,141,531 | 6,984,437 | 2,157,094 | 30.88% |
| Capital grants and contributions | 72,760 | 7,548,627 | (7,475,867) | -99.04% |
| General revenues: | | | | |
| Taxes | 44,442,264 | 39,384,548 | 5,057,716 | 12.84% |
| Unrestricted investment earnings | (108,819) | 965,817 | (1,074,636) | -111.27% |
| Total Revenues | <u>62,988,382</u> | <u>63,961,688</u> | <u>(973,306)</u> | -1.52% |
| Expenses: | | | | |
| General government | 4,350,036 | 3,595,489 | 754,547 | 20.99% |
| Public safety | 43,809,880 | 44,860,014 | (1,050,134) | -2.34% |
| Public works | 11,583,654 | 11,596,949 | (13,295) | -0.11% |
| Community development | 7,625,758 | 8,276,191 | (650,433) | -7.86% |
| Community services | 2,893,873 | 3,021,121 | (127,248) | -4.21% |
| Interest on long term debt | 142,150 | 164,648 | (22,498) | -13.66% |
| Total Expenses | <u>70,405,351</u> | <u>71,514,412</u> | <u>(1,109,061)</u> | -1.55% |
| Excess (Deficit) of Revenues over Expenses | (7,416,969) | (7,552,724) | 135,755 | -1.80% |
| Transfers | 35,000 | 35,000 | - | 0.00% |
| Extraordinary item | 1,677,350 | 27,168,081 | (25,490,731) | -93.83% |
| Change in Net Position | (5,704,619) | 19,650,357 | (25,354,976) | -129.03% |
| Net Position - Beginning of Year, as Restated | <u>207,155,960</u> | <u>187,505,603</u> | <u>19,650,357</u> | 10.48% |
| Net Position - End of Year | <u>\$ 201,451,341</u> | <u>\$ 207,155,960</u> | <u>\$ (5,704,619)</u> | -2.75% |

Governmental activities decreased the City's net position before transfers and extraordinary item by \$7.4 million. Revenues decreased by \$1.0 million or 1.52%. The majority of the decrease is in program revenues related to capital grants and contributions, which decreased by \$7.5 million or 99.04%. This revenue source will vary from year to year, depending on the completion of grant funded projects. Last year included capital assets of \$7.3 million transferred from SAWRA to the City; there were no SAWRA transfers in the current year. Unrestricted investment earnings decreased by \$1.1 million or 111.27%. Included in this balance is the annual "mark-to-market" entry. In fiscal year 2016, this entry amounted to a net increase of \$.4 million, and in fiscal year 2017 the result was a net decrease of \$.6 million. These decreases were offset somewhat by an increase in taxes of \$5.1 million or 12.84%. \$3.1 million of this increase is attributable to the City's transactions and use tax of 1%. This new tax was voted in by the citizens of Westminster and implemented April 1, 2017. The City also had an increase of \$2.2 million or 30.88% in program revenues related to operating grants and contributions. This is another revenue source that varies from year to year, again depending on the completion of the related projects.

Program expenses decreased from fiscal year 2015-16 by \$1.1 million or 1.55%. The majority of the decrease is from public safety, which had a decrease of \$1.1 million or 2.34%. Payroll vacancies took place in all programs, and can account for most of the decreases. General government was the only program that showed an increase. During the year, the City, in an effort to fix the Risk Management and Compensation/Benefits Internal Service Funds, stopped the practice of charging a percent of general government costs to these two funds.

This resulted in an approximate savings of \$2.0 million and positive ending fund balances for these two internal service funds. Absent this change in policy, the general government would have shown a decrease of \$1.2 million or 33.75%. Going forward, this practice will remain in place, as the related funds could not sustain the charges.

In fiscal year 2016-17, program revenues funded 26.50 % of total expenses, as compared to 33.02% in fiscal year 2015-16. General revenues were not able to fully fund the balance of expenses not funded from program revenues in both fiscal years resulting in a \$7.4 million deficit of revenues over expenses in fiscal year 2016-17, and a \$7.6 million deficit of revenues over expenses in fiscal year 2015-16.

The City shows an extraordinary gain of \$1.7 million in governmental activities during the year. In prior year an extraordinary gain of \$27.2 million in governmental activities was reported. As with the gain reported in fiscal year 2015-16, this is the net amount of bond proceeds that were transferred between the City and SAWRA. In addition to bond proceeds, fiscal year 2015-16 also included property transfers. Additional information on this transaction can be found in Note 16 in the Notes to the Basic Financial Statements.

| Condensed Statement of Activities | | | | |
|--|---------------------------|--------------------------|---------------------------------|---|
| Business-type Activity | | | | |
| | For the year ended | | Increase/ (Decrease) | Percent Increase/ (Decrease) |
| | June 30, 2017 | June 30, 2016 | | |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 13,319,917 | \$ 12,731,730 | \$ 588,187 | 4.62% |
| General revenues: | | | | |
| Unrestricted investment earnings | 78,750 | 117,837 | (39,087) | -33.17% |
| Total Revenues | <u>13,398,667</u> | <u>12,849,567</u> | <u>549,100</u> | 4.27% |
| Expenses: | | | | |
| Water enterprise | 14,045,523 | 13,600,864 | 444,659 | 3.27% |
| Total Expenses | <u>14,045,523</u> | <u>13,600,864</u> | <u>444,659</u> | 3.27% |
| Excess of Revenues over Expenses | (646,856) | (751,297) | 104,441 | -13.90% |
| Transfers | (35,000) | (35,000) | - | 0.00% |
| Change in Net Position | (681,856) | (786,297) | 104,441 | -13.28% |
| Net Position - Beginning of Year | <u>35,372,572</u> | <u>36,158,869</u> | <u>(786,297)</u> | -2.17% |
| Net Position - End of Year | <u>\$ 34,690,716</u> | <u>\$ 35,372,572</u> | <u>\$ (681,856)</u> | -1.93% |

Business-type activity decreased the City’s net position by \$0.7 million or 1.937% in fiscal year 2016-17. For the most part, expenses were static for fiscal years 2016-17 and 2015-16. Charges for services increased by \$.6 million or 4.62%, while Water enterprise expenses increased by \$.4 million or 3.27%. Unrestricted investment earnings decreased by \$39 thousand or 33.17% as interest rates remained low.

In fiscal year 2016-17, program revenues funded 94.83 % of total expenses, as compared to 93.61% in fiscal year 2015-16. General revenues were not able to fully fund the balance of expenses not funded from program revenues in both fiscal years resulting in a \$.6 million deficit of revenues over expenses in fiscal year 2016-17, and a \$.8 million deficit of revenues over expenses in fiscal year 2015-16.

FINANCIAL ANALYSIS OF CITY FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Overall, the City had a net decrease of \$.9 million to governmental fund balances in fiscal year 2016-17 and a net increase of \$4.0 million to its proprietary funds' net position.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The City presents its financial statements in compliance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of the Statement is to present useful fund balance information by providing clear fund balance classifications and governmental fund type definitions. The Statement established 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.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$73.2 million, a decrease of \$.9 million in comparison with the prior year. Of the \$73.2 million, \$33,695 or 0.05% is classified as non-spendable fund balance; \$36.8 million or 50.24%, is classified as restricted fund balance; \$9.2 million or 12.57%, is classified as committed; \$18.5 million or 25.24%, is classified as assigned fund balance; and \$8.7 million or 11.90% is classified as unassigned fund balance. For a more detailed description of these classifications see Note 12 in the Notes to the Basic Financial Statements.

The General Fund is the chief operating fund of the City. As of June 30, 2017, the total fund balance was \$20.8 million. The non-spendable portion of this balance is \$33,695; \$9.2 million is committed for emergency/contingency reserve; \$2.6 million is assigned for the Westminster Redevelopment Agency (WRA) dissolution reserve; the remaining \$8.9 million unassigned fund balance is available for spending at the City's discretion. The unassigned total fund balance represents 16.45% of total General Fund expenditures.

The major factors in fund balance changes are as follows:

Governmental Funds

- The **General Fund** experienced a \$1.7 million decrease in fund balance in fiscal year 2016-17, compared to a \$.4 million increase in fiscal year 2015-16. Revenues were \$51.2 million, an increase of \$1.8 million compared to fiscal year 2015-16, while expenditures were \$54.1 million, an increase of \$3.8 million from 2015-16. Taxes revenue increased by \$4.0 million, or 10.16%. The majority of the tax revenue increase is attributable to the \$3.1 million received in transaction and use taxes. All other revenues decreased, with the exception of Intergovernmental, which increased by \$25,022. The largest decrease occurred in Investment and rental at a decrease of \$1.0 million or 59.75%. As mentioned previously, the largest cause of this decrease is the "mark-to-market" adjustment done at June 30, 2017. Fiscal year 2016-17's "mark-to-market" adjustment was a decrease of \$.6 million, while the entry for fiscal year 2015-16 was an increase of \$.6 million.

Although overall expenditures increased by \$3.8 million, cost cutting measures continued in all departments. Included in this increase are CalPERS rates which continue to grow each year. In fiscal year 2016-17, costs increased overall by \$0.4 million or 6.67% (\$28,857 or 2.46% for miscellaneous employees and \$0.3 million or 7.81% for safety employees).

These costs are expected to grow overall by 18% in fiscal year 2017-18. In addition to these cost increases, the City's contract with the Orange County Fire Authority (OCFA) has mandatory annual increases. Overall fire safety costs increased \$0.4 million during the year. A change in policy was made to eliminate funding the General Fund with overhead transfers from the Risk Management and Compensation/Benefits Internal Service Funds. This resulted in approximately \$1.2 million in additional costs to the General Fund. The City purchased land from SAWRA during the year at \$1.7 million. This land is expected to be sold during fiscal year 2017-18, and the purchase cost will be returned to the General Fund. Any profit will be transferred to the City's new Economic Development Capital Improvement Fund to be used for expenditures related to the implementation of the General Plan and the Economic Development Strategic Plan.

Other financing sources and uses in the General Fund totaled \$1.3 million and included one-time transfers in of \$2.2 million from the Capital Improvements Fund, \$0.6 million from the Internal Service Funds, and \$0.6 million from the Community Promotion Special Revenue Fund to cover operating costs. One-time transfers out of \$2.1 million included \$1.0 million to the Risk Management Internal Service Fund, to make this fund whole, \$1.0 million to the newly created Economic Development Capital Projects Fund, and additional small transfers to various funds at \$0.1 million to cover operating costs. The two \$1.0 million transfers were year-end budget adjustments paid out of salary (vacancy) and other cost savings.

- The **Westminster Housing Authority Fund** balance declined by \$0.6 million in fiscal year 2016-17. In fiscal 2015-16, the fund held a \$10.8 million long-term receivable from SAWRA. This amount represents prior Supplemental Educational Revenue Augmentation Fund (SERAF) payments made by the former Low to Moderate Income Housing Fund of the predecessor WRA on behalf of the Agency's project funds. This receivable is to be repaid over a number of years from future tax increment funds received by SAWRA. During fiscal year 2016-17, \$3,500,000 of this advance was reimbursed leaving the receivable balance at \$7.3 million at fiscal year-end. The fund's \$26.4 million fund balance is restricted for low and moderate income housing purposes.
- The **Housing and Community Development Fund** had its fund balance decrease by \$0.1 million. This is a grant program which is reimbursed periodically throughout the year. The current year's transfers out was to the Capital Projects Fund for a street improvement, and Senior Center rehabilitation projects.
- The **Special Gas Tax and Street Improvements Fund** recognized a \$1.7 million increase in fund balance during the fiscal year 2016-17. Grant-funded projects comprise a significant portion of this fund and many of the projects are reimbursable only upon completion. The fund received \$6.0 million in revenue in fiscal year 2016-17, compared to expenditures of \$2.0 million. Resources were transferred out in the amount of \$2.4 million. As of June 30, 2017 this fund had a fund balance of \$34,921.
- The **Capital Improvements Capital Projects Fund** balance decreased by \$2.0 million. There were \$4.8 million in transfers into the fund from various other funds to complete newly approved projects. An extraordinary item of \$1.7 million was transferred from SAWRA for unspent bond proceeds to be spent in future years. A total of \$5.8 million was spent on capital outlay during the year. In addition, \$2.2 million was transferred to the general fund for operating costs, and \$0.5 million in closed or completed projects was transferred back to the source funds. See Notes 6 and 16 in the Notes to the Basic Financial Statements for additional information.

- **Other Governmental Funds**, which are the City's non-major funds, recognized a combined increase of \$1.8 million to fund balances. These funds are further detailed in the Other Supplementary Information section of this annual report.

Proprietary Funds

- The **Enterprise (Water) Fund** recorded a decrease of \$0.8 million to its net position during fiscal year 2016-17. This is the second year of losses to this fund, which had a -\$0.4 million loss to its net position in fiscal year 2015-16. In fiscal year 2016-17, the operating loss was \$0.7 million; non-operating revenues were \$.01 million; non-operating expenses were \$95,405. The majority of the fiscal year loss can be attributed to an increase in operating expenses (including increases to pass-through water costs), which exceeded the slight gain in of water sales. A water study was performed during fiscal year 2017-18 that resulted in an increase in water rates that were implemented in November 2017.
- The **Internal Service Funds** had its net position increase by \$4.8 million. These funds had operating income of \$4.8 million, non-operating expense of \$68,263, and net transfers of \$80,685. An effort was made during the year to make these funds financially secure. Several years of draining the funds due to lawsuits and workers compensation claims, as well as supplementing the General Fund had taken its toll. With the exception of the Facilities/Maintenance Internal Service Fund, all the remaining Internal Service funds experienced losses in fiscal year 2015-16, with two reporting negative net position at fiscal year-end. Measures taken during the year included: transferring in \$1.0 million from the General Fund which came from salary (vacancy) and other operating savings and eliminating overhead charges paid to the General Fund at \$1.2 million. In addition, the City received insurance proceeds of \$3.3 million. This amount has been assigned to be used in the event the City reaches a settlement on the related outstanding judgement. All this effort resulted in Internal Service funds with a combined net position of \$12.0 million, and all with positive net position. See Note 11 in the Notes to the Basic Financial Statements for additional information. The internal service funds finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis. The City reports four internal service funds in its audited financial statements. These funds are further detailed in the Other Supplementary Information section of this annual report.

BUDGETARY HIGHLIGHTS

When preparing its budget, the City attempts to estimate its revenues using realistic, but conservative methods so as to budget its expenditure appropriations in a prudent manner. Amendments were approved during the year to the adopted budget. The fiscal year 2016-17 General Fund's original (adopted) budget revenue amount was \$48.4 million and the final budget was \$51.3 million, a net increase of \$2.9 million. The majority of this increase was for the transaction and use tax that was expected during the last quarter of the fiscal year. The City set this budget at \$2.5 million and received \$3.1 million. The fiscal year 2016-17 General Fund's original (adopted) budget for expenditures was \$53.6 million and the final budget was \$56.6 million, a net increase of \$3.0 million.

The General Fund reflected a net total positive budget variance of \$2.4 million when comparing actual amounts to the final amended budget for the current fiscal year. The ending actual revenue shows a negative variance of \$87,805 or -.17% of the final budget.

Actual expenditures of \$54.1 million generated budgetary savings of \$2.4 million, or 4.3% of the final budget. Most of the savings were in the public safety as a result of both cost savings and unfilled positions.

The General Fund budgetary comparison schedule can be found in the Required Supplementary Information section of this annual report on page 115.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets:

Capital assets (net of accumulated depreciation) at June 30, 2017 and June 30, 2016 are summarized below:

| Capital Assets (net of accumulated depreciation) | | | |
|---|------------------------------------|-----------------------------------|-----------------------|
| | June 30, 2017 | | |
| | Governmental Activities | Business-type Activity | Total |
| Land | \$ 18,272,581 | \$ 2,484,846 | \$ 20,757,427 |
| Construction in progress | 2,204,280 | - | 2,204,280 |
| Buildings | 96,323,795 | 12,376 | 96,336,171 |
| Improvements other than buildings | 21,076,974 | 9,036,015 | 30,112,989 |
| Water distribution lines | - | 16,666,350 | 16,666,350 |
| Vehicles, machinery and equipment | 2,678,959 | 3,588,628 | 6,267,587 |
| Office furniture and equipment | 3,552,787 | 88,862 | 3,641,649 |
| Leased property | 479,305 | - | 479,305 |
| Infrastructure | 85,390,853 | - | 85,390,853 |
| Total capital assets, net | <u>\$ 229,979,534</u> | <u>\$ 31,877,077</u> | <u>\$ 261,856,611</u> |
| | | | |
| | June 30, 2016 | | |
| | Governmental Activities | Business-type Activity | Total |
| Land | \$ 16,572,581 | \$ 2,484,846 | \$ 19,057,427 |
| Construction in progress | 31,510 | - | 31,510 |
| Buildings | 98,641,617 | 2,915 | 98,644,532 |
| Improvements other than buildings | 22,282,628 | 9,280,715 | 31,563,343 |
| Water distribution lines | - | 17,151,049 | 17,151,049 |
| Vehicles, machinery and equipment | 3,076,286 | 3,792,865 | 6,869,151 |
| Office furniture and equipment | 3,963,156 | 84,044 | 4,047,200 |
| Leased property | 801,591 | - | 801,591 |
| Infrastructure | 90,202,702 | - | 90,202,702 |
| Total capital assets, net | <u>\$ 235,572,071</u> | <u>\$ 32,796,434</u> | <u>\$ 268,368,505</u> |

Capital assets as of June 30, 2017 totaled \$261.9 million (net of accumulated depreciation). The total decrease in capital assets for fiscal year 2017 was \$6.5 million, composed of a \$5.6 million or 2.4% decrease for governmental activities and a \$0.9 million or 2.8% decrease for business-type activity. Noteworthy changes to capital assets during fiscal year 2017 included the following:

- The City added \$1.7 million in land purchased from SAWRA as part of the Long Range Property Management Plan and the continuing dissolution of the WRA.
- The City added \$2.2 million in construction in progress which includes the Countywide 800MHZ Radio Interoperability project at \$1.9 million, a street project at \$0.2 million, and the start of the Garden Grove Boulevard Bike Lane at \$26 thousand.
- The City added \$3.7 million in various capital assets types, including \$3.1 million in Infrastructure and \$188 thousand for Electrical Charging Stations. The majority of these projects were paid for with various grant contributions.
- The City added \$.3 million in new water distribution lines.
- Annual depreciation expense was \$14.1 million - \$12.8 million on assets related to governmental activities assets and \$1.3 million on assets related to business-type activities (water utility).

Additional information on the City’s capital assets can be found in Note 6 in the Notes to the Basic Financial Statements.

Long-term debt:

Long-term debt for June 30, 2017 and June 30, 2016 is summarized below:

| | Outstanding Debt | | |
|-------------------------------|------------------------------------|-----------------------------------|---------------------|
| | June 30, 2017 | | |
| | Governmental Activities | Business-type Activity | Total |
| Certificates of participation | \$ 2,215,000 | \$ 2,075,000 | \$ 4,290,000 |
| Leases payable | 616,527 | - | 616,527 |
| Loans payable | - | 1,453,790 | 1,453,790 |
| Total outstanding debt | <u>\$ 2,831,527</u> | <u>\$ 3,528,790</u> | <u>\$ 6,360,317</u> |
| | June 30, 2016 | | |
| | Governmental Activities | Business-type Activity | Total |
| Certificates of participation | \$ 2,785,000 | \$ 2,325,000 | \$ 5,110,000 |
| Leases payable | 711,330 | - | 711,330 |
| Loans payable | - | 1,572,231 | 1,572,231 |
| Total outstanding debt | <u>\$ 3,496,330</u> | <u>\$ 3,897,231</u> | <u>\$ 7,393,561</u> |

At the end of fiscal year 2017, the City had total long-term debt (excluding compensated absences and claims, pension and OPEB liabilities) outstanding of \$6.4 million. The City’s total debt decreased by \$1.03 million or 13.97%, during fiscal year 2017. The decrease in governmental long-term debt of \$0.7 million was the result of ongoing debt service payments, and leases payable activity related to the City’s vehicle fleet. The decrease in business-type debt of \$0.4 million was the result of ongoing debt service payments. Additional information can be found in Note 7 in the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The national, regional and local economies continue to improve after the previous recession that significantly impacted the City’s revenues. While the recovery has seen positive impacts of the improving economy as tax revenue – most notably sales and property – has grown in recent years, the City continues to remain cautious about future economic conditions due to the potential volatility of the City’s large sales tax base. Economic declines can affect the City more quickly than other cities which are less reliant on sales taxes.

The City continues to manage a structural deficit, and the General Fund ended fiscal year 2016-17 with total expenditures exceeding total revenues by \$2.9 million. However, with the passage of the 1% transactions and use tax during the latter part of fiscal year 2016-17, a balanced two year budget has been passed for fiscal years 2017-19 for the first time since fiscal year 2007-08.

The City has made a concerted effort to control the growth of expenditures. The City continues to provide services at ratios equal to or exceeding other “full service” cities, while maintaining a ratio for employees per capita that is below the County average, and General Fund expenditures per capita ratio that is substantially below that of the most comparable neighboring cities averages:

| | <u>City</u> | <u>Neighboring Cities</u> |
|-------------------------------|-------------|---------------------------|
| Employees per capita (1,000) | 3.08 | 3.55 |
| General Fund costs per capita | \$620 | \$774 |

The City has dedicated itself to delivering cost-effective service, without sacrificing the quality and level of service that is important to the overall quality of life, health and safety of the community.

The adopted budget for fiscal years 2017-19 includes a General Fund surplus of \$2.1 million in fiscal year 2017-18, and a surplus of \$0.3 million in 2018-19. For fiscal year 2017-18 the budget authorizes \$58.3 million in General Fund expenditures vs. \$61.7 million in estimated revenue and \$1.6 million in net transfers out to other funds. For fiscal year 2018-19 the budget authorizes \$61.2 million in General Fund expenditures vs. \$63.0 million in estimated revenue and \$1.6 million in net transfers out to other funds. The General Fund ended fiscal year 2016-17 with \$8.9 million in unassigned fund balance, or approximately 16.46% of actual General Fund expenditures. Based on the adopted budget, the General Fund is projected to end fiscal year 2017-18 with \$23.7 million in reserves, representing 40.9% of the budgeted expenditures; for fiscal year 2018-19 the ending reserves are projected at \$24.0 million, representing 39.3% of the budgeted expenditures.

The City Council has acknowledged the importance of continuing to provide essential services to residents such as police, code enforcement, community services and park and street maintenance. An independent municipal finance consultant was hired by the City in July 2015, and a financial advisory task force was appointed by the City Council in October 2015 to address possible solutions to the City's ongoing structural deficit. As a result of their findings, the City Council placed a measure (SS) on the November 8, 2016 election ballot to adopt a 1% transactions and use tax which would operate for six years. The Measure SS passed by an over 60% vote of the citizens of Westminster.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial position of the City for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of Westminster, 8200 Westminster Boulevard, Westminster, CA 92683, or call (714) 898-3311 or visit our website at www.westminster-ca.gov.

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BASIC FINANCIAL STATEMENTS

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CITY OF WESTMINSTER

STATEMENT OF NET POSITION

June 30, 2017

| | Primary Government | | |
|---|----------------------------|---------------------------|-----------------------|
| | Governmental Activities | Business-type Activity | Total |
| ASSETS: | | | |
| Cash and investments (Note 2) | \$ 39,147,087 | \$ 6,133,784 | \$ 45,280,871 |
| Receivables, net of allowances (Note 4) | 28,429,720 | 2,587,200 | 31,016,920 |
| Prepaid items | 70,173 | - | 70,173 |
| Internal balances | (1,030,743) | 1,030,743 | - |
| Inventory | 22,972 | 195,276 | 218,248 |
| Restricted assets: | | | |
| Cash and investments (Note 2) | 23,197,040 | 3,799,444 | 26,996,484 |
| Cash and investments with fiscal agents (Note 2) | 7,068,428 | 113,146 | 7,181,574 |
| Advance to Successor Agency | 7,346,019 | - | 7,346,019 |
| Land held for resale (Note 5) | 2,259,610 | - | 2,259,610 |
| Capital assets (Note 6): | | | |
| Not being depreciated: | | | |
| Land | 18,272,581 | 2,484,846 | 20,757,427 |
| Construction in progress | 2,204,280 | - | 2,204,280 |
| Being depreciated (net of accumulated depreciation): | | | |
| Buildings | 96,323,795 | 12,376 | 96,336,171 |
| Improvements other than buildings | 21,076,974 | 9,036,015 | 30,112,989 |
| Water distribution lines | - | 16,666,350 | 16,666,350 |
| Vehicles, machinery and equipment | 2,678,959 | 3,588,628 | 6,267,587 |
| Office furniture and equipment | 3,552,787 | 88,862 | 3,641,649 |
| Leased property | 479,305 | - | 479,305 |
| Infrastructure | 85,390,853 | - | 85,390,853 |
| TOTAL ASSETS | 336,489,840 | 45,736,670 | 382,226,510 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred loss on refunding, net of accumulated amortization | 121,993 | 181,980 | 303,973 |
| Deferred amounts on pension plans (Note 8) | 16,627,016 | 617,043 | 17,244,059 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 16,749,009 | 799,023 | 17,548,032 |
| LIABILITIES: | | | |
| Accounts payable and other liabilities | 3,407,741 | 2,261,371 | 5,669,112 |
| Due to other governments | 5,002,344 | - | 5,002,344 |
| Deposits | 1,031,247 | 12,000 | 1,043,247 |
| Long-term liabilities: | | | |
| Due within one year (Note 7) | 6,148,244 | 597,440 | 6,745,684 |
| Due in more than one year (Note 7) | 131,115,363 | 8,914,168 | 140,029,531 |
| TOTAL LIABILITIES | 146,704,939 | 11,784,979 | 158,489,918 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred amounts on pension plans (Note 8) | 5,082,569 | 59,998 | 5,142,567 |
| NET POSITION: | | | |
| Net investment in capital assets | 227,269,999 | 28,530,266 | 255,800,265 |
| Restricted for: | | | |
| Community development | 21,077,153 | - | 21,077,153 |
| Public safety | 2,575,157 | - | 2,575,157 |
| Public works | 3,420,935 | - | 3,420,935 |
| Debt service | - | 113,146 | 113,146 |
| Unrestricted | (52,891,903) | 6,047,304 | (46,844,599) |
| TOTAL NET POSITION | \$ 201,451,341 | \$ 34,690,716 | \$ 236,142,057 |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

| Functions/programs | Expenses | Program Revenues | | |
|---------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 4,350,036 | \$ 1,231,459 | \$ 259,290 | \$ 68,510 |
| Public safety | 43,809,880 | 3,487,204 | 1,052,837 | - |
| Public works | 11,583,654 | 951,852 | - | - |
| Community development | 7,625,758 | 3,546,329 | 7,482,555 | - |
| Community services | 2,893,873 | 223,802 | 346,849 | 4,250 |
| Interest on long term debt | 142,150 | - | - | - |
| Total governmental activities | 70,405,351 | 9,440,646 | 9,141,531 | 72,760 |
| Business-type activity: | | | | |
| Water enterprise | 14,045,523 | 13,319,917 | - | - |
| Total | \$ 84,450,874 | \$ 22,760,563 | \$ 9,141,531 | \$ 72,760 |

General revenues:

Unrestricted taxes:

Sales taxes

Transactions and use taxes

Property taxes, levied for general purposes

Utility users taxes

Business operation taxes

Franchise taxes

Transient occupancy taxes

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position, before extraordinary gain

Extraordinary gain

Change in net position

Net Position - Beginning of Year, as Restated

Net Position - End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business-type Activity | Total |
|----------------------------|---------------------------|-----------------------|
| \$ (2,790,777) | \$ - | \$ (2,790,777) |
| (39,269,839) | - | (39,269,839) |
| (10,631,802) | - | (10,631,802) |
| 3,403,126 | - | 3,403,126 |
| (2,318,972) | - | (2,318,972) |
| (142,150) | - | (142,150) |
| <u>(51,750,414)</u> | <u>-</u> | <u>(51,750,414)</u> |
| - | (725,606) | (725,606) |
| <u>(51,750,414)</u> | <u>(725,606)</u> | <u>(52,476,020)</u> |
| 17,663,949 | - | 17,663,949 |
| 3,064,761 | - | 3,064,761 |
| 15,727,357 | - | 15,727,357 |
| 4,496,482 | - | 4,496,482 |
| 1,381,319 | - | 1,381,319 |
| 1,241,700 | - | 1,241,700 |
| 866,696 | - | 866,696 |
| (108,819) | 78,750 | (30,069) |
| 35,000 | (35,000) | - |
| <u>44,368,445</u> | <u>43,750</u> | <u>44,412,195</u> |
| (7,381,969) | (681,856) | (8,063,825) |
| <u>1,677,350</u> | <u>-</u> | <u>1,677,350</u> |
| (5,704,619) | (681,856) | (6,386,475) |
| <u>207,155,960</u> | <u>35,372,572</u> | <u>242,528,532</u> |
| <u>\$ 201,451,341</u> | <u>\$ 34,690,716</u> | <u>\$ 236,142,057</u> |

CITY OF WESTMINSTER

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

| | General | Special Revenue Funds | |
|---|----------------------|-------------------------------------|---|
| | | Westminster Housing Authority | Housing and Community Development |
| ASSETS | | | |
| Cash and investments (Note 2) | \$ 16,193,596 | \$ - | \$ 34,338 |
| Receivables, net of allowances (Note 4) | 6,167,204 | 13,362,906 | 6,223,513 |
| Prepaid items | 33,695 | - | - |
| Due from other funds (Note 3) | 1,060,000 | - | - |
| Advance to Successor Agency | - | 7,346,019 | - |
| Land held for resale (Note 5) | - | 2,259,610 | - |
| Restricted assets: | | | |
| Cash and investments (Note 2) | - | 3,465,632 | - |
| Cash and investments with fiscal agents (Note 2) | - | - | - |
| TOTAL ASSETS | \$ 23,454,495 | \$ 26,434,167 | \$ 6,257,851 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable and other liabilities | \$ 1,599,024 | \$ 8,989 | \$ 39,820 |
| Deposits | 936,748 | - | - |
| Due to other funds (Note 3) | - | - | 560,000 |
| Due to other governments | 6,401 | - | 4,995,943 |
| TOTAL LIABILITIES | 2,542,173 | 8,989 | 5,595,763 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue | 79,774 | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 2,621,947 | 8,989 | 5,595,763 |
| FUND BALANCES (NOTE 12): | | | |
| Nonspendable | 33,695 | - | - |
| Restricted | - | 26,425,178 | 662,088 |
| Committed | 9,197,836 | - | - |
| Assigned | 2,696,420 | - | - |
| Unassigned | 8,904,597 | - | - |
| TOTAL FUND BALANCES | 20,832,548 | 26,425,178 | 662,088 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 23,454,495 | \$ 26,434,167 | \$ 6,257,851 |

See accompanying notes to basic financial statements.

| Special Revenue Funds (Continued) | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------|--------------------------------|--------------------------------|
| Special Gas Tax and Street Improvements | Capital Improvements | | |
| \$ 462,424 | \$ 8,184,111 | \$ 9,942,728 | \$ 34,817,197 |
| 2,456,698 | - | 216,313 | 28,426,634 |
| - | - | - | 33,695 |
| - | 1,500,000 | - | 2,560,000 |
| - | - | - | 7,346,019 |
| - | - | - | 2,259,610 |
| - | - | - | 3,465,632 |
| - | 7,068,178 | 250 | 7,068,428 |
| <u>\$ 2,919,122</u> | <u>\$ 16,752,289</u> | <u>\$ 10,159,291</u> | <u>\$ 85,977,215</u> |
| | | | |
| \$ 101,942 | \$ 1,420,087 | \$ 54,593 | \$ 3,224,455 |
| - | - | 94,499 | 1,031,247 |
| 2,000,000 | - | - | 2,560,000 |
| - | - | - | 5,002,344 |
| <u>2,101,942</u> | <u>1,420,087</u> | <u>149,092</u> | <u>11,818,046</u> |
| | | | |
| 782,259 | - | 103,994 | 966,027 |
| <u>2,884,201</u> | <u>1,420,087</u> | <u>253,086</u> | <u>12,784,073</u> |
| | | | |
| - | - | - | 33,695 |
| 221,281 | - | 9,463,926 | 36,772,473 |
| - | - | - | 9,197,836 |
| - | 15,332,202 | 442,279 | 18,470,901 |
| (186,360) | - | - | 8,718,237 |
| <u>34,921</u> | <u>15,332,202</u> | <u>9,906,205</u> | <u>73,193,142</u> |
| | | | |
| <u>\$ 2,919,122</u> | <u>\$ 16,752,289</u> | <u>\$ 10,159,291</u> | <u>\$ 85,977,215</u> |

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CITY OF WESTMINSTER

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

June 30, 2017

| | | |
|---|----------------------|------------------------------|
| Fund balances - total governmental funds | | \$ 73,193,142 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet: | | |
| Capital assets | \$ 441,506,208 | |
| Accumulated depreciation | <u>(217,205,467)</u> | 224,300,741 |
| Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities. Internal Service funds net position are: | | |
| | | 10,926,282 |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances as of June 30, 2017 are: | | |
| Certificates of participation payable | (1,561,471) | |
| Accrued interest | <u>(5,092)</u> | (1,566,563) |
| OPEB obligation is not accrued in governmental funds, but rather is recognized as an expenditure when paid. | | |
| | | (20,718,127) |
| Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities: | | |
| Deferred outflows of resources | 16,627,016 | |
| Deferred inflows of resources | (5,082,569) | |
| Pension liability | <u>(97,194,608)</u> | (85,650,161) |
| Long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund financial statements. | | |
| | | <u>966,027</u> |
| Net position of governmental activities | | <u><u>\$ 201,451,341</u></u> |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | General | Special Revenue Funds | |
|---|----------------------|-------------------------------------|---|
| | | Westminster Housing Authority | Housing and Community Development |
| REVENUES: | | | |
| Taxes | \$ 42,892,300 | \$ - | \$ - |
| Licenses and permits | 847,246 | - | - |
| Fines | 887,534 | - | 600 |
| Investment and rental | 688,771 | 30,953 | - |
| Intergovernmental | 237,816 | - | 1,061,100 |
| Charges for services | 5,281,084 | - | - |
| Other | 342,786 | 24,076 | - |
| TOTAL REVENUES | <u>51,177,537</u> | <u>55,029</u> | <u>1,061,700</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 4,168,686 | - | - |
| Public safety | 39,937,485 | - | - |
| Public works | 4,163,081 | - | - |
| Community development | 1,974,309 | 647,498 | 857,574 |
| Community services | 2,108,823 | - | - |
| Capital outlay | 1,752,534 | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| TOTAL EXPENDITURES | <u>54,104,918</u> | <u>647,498</u> | <u>857,574</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(2,927,381)</u> | <u>(592,469)</u> | <u>204,126</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of equipment and property | 6,232 | - | - |
| Transfers in | 3,365,005 | - | 20,315 |
| Transfers out | (2,112,350) | - | (362,381) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,258,887</u> | <u>-</u> | <u>(342,066)</u> |
| NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM | (1,668,494) | (592,469) | (137,940) |
| EXTRAORDINARY ITEM | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (1,668,494) | (592,469) | (137,940) |
| FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED | <u>22,501,042</u> | <u>27,017,647</u> | <u>800,028</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 20,832,548</u> | <u>\$ 26,425,178</u> | <u>\$ 662,088</u> |

See accompanying notes to basic financial statements.

| Special Revenue Funds (Continued) | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------|--------------------------------|--------------------------------|
| Special Gas Tax and Street Improvements | Capital Improvements | | |
| \$ 4,070,765 | \$ - | \$ 1,549,964 | \$ 48,513,029 |
| - | - | - | 847,246 |
| - | - | - | 888,134 |
| 22,010 | 27,677 | 80,076 | 849,487 |
| 1,875,288 | - | 928,563 | 4,102,767 |
| 62,438 | - | 1,455,066 | 6,798,588 |
| 3,352 | - | 701,522 | 1,071,736 |
| <u>6,033,853</u> | <u>27,677</u> | <u>4,715,191</u> | <u>63,070,987</u> |
| - | - | 24,898 | 4,193,584 |
| - | - | 440,529 | 40,378,014 |
| - | - | - | 4,163,081 |
| 1,765,249 | 64,189 | 1,155,614 | 6,464,433 |
| - | - | 347,935 | 2,456,758 |
| - | 5,690,913 | - | 7,443,447 |
| 183,823 | - | 218,000 | 401,823 |
| 38,587 | - | 45,761 | 84,348 |
| <u>1,987,659</u> | <u>5,755,102</u> | <u>2,232,737</u> | <u>65,585,488</u> |
| <u>4,046,194</u> | <u>(5,727,425)</u> | <u>2,482,454</u> | <u>(2,514,501)</u> |
| - | - | - | 6,232 |
| 7,867 | 4,751,148 | 731,215 | 8,875,550 |
| (2,396,864) | (2,661,022) | (1,388,618) | (8,921,235) |
| <u>(2,388,997)</u> | <u>2,090,126</u> | <u>(657,403)</u> | <u>(39,453)</u> |
| 1,657,197 | (3,637,299) | 1,825,051 | (2,553,954) |
| - | 1,677,350 | - | 1,677,350 |
| 1,657,197 | (1,959,949) | 1,825,051 | (876,604) |
| <u>(1,622,276)</u> | <u>17,292,151</u> | <u>8,081,154</u> | <u>74,069,746</u> |
| <u>\$ 34,921</u> | <u>\$ 15,332,202</u> | <u>\$ 9,906,205</u> | <u>\$ 73,193,142</u> |

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | | |
|--|---------------------|-----------------------|
| Net change in fund balances - total governmental funds | | \$ (876,604) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense and capital contributions in the current period.</p> | | |
| Capital outlays | \$ 7,025,993 | |
| Depreciation expense | <u>(11,663,832)</u> | (4,637,839) |
| <p>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 position.</p> | | |
| Principal payments | | 401,823 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p> | | |
| Net change in accrued interest | 1,592 | |
| OPEB expense | <u>(1,463,016)</u> | (1,461,424) |
| <p>Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.</p> | | |
| | | (4,163,966) |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.</p> | | |
| | | 4,685,136 |
| <p>Some revenues reported previously in the Statement of Activities were reported as revenues in the governmental funds as they were received in the current fiscal year.</p> | | |
| Net change in long-term receivables. | | <u>348,255</u> |
| Change in net position of governmental activities | | <u>\$ (5,704,619)</u> |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

| | Business-type Activity | Governmental Activities |
|---|---------------------------|----------------------------|
| | Enterprise Fund | Internal Service Funds |
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 6,133,784 | \$ 4,329,890 |
| Receivables, net of allowances | 2,587,200 | 3,086 |
| Prepaid items | - | 36,478 |
| Inventories | 195,276 | 22,972 |
| Restricted assets: | | |
| Cash and investments | 3,799,444 | 19,731,408 |
| Cash and investments with fiscal agents | 113,146 | - |
| | <u>12,828,850</u> | <u>24,123,834</u> |
| TOTAL CURRENT ASSETS | | |
| CAPITAL ASSETS: | | |
| Land | 2,484,846 | - |
| Construction in progress | - | - |
| Buildings | 101,429 | 4,427,467 |
| Water distribution lines | 46,312,306 | - |
| Improvements other than buildings | 11,913,312 | 622,855 |
| Vehicles | - | 3,859,016 |
| Machinery and equipment | 13,113,530 | 295,209 |
| Office furniture, computers and equipment | 193,783 | 2,798,681 |
| Leased property | - | 1,355,807 |
| TOTAL CAPITAL ASSETS | <u>74,119,206</u> | <u>13,359,035</u> |
| Less accumulated depreciation | <u>(42,242,129)</u> | <u>(7,680,242)</u> |
| | <u>31,877,077</u> | <u>5,678,793</u> |
| NET CAPITAL ASSETS | | |
| | <u>44,705,927</u> | <u>29,802,627</u> |
| TOTAL ASSETS | | |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred loss on refunding, net of accumulated amortization | 181,980 | 121,993 |
| Deferred amounts on pension plans | 617,043 | - |
| | <u>799,023</u> | <u>121,993</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | | |

See accompanying notes to basic financial statements.

(Continued)

CITY OF WESTMINSTER

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2017

| | Business-type Activity <u>Enterprise Fund</u> | Governmental Activities <u>Internal Service Funds</u> |
|--|---|---|
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and other liabilities | \$ 2,261,371 | \$ 178,194 |
| Deposits | 12,000 | - |
| Claims payable | - | 3,644,612 |
| Compensated absences | 214,841 | 1,669,170 |
| Leases payable | - | 239,461 |
| Certificates of participation | 260,000 | 175,553 |
| Loans payable | 122,599 | - |
| | <u>2,870,811</u> | <u>5,906,990</u> |
| TOTAL CURRENT LIABILITIES | | |
| LONG-TERM LIABILITIES: | | |
| Claims payable | - | 10,933,837 |
| Compensated absences | 34,974 | 271,726 |
| Leases payable | - | 377,066 |
| Certificates of participation | 1,815,000 | 477,976 |
| Loans payable | 1,331,191 | - |
| OPEB liability | 2,376,336 | - |
| Pension liability | 3,356,667 | - |
| | <u>8,914,168</u> | <u>12,060,605</u> |
| TOTAL LONG-TERM LIABILITIES | | |
| TOTAL LIABILITIES | | |
| | <u>11,784,979</u> | <u>17,967,595</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred amounts on pension plans | 59,998 | - |
| NET POSITION: | | |
| Net investment in capital assets | 28,530,266 | 4,530,731 |
| Restricted for debt service | 113,146 | - |
| Restricted for litigation | - | 3,338,941 |
| Unrestricted | 5,016,561 | 4,087,353 |
| | <u>33,659,973</u> | <u>\$ 11,957,025</u> |
| TOTAL NET POSITION | | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | <u>1,030,743</u> | |
| Net position of business-type activity | <u>\$ 34,690,716</u> | |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | Business-type Activity | Governmental Activities |
|---|---------------------------|----------------------------|
| | Enterprise Fund | Internal Service Funds |
| OPERATING REVENUES: | | |
| Charges for services | \$ 13,289,610 | \$ 20,832,977 |
| Other | 30,307 | 4,839,949 |
| TOTAL OPERATING REVENUES | <u>13,319,917</u> | <u>25,672,926</u> |
| OPERATING EXPENSES: | | |
| Salaries | 3,153,424 | 5,348,482 |
| Maintenance and operations | 3,155,048 | 3,552,978 |
| Purchased water | 3,208,478 | - |
| Pump and basin assessment | 3,160,886 | - |
| Insurance premiums and legal fees | 2,726 | 3,435,830 |
| Claims and benefits | - | 7,342,384 |
| Depreciation and amortization | 1,338,358 | 1,172,986 |
| TOTAL OPERATING EXPENSES | <u>14,018,920</u> | <u>20,852,660</u> |
| OPERATING INCOME (LOSS) | <u>(699,003)</u> | <u>4,820,266</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Investment income | 78,750 | 45,624 |
| Interest and fiscal charges | (174,155) | (59,394) |
| Loss on sale of property and equipment | - | (54,493) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(95,405)</u> | <u>(68,263)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>(794,408)</u> | <u>4,752,003</u> |
| TRANSFERS: | | |
| Transfers in | 25,000 | 1,390,685 |
| Transfers out | (60,000) | (1,310,000) |
| TOTAL TRANSFERS | <u>(35,000)</u> | <u>80,685</u> |
| CHANGE IN NET POSITION | (829,408) | 4,832,688 |
| NET POSITION - BEGINNING OF YEAR | <u>34,489,381</u> | <u>7,124,337</u> |
| NET POSITION - END OF YEAR | <u>\$ 33,659,973</u> | <u>\$ 11,957,025</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund | \$ 147,552 | |
| Change in net position - Enterprise Fund | <u>(829,408)</u> | |
| Change in net position of business-type activity | <u>\$ (681,856)</u> | |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2017

| | Business-type Activity | Governmental Activities |
|--|---------------------------|----------------------------|
| | Enterprise Fund | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 12,946,470 | \$ 26,087,685 |
| Payment to suppliers | (9,512,393) | (14,246,487) |
| Payment to employees | (2,997,599) | (5,334,791) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>436,478</u> | <u>6,506,407</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Cash received from other funds | 25,000 | 1,390,685 |
| Cash paid to other funds | (60,000) | (1,310,000) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>(35,000)</u> | <u>80,685</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (419,001) | (259,526) |
| Proceeds from sale of assets | - | 50,290 |
| Principal payments on capital leases | - | (158,348) |
| Principal payments on long-term debt | (368,441) | (168,177) |
| Interest and fiscal charges | (148,161) | (34,602) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(935,603)</u> | <u>(570,363)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | 78,750 | 45,624 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (455,375) | 6,062,353 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>10,501,749</u> | <u>17,998,945</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 10,046,374</u> | <u>\$ 24,061,298</u> |
| CASH AND CASH EQUIVALENTS: | | |
| Current assets: | | |
| Cash and investments | \$ 6,133,784 | \$ 4,329,890 |
| Restricted assets: | | |
| Cash and investments | 3,799,444 | 19,731,408 |
| Cash and investments with fiscal agents | 113,146 | - |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 10,046,374</u> | <u>\$ 24,061,298</u> |

See accompanying notes to basic financial statements.

(Continued)

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2017

| | Business-type Activity | Governmental Activities |
|--|---------------------------|----------------------------|
| | Enterprise Fund | Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (699,003) | \$ 4,820,266 |
| Depreciation and amortization | 1,338,358 | 1,172,986 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (373,447) | 414,759 |
| (Increase) decrease in prepaid items | - | (544) |
| (Increase) decrease in inventories | (75,247) | (6,262) |
| (Increase) decrease in deferred outflows on pensions | (69,562) | - |
| Increase (decrease) in accounts payable and other liabilities | 89,992 | (161,373) |
| Increase (decrease) in claims payable | - | 252,884 |
| Increase (decrease) in deferred inflows on pensions | (503,372) | - |
| Increase (decrease) in OPEB | 167,812 | - |
| Increase (decrease) in pension liability | 590,336 | - |
| Increase (decrease) in compensated absences payable | (29,389) | 13,691 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 436,478</u> | <u>\$ 6,506,407</u> |
| NONCASH ITEM: | | |
| Capital lease proceeds | <u>\$ -</u> | <u>\$ 63,545</u> |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

| | Successor Agency to the Westminster Redevelopment Agency Private-Purpose Trust Fund | Agency Fund |
|---|---|-----------------|
| | <u>Trust Fund</u> | <u>Fund</u> |
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 13,329,330 | \$ - |
| Interest receivable | 22,929 | - |
| Prepaid items | 681,630 | - |
| Restricted assets: | | |
| Cash and investments | - | 8,621 |
| Cash and investments with fiscal agents | 12,187,487 | - |
| TOTAL CURRENT ASSETS | <u>26,221,376</u> | <u>8,621</u> |
| NONCURRENT ASSETS: | | |
| Capital Assets (Note 15): | | |
| Land | 18,494,216 | - |
| TOTAL ASSETS | <u>44,715,592</u> | <u>\$ 8,621</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred loss on refunding, net of accumulated amortization | 11,149,135 | |
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and other liabilities | 14,656 | \$ - |
| Certificates of participation, current portion | 2,375,000 | - |
| Due to bondholders | - | 8,621 |
| Due to other governments | 63,325 | - |
| Interest payable | 1,034,145 | - |
| TOTAL CURRENT LIABILITIES | <u>3,487,126</u> | <u>8,621</u> |
| LONG-TERM LIABILITIES: | | |
| Certificates of participation | 122,720,206 | - |
| Advance payable to Housing Authority | 7,346,019 | - |
| TOTAL LONG-TERM LIABILITIES | <u>130,066,225</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>133,553,351</u> | <u>\$ 8,621</u> |
| NET POSITION: | | |
| Net position for private purpose | (77,688,624) | |
| TOTAL NET POSITION | <u>\$ (77,688,624)</u> | |

See accompanying notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the year ended June 30, 2017

| | Successor Agency to the Westminster Redevelopment Agency Private-Purpose Trust Fund |
|--|---|
| ADDITIONS: | |
| Taxes and assessments | \$ 14,240,106 |
| Investment and rental | 119,182 |
| Property sale | <u>537,338</u> |
| TOTAL ADDITIONS | <u>14,896,626</u> |
| DEDUCTIONS: | |
| General government | 379,966 |
| Community development | 1,482,006 |
| Interest and fiscal expense | 6,376,905 |
| Contribution to County | <u>1,700,000</u> |
| TOTAL DEDUCTIONS | <u>9,938,877</u> |
| CHANGE IN NET POSITION, BEFORE EXTRAORDINARY ITEM | 4,957,749 |
| EXTRAORDINARY ITEM: | |
| Loss on transfers to the City of Westminster | <u>(1,677,350)</u> |
| CHANGE IN NET POSITION | 3,280,399 |
| NET POSITION AT BEGINNING OF YEAR | <u>(80,969,023)</u> |
| NET POSITION AT END OF YEAR | <u><u>\$ (77,688,624)</u></u> |

See accompanying notes to basic financial statements.

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CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of the Reporting Entity:

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

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

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Description of the Reporting Entity (Continued):

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. The Housing Authority is governed by the City Council which has full accountability for the Housing Authority's fiscal affairs. Certain assets of the former Redevelopment Agency's Low and Moderate Income Housing Funds were transferred to the Housing Authority on February 1, 2012. The activity of the Housing Authority is reported in the Special Revenue Funds. There are no separate Basic Financial Statements prepared for the Housing Authority.

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

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the reporting government as a whole, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activity, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Government-Wide and Fund Financial Statements (Continued):

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

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements represent private purpose trust funds and agency funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary and private purpose trust fund financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The City's Fiduciary Funds consists of a private purpose trust fund which is reported using the economic resources measurement focus and an agency fund which has no measurement focus, but utilizes the accrual basis for reporting its assets and liabilities.

All governmental and business-type activities and enterprise funds of the City follow GASB pronouncements.

Fund Classifications:

The City reports the following major governmental funds:

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

The Westminster Housing Authority Special Revenue Fund is used to account for revenues received primarily from loan repayments and the associated expenditures to be used for increasing or improving low and moderate income housing. The assets in this fund were transferred to the City upon dissolution of the Westminster Redevelopment Agency.

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

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Classifications (Continued):

The City reports the following major enterprise fund:

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

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

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

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

The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Westminster Redevelopment Agency.

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

New Accounting Pronouncements:

Current Year Standards

GASB 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 79 - *Certain External Investment Pools and Pool Participants*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

New Accounting Pronouncements (Continued):

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

Land Held for Resale:

Land held for resale is carried at the lower of cost or estimated realizable value determined only upon the execution of a disposition and development agreement.

Capital Assets:

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their acquisition value at the date of acquisition. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of 1 year or more.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets (Continued):

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, storm drains, bridges and right-of-way corridors within the City.

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

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

| | |
|---|----------------|
| Buildings | 30 to 50 years |
| Improvements other than buildings | 20 years |
| Water distribution lines | 65 years |
| Vehicles | 4 to 15 years |
| Machinery and equipment | 5 to 30 years |
| Office furniture, computers and equipment | 5 to 20 years |
| Leased property | 3 to 10 years |
| Infrastructure | 20 to 50 years |

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position and the Governmental Funds Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding, net of accumulated amortization reported in the government-wide statement of net position and the proprietary funds financial statements. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Deferred Outflows/Inflows of Resources (Continued):

- Deferred outflow related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from *unavailable revenues*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, which are taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pension plans for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Net Position Flow Assumptions:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Long-Term Obligations:

In the government-wide financial statements, the proprietary, and the fiduciary private purpose trust fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund type statement of net position and the fiduciary statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. As of June 30, 2017, all encumbrances at year-end were closed. Unexpended appropriations are reencumbered in the following year after reconsideration, without additional budget appropriation.

Statement of Cash Flows:

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments:

Investments are reported in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

Inventories:

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

Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent December 11 and April 11. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

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

Compensated Absences:

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

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) and the Public Agency Retirement System (PARS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable and notes receivable), fair value of investments, estimated useful lives of capital assets for depreciation purposes, annual required contribution requirements for the other post-employment benefit plan, annual pension costs and related items including the pension liabilities for the defined benefit plans, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2017 consisted of the following:

| | Government Wide Statement of <u>Net Position</u> | Fiduciary Funds Statement of <u>Net Position</u> | <u>Total</u> |
|---|---|---|---------------------------|
| Unrestricted assets: | | | |
| Cash and investments | <u>\$ 45,280,871</u> | <u>\$ 13,329,330</u> | <u>\$ 58,610,201</u> |
| Total unrestricted assets | <u>45,280,871</u> | <u>13,329,330</u> | <u>58,610,201</u> |
| Restricted assets: | | | |
| Cash and investments | 26,996,484 | 8,621 | 27,005,105 |
| Cash and investments with fiscal agents | <u>7,181,574</u> | <u>12,187,487</u> | <u>19,369,061</u> |
| Total restricted assets | <u>34,178,058</u> | <u>12,196,108</u> | <u>46,374,166</u> |
| TOTAL CASH AND INVESTMENTS | <u>\$ 79,458,929</u> | <u>\$ 25,525,438</u> | <u>\$ 104,984,367</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued):

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

Primary Government

| | | |
|-------------|----|-------------------|
| Petty cash | \$ | 4,850 |
| Deposits | | 1,555,494 |
| Investments | | <u>77,898,585</u> |
| | \$ | <u>79,458,929</u> |

Fiduciary Funds

| | | |
|------------------------------------|----|-------------------|
| Pooled with the Primary Government | \$ | 8,621 |
| Deposits | | 60,063 |
| Investments | | <u>25,456,754</u> |
| | \$ | <u>25,525,438</u> |

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

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

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

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

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|---|---|
| United States Treasury Obligations | 5 years | No Limit | No Limit |
| United States Government Sponsored Agency Securities | 5 years | No Limit | No Limit |
| Supranationals | 5 years | 30% | 5% |
| Municipal Bonds | 5 years | No Limit | 5% |
| Banker's Acceptances | 180 days | 40% | 5% |
| Federally Insured Time Deposits (Federal Deposit Insurance Corporation) | 5 years | No Limit | Insured Amount |
| Time Deposits (Non-negotiable Certificates of Deposit) | 5 years | 20% | No Limit |
| Certificate of Deposit Placement Service (CDARS) | 5 years | 30% | No Limit |
| Negotiable Certificates of Deposit | 5 years | 30% | 5% |
| Repurchase Agreements | 1 year | No Limit | No Limit |
| Commercial Paper | 270 days | 25% | 5% |
| Local Agency Investment Fund (LAIF) | N/A | No Limit | \$ 65,000,000 |
| Corporate Medium Term Notes (MTN) | 5 years | 30% | 5% |
| Mortgage Pass-through Securities/ Collateralized Mortgage Obligations/ Asset-Backed Securities | 5 years | 20% | No Limit |
| Money Market Mutual Funds | None | 20% | No Limit |

N/A - Not Applicable

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk:

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

Primary Government

| <u>Investment Type</u> | <u>Remaining Maturity (in Months)</u> | | | <u>Total</u> |
|--|---------------------------------------|---------------------------|---------------------------|----------------------|
| | <u>12 Months or Less</u> | <u>13 - 36 Months</u> | <u>37 - 60 Months</u> | |
| Local Agency Investment Fund (LAIF) | \$ 16,460,097 | \$ - | \$ - | \$ 16,460,097 |
| United States Treasury Obligations | - | 5,709,004 | 8,240,391 | 13,949,395 |
| Federal National Mortgage Association (FNMA) | - | 2,967,921 | 6,628,269 | 9,596,190 |
| Federal Home Loan Mortgage Corporation (FHLMC) | 408,939 | 3,497,285 | 1,167,223 | 5,073,447 |
| Federal Home Loan Bank (FHLB) | 424,844 | 1,135,944 | 2,282,878 | 3,843,666 |
| Corporate Medium Term Notes (MTN) | 4,450,900 | 6,981,230 | 2,601,404 | 14,033,534 |
| Tennessee Valley Authority | 1,105,611 | - | - | 1,105,611 |
| Asset-Backed Securities | 43,150 | 3,519,531 | - | 3,562,681 |
| Supranational | - | 902,642 | 1,086,488 | 1,989,130 |
| Commercial Paper | 1,079,860 | - | - | 1,079,860 |
| Money Market Mutual Funds | <u>7,204,974</u> | <u>-</u> | <u>-</u> | <u>7,204,974</u> |
| | <u>\$ 31,178,375</u> | <u>\$ 24,713,557</u> | <u>\$ 22,006,653</u> | <u>\$ 77,898,585</u> |

Fiduciary Funds

| <u>Investment Type</u> | <u>Remaining Maturity (in Months)</u> | | | <u>Total</u> |
|-------------------------------------|---------------------------------------|---------------------------|---------------------------|----------------------|
| | <u>12 Months or Less</u> | <u>13 - 36 Months</u> | <u>37 - 60 Months</u> | |
| Local Agency Investment Fund (LAIF) | \$ 13,269,267 | \$ - | \$ - | \$ 13,269,267 |
| Money Market Mutual Funds | <u>12,187,487</u> | <u>-</u> | <u>-</u> | <u>12,187,487</u> |
| | <u>\$ 25,456,754</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,456,754</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk:

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

Primary Government

| Investment Type | Minimum Legal Rating | Total as of June 30, 2017 | AAA | AA+ | Other | Not Required to be Rated | Not Rated |
|----------------------------|----------------------|---------------------------|----------------------|---------------------|---------------------|--------------------------|---------------------|
| LAIF | N/A | \$16,460,097 | \$ - | \$ - | \$ - | \$ - | \$16,460,097 |
| U.S. Treasury Obligations | N/A | 13,949,395 | - | - | - | 13,949,395 | - |
| FNMA | N/A | 9,596,190 | - | 9,596,190 | - | - | - |
| FHLMC | N/A | 5,073,447 | - | 5,073,447 | - | - | - |
| FHLB | N/A | 3,843,666 | - | 3,843,666 | - | - | - |
| MTN | A | 14,033,534 | - | - | 14,033,534 | - | - |
| Tennessee Valley Authority | N/A | 1,105,611 | - | 1,105,611 | - | - | - |
| Asset-Backed Securities | N/A | 3,562,681 | 2,676,464 | - | - | - | 886,217 |
| Supranational | N/A | 1,989,130 | 902,642 | - | - | - | 1,086,488 |
| Commercial Paper | A- | 1,079,860 | - | - | 1,079,860 | - | - |
| Money Market | | | | | | | |
| Mutual Funds | AAA | <u>7,204,974</u> | <u>7,204,974</u> | - | - | - | - |
| | | <u>\$77,898,585</u> | <u>\$ 10,784,080</u> | <u>\$19,618,914</u> | <u>\$15,113,394</u> | <u>\$ 13,949,395</u> | <u>\$18,432,802</u> |

The actual ratings for the "Other" category above are as follows:

| Investment Type | AAA | AA+ | AA- | AA | A+ | A | Total |
|------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| MTN | <u>\$ 270,972</u> | <u>\$ 1,281,775</u> | <u>\$ 3,293,736</u> | <u>\$ 650,610</u> | <u>\$ 3,270,507</u> | <u>\$ 5,265,934</u> | <u>\$14,033,534</u> |
| Commercial Paper | <u>A-1</u> | | | | | | <u>Total</u> |
| | <u>\$ 1,079,860</u> | | | | | | <u>\$ 1,079,860</u> |

Fiduciary Funds

| Investment Type | Minimum Legal Rating | Total as of June 30, 2017 | AAA | AA+ | Not Required to be Rated | Not Rated |
|-----------------|----------------------|---------------------------|---------------------|-------------|--------------------------|---------------------|
| LAIF | N/A | \$ 13,269,267 | \$ - | \$ - | \$ - | \$13,269,267 |
| Money Market | | | | | | |
| Mutual Funds | AAA | <u>12,187,487</u> | <u>12,187,487</u> | - | - | - |
| | | <u>\$ 25,456,754</u> | <u>\$12,187,487</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$13,269,267</u> |

N/A - Not Applicable

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

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

Primary Government

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|--|---|------------------------|
| Federal Home Loan Mortgage Corporation | United States Government Sponsored Agency Securities | \$ 5,073,447 |
| Federal National Mortgage Association | United States Government Sponsored Agency Securities | 9,596,190 |

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2017, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool:

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

Fair Value Measurements:

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

Primary Government

| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total |
|----------------------------|-----------------------------|---------------------------------|-----------------------------------|----------------------|
| U.S. Treasury Obligations | \$ - | \$ 13,949,395 | \$ - | \$ 13,949,395 |
| FNMA | - | 9,596,190 | - | 9,596,190 |
| FHLMC | - | 5,073,447 | - | 5,073,447 |
| FHLB | - | 3,843,666 | - | 3,843,666 |
| MTN | - | 14,033,534 | - | 14,033,534 |
| Tennessee Valley Authority | - | 1,105,611 | - | 1,105,611 |
| Asset Backed Securities | - | 3,562,681 | - | 3,562,681 |
| Supranational | - | 1,989,130 | - | 1,989,130 |
| Commercial Paper | - | 1,079,860 | - | 1,079,860 |
| Total Leveled Investments | <u>\$ -</u> | <u>\$ 54,233,514</u> | <u>\$ -</u> | 54,233,514 |
| LAIF* | | | | 16,460,097 |
| Money Market Mutual Funds* | | | | 7,204,974 |
| Total Investment Portfolio | | | | <u>\$ 77,898,585</u> |

Fiduciary Funds

| | |
|----------------------------|----------------------|
| LAIF* | \$ 13,269,267 |
| Money Market Mutual Funds* | 12,187,487 |
| Total Investment Portfolio | <u>\$ 25,456,754</u> |

* Not subject to fair value measurements.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Interfund receivables and payables at June 30, 2017 are as follows:

| | <u>Receivable</u> | <u>Payable</u> |
|---|---------------------|---------------------|
| General Fund | \$ 1,060,000 | \$ - |
| Special Revenue Funds: | | |
| Housing and Community Development | - | 560,000 |
| Special Gas Tax and Street Improvements | - | 2,000,000 |
| Capital Projects Fund: | | |
| Capital Improvements | <u>1,500,000</u> | <u>-</u> |
| | <u>\$ 2,560,000</u> | <u>\$ 2,560,000</u> |

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

The compositions of the City's interfund transfer balances as of June 30, 2017 are as follows:

Governmental Activities:

| | <u>Transfers In</u> | | | | | | <u>Total</u> |
|--|---------------------|--|--|--|---------------------------------|-------------------------------|---------------------|
| | <u>General</u> | <u>Westminster Housing Authority</u> | <u>Housing and Community Development</u> | <u>Special Gas Tax and Street Improvements</u> | <u>Capital Improvements</u> | <u>Other Governmental</u> | |
| <u>Transfers Out:</u> | | | | | | | |
| General | \$ - | \$ - | \$ - | \$ - | \$ 1,017,350 | \$ 70,000 | \$ 1,087,350 |
| Housing and Community Development | - | - | - | - | 362,381 | - | 362,381 |
| Special Gas Tax and Street Improvements | - | - | - | - | 2,396,864 | - | 2,396,864 |
| Capital Improvements | 2,200,005 | - | 20,315 | 7,867 | - | 42,150 | 2,270,337 |
| Other Governmental Funds | 580,000 | - | - | - | 249,553 | 559,065 | 1,388,618 |
| Water Enterprise | - | - | - | - | - | 60,000 | 60,000 |
| Internal Service | <u>585,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>725,000</u> | <u>-</u> | <u>1,310,000</u> |
| | <u>\$ 3,365,005</u> | <u>\$ -</u> | <u>\$ 20,315</u> | <u>\$ 7,867</u> | <u>\$ 4,751,148</u> | <u>\$ 731,215</u> | <u>\$ 8,875,550</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

Interfund Transfer Balances (Continued):

Proprietary Funds:

| <u>Transfers Out:</u> | <u>Transfers In</u> | | |
|-----------------------|---------------------|---------------------|---------------------|
| | <u>Water</u> | <u>Internal</u> | <u>Total</u> |
| | <u>Enterprise</u> | <u>Service</u> | |
| General | \$ 25,000 | \$ 1,000,000 | \$ 1,025,000 |
| Capital Improvements | - | 390,685 | 390,685 |
| | <u>\$ 25,000</u> | <u>\$ 1,390,685</u> | <u>\$ 1,415,685</u> |

Transfers between/to funds are to primarily fund capital projects, which are then transferred back to the original fund upon completion of the project. The General Fund transferred monies to the Water Enterprise Fund for operations, and to the Risk Management Internal Service Fund to cover the fund deficit.

4. RECEIVABLES:

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

Governmental Funds:

| | <u>General</u> | <u>Westminster Housing Authority</u> | <u>Housing and Community Development</u> | <u>Special Gas Tax and Street Improvements</u> | <u>Capital Improvements</u> | <u>Other Governmental</u> | <u>Total</u> |
|----------------------------|---------------------|--|--|--|---------------------------------|-------------------------------|----------------------|
| Taxes | \$ 5,501,512 | \$ - | \$ - | \$ - | \$ - | \$ 22,101 | \$ 5,523,613 |
| Accounts | 320,528 | - | - | - | - | - | 320,528 |
| Interest | 259,945 | - | - | - | - | - | 259,945 |
| Loans | - | 5,370,267 | 4,363,719 | - | - | - | 9,733,986 |
| Notes | - | 7,992,639 | 1,482,224 | - | - | - | 9,474,863 |
| Other | - | - | - | 3,352 | - | - | 3,352 |
| Due from other governments | <u>85,219</u> | <u>-</u> | <u>377,570</u> | <u>2,453,346</u> | <u>-</u> | <u>194,212</u> | <u>3,110,347</u> |
| Net Total Receivables | <u>\$ 6,167,204</u> | <u>\$ 13,362,906</u> | <u>\$ 6,223,513</u> | <u>\$ 2,456,698</u> | <u>\$ -</u> | <u>\$ 216,313</u> | <u>\$ 28,426,634</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. RECEIVABLES (CONTINUED):

Proprietary Funds:

| | Water <u>Enterprise</u> | Internal <u>Service</u> | <u>Total</u> |
|----------------------------|----------------------------|----------------------------|---------------------|
| Accounts | \$ 2,587,200 | \$ 643 | \$ 2,587,843 |
| Due from other governments | <u>-</u> | <u>2,443</u> | <u>2,443</u> |
| Net Total Receivables | <u>\$ 2,587,200</u> | <u>\$ 3,086</u> | <u>\$ 2,590,286</u> |

Governmental Activities:

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

Loans Receivable - Housing and Community Development

| | |
|--|---------------------|
| Community Development Block Grant - Housing Rehab Loans, due upon sale of property | \$ 450,351 |
| HOME Rehab Loans, due upon sale of property | 38,744 |
| HOME Single Residence Loans, due upon sale of property | 323,618 |
| HOME Down Payment Assistance Loans, payable in monthly installments, with balance due upon sale of property | 197,831 |
| HOME Lease Purchase Program - payable upon sale of property. The program is administered by American Family Housing, Inc. or Abrazar, Inc. | <u>3,353,175</u> |
| Total Loans Receivable - Housing and Community Development | <u>\$ 4,363,719</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. RECEIVABLES (CONTINUED):

Governmental Activities (Continued):

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

Loans Receivable - Westminster Housing Authority

| | |
|---|---------------------|
| Housing Rehab Loans, due upon sale of property | \$ 2,426,863 |
| Housing Single Residence Loans, deferred 35 years, or payable upon sale of property | 70,000 |
| Housing Lease Purchase Program due upon sale of property. The program is administered by American Family Housing, Inc. or Abrazar, Inc. | 2,798,404 |
| Housing First Time Homebuyers Loans, due upon sale of property. | <u>75,000</u> |
| Total Loans Receivable - Westminster Housing Authority | <u>\$ 5,370,267</u> |

Notes Receivable - Housing and Community Development

\$850,000 note receivable from Cambridge Heights, L.P., a qualified affordable housing development partnership, dated May 26, 2004. The purpose of the loan is to assist with the development for 22 units, 21 of which will be affordable senior citizen housing (project). Repayment of the 40 year, 3% interest loan is to be paid in annual payments equal to 50% of the projects "residual receipts". No payments have been made on this note.

\$ 850,000

\$610,662 note receivable from American Family Housing, dated July 8, 2015. The purpose of the loan is to assist with the developer in the purchase and development of property located at 13811 Locust Street in the City of Westminster, California as a long-term transitional housing project that may be modified to permanent rental housing for persons and families of very low and low income at affordable rent. As of June 30, 2017, \$486,484 has been disbursed to the developer. Repayment of the 55 year loan is to be made in annual payments equal to 50% of the projects "residual receipts". The note shall accrue interest at the rate of zero percent.

486,484

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. RECEIVABLES (CONTINUED):

Governmental Activities (Continued):

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

Notes Receivable - Housing and Community Development (Continued)

\$157,200 note receivable from American Family Housing dated July 28, 2016. The purpose of the loan is to assist with the development property located at 13942 Cedar Street in the City of Westminster, California as an affordable rental housing project to be made available to and occupied by qualified and eligible low income families at an affordable rent. As of June 30, 2017, \$145,740 has been disbursed to the developer. Repayment of the 55 year, 0% interest loan is to be made in annual payments equal to 50% of the project's "residual receipts".

\$ 145,740

Total Notes Receivable – Housing and Community Development

\$ 1,482,224

Notes Receivable - Westminster Housing Authority

\$600,000 note receivable from 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 project's "residual receipts".

\$ 201,837

\$600,000 note receivable from The Related Companies of California dated November 5, 2003. The purpose of the loan is to assist with the development of 86 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 project's "residual receipts".

209,287

\$300,000 note receivable from 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 project's "residual receipts".

150,312

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. RECEIVABLES (CONTINUED):

Governmental Activities (Continued):

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

Notes Receivable - Westminster Housing Authority (Continued)

\$200,000 note receivable from American Family Housing 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. On July 27, 2016, this remaining loan balance was amended as part of a new loan paid with Housing and Community Development funds. Payment has been deferred until July 1, 2032 and will be forgiven at that time provided all provisions have been followed. An allowance for the amount of \$137,778 is recorded on this note, as the City expects to forgive this note.

\$ -

\$5,544,000 note receivable from 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, 2017, \$5,128,874 has been disbursed to the developer. Repayment of the 55 year, 3% simple interest loan is to be made in annual payments equal to 50% of the project's "residual receipts".

5,128,874

\$757,338 note receivable from American Family Housing, dated July 8, 2015. The purpose of the loan is to assist with the developer in the purchase and development of property located at 13811 Locust Street in the City of Westminster, California as a long-term transitional housing project that may be modified to permanent rental housing for persons and families of very low and low income at affordable rent. As of June 30, 2017, \$202,329 has been disbursed to the developer. Repayment of the 55 year, 0% interest loan is to be made in annual payments equal to 25% of the project's "residual receipts".

202,329

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. RECEIVABLES (CONTINUED):

Governmental Activities (Continued):

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

Notes Receivable - Westminster Housing Authority (Continued)

\$2,100,000 note receivable from Affirmed Housing Group, Inc. dated June 30, 2016. The purpose of the loan is to assist with the developer in the purchase and development of property located at 14800 Beach Boulevard in the City of Westminster, California as an affordable apartment community for persons and families of low, very low and extremely low income households. Repayment of the 55 year, 3% simple interest loan is to be made in annual payments equal to 50% of the project's "residual receipts".

\$ 2,100,000

Total Notes Receivable - Westminster Housing Authority

\$ 7,992,639

5. LAND HELD FOR RESALE:

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

| <u>Land Held For Resale Description</u> | <u>Parcel Number</u> | <u>Balance June 30, 2016 (As Restated)</u> | <u>Additions/ (Deletions)</u> | <u>Balance June 30, 2017</u> |
|---|--------------------------|--|-----------------------------------|----------------------------------|
| 14282 Locust Street | 096-162-03 | \$ 203,810 | \$ - | \$ 203,810 |
| 14242 Locust Street | 096-162-01 | 296,400 | - | 296,400 |
| 14262 Locust Street | 096-162-02 | 296,400 | - | 296,400 |
| 8190 13 th Street | 097-090-50 | <u>1,463,000</u> | <u>-</u> | <u>1,463,000</u> |
| | | <u>\$ 2,259,610</u> | <u>\$ -</u> | <u>\$ 2,259,610</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2017 is as follows:

| Governmental Activities: | Balance at <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | Balance at <u>June 30, 2017</u> |
|--|-----------------------------------|-----------------------|---------------------|------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 16,572,581 | \$ 1,700,000 | \$ - | \$ 18,272,581 |
| Construction in progress | <u>31,510</u> | <u>2,204,280</u> | <u>(31,510)</u> | <u>2,204,280</u> |
| Total capital assets, not being depreciated | <u>16,604,091</u> | <u>3,904,280</u> | <u>(31,510)</u> | <u>20,476,861</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 118,722,816 | 95,151 | - | 118,817,967 |
| Improvements other than buildings | 27,244,177 | 38,321 | - | 27,282,498 |
| Vehicles, machinery and equipment | 9,534,069 | 480,950 | (835,584) | 9,179,435 |
| Office furniture and equipment | 8,323,794 | 163,216 | (15,257) | 8,471,753 |
| Leased property | 1,474,223 | 63,545 | (181,959) | 1,355,809 |
| Infrastructure | <u>266,487,588</u> | <u>2,793,332</u> | <u>-</u> | <u>269,280,920</u> |
| Total capital assets, being depreciated | <u>431,786,667</u> | <u>3,634,515</u> | <u>(1,032,800)</u> | <u>434,388,382</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (20,081,199) | (2,412,973) | - | (22,494,172) |
| Improvements other than buildings | (4,961,549) | (1,243,975) | - | (6,205,524) |
| Vehicles, machinery and equipment | (6,457,783) | (615,273) | 572,580 | (6,500,476) |
| Office furniture and equipment | (4,360,638) | (573,585) | 15,257 | (4,918,966) |
| Leased property | (672,632) | (385,831) | 181,959 | (876,504) |
| Infrastructure | <u>(176,284,886)</u> | <u>(7,605,181)</u> | <u>-</u> | <u>(183,890,067)</u> |
| Total accumulated depreciation | <u>(212,818,687)</u> | <u>(12,836,818)</u> | <u>769,796</u> | <u>(224,885,709)</u> |
| Total capital assets, being depreciated, net | <u>218,967,980</u> | <u>(9,202,303)</u> | <u>(263,004)</u> | <u>209,502,673</u> |
| Total governmental activities capital assets, net | <u>\$ 235,572,071</u> | <u>\$ (5,298,023)</u> | <u>\$ (294,514)</u> | <u>\$ 229,979,534</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

6. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2017 is as follows:

| Business-type Activity: | Balance at July 1, 2016 | Additions | Deletions | Balance at June 30, 2017 |
|---|-------------------------------|---------------------|----------------|--------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and land rights | \$ 2,484,846 | \$ - | \$ - | \$ 2,484,846 |
| Total capital assets, not being depreciated | <u>2,484,846</u> | <u>-</u> | <u>-</u> | <u>2,484,846</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 91,579 | 9,850 | - | 101,429 |
| Improvements other than buildings | 11,913,312 | - | - | 11,913,312 |
| Water distribution lines | 45,968,779 | 343,527 | - | 46,312,306 |
| Machinery and equipment | 13,075,006 | 42,933 | (4,409) | 13,113,530 |
| Office furniture and equipment | <u>171,092</u> | <u>22,691</u> | <u>-</u> | <u>193,783</u> |
| Total capital assets, being depreciated | <u>71,219,768</u> | <u>419,001</u> | <u>(4,409)</u> | <u>71,634,360</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (88,664) | (389) | - | (89,053) |
| Improvements other than buildings | (2,632,597) | (244,700) | - | (2,877,297) |
| Water distribution lines | (28,817,730) | (828,226) | - | (29,645,956) |
| Machinery and equipment | (9,282,141) | (247,170) | 4,409 | (9,524,902) |
| Office furniture and equipment | <u>(87,048)</u> | <u>(17,873)</u> | <u>-</u> | <u>(104,921)</u> |
| Total accumulated depreciation | <u>(40,908,180)</u> | <u>(1,338,358)</u> | <u>4,409</u> | <u>(42,242,129)</u> |
| Total capital assets, being depreciated, net | <u>30,311,588</u> | <u>(919,357)</u> | <u>-</u> | <u>29,392,231</u> |
| Business-type Activity capital assets, net | <u>\$ 32,796,434</u> | <u>\$ (919,357)</u> | <u>\$ -</u> | <u>\$ 31,877,077</u> |

The City maintains a reserve fund for capital improvement designed to encourage and improve on water conservation. At June 30, 2017, the Enterprise Fund's conservation projects reserve account totaled \$3,796,794.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

6. CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:

| | |
|--|----------------------|
| General government | \$ 115,886 |
| Public safety | 1,363,324 |
| Public works | 7,925,378 |
| Community development | 1,702,461 |
| Community services | 556,783 |
| Internal service funds | <u>1,172,986</u> |
| Total depreciation expense - governmental activities | <u>\$ 12,836,818</u> |

Business-type Activity:

| | |
|------------|---------------------|
| Water Fund | <u>\$ 1,338,358</u> |
|------------|---------------------|

7. LONG-TERM LIABILITIES:

The following is a summary of long-term liabilities transactions for the year ended June 30, 2017:

Governmental Activities:

| | Balance | | | Balance | | Due | Due in |
|-------------------------------|--------------------|-------------------|-------------------|--------------------|------------------|--------------------|--------|
| | July 1, 2016 | Additions | Reductions | June 30, 2017 | Within | More Than | |
| | | | | | One Year | One Year | |
| Certificates of participation | \$ 2,785,000 | \$ - | \$ 570,000 | \$ 2,215,000 | \$ 595,000 | \$ 1,620,000 | |
| Leases payable | 711,330 | 63,545 | 158,348 | 616,527 | 239,461 | 377,066 | |
| Compensated absences | 1,927,205 | 1,422,536 | 1,408,845 | 1,940,896 | 1,669,171 | 271,725 | |
| Claims liabilities (Note 11) | 14,325,565 | 1,346,043 | 1,093,159 | 14,578,449 | 3,644,612 | 10,933,837 | |
| Pension liability (Note 8) | 77,522,338 | 25,709,205 | 6,036,935 | 97,194,608 | - | 97,194,608 | |
| OPEB liability (Note 9) | <u>19,255,110</u> | <u>3,907,768</u> | <u>2,444,751</u> | <u>20,718,127</u> | <u>-</u> | <u>20,718,127</u> | |
| Total | | | | | | | |
| Governmental Activities | <u>116,526,548</u> | <u>32,449,097</u> | <u>11,712,038</u> | <u>137,263,607</u> | <u>6,148,244</u> | <u>131,115,363</u> | |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity:

| | Balance | | | Balance June 30, 2017 | Due | Due in |
|-------------------------------|-----------------------|----------------------|----------------------|--------------------------|---------------------|-----------------------|
| | July 1, 2016 | Additions | Reductions | | Within One Year | More Than One Year |
| Certificates of participation | \$ 2,325,000 | \$ - | \$ 250,000 | \$ 2,075,000 | \$ 260,000 | \$ 1,815,000 |
| Loans payable | 1,572,231 | - | 118,441 | 1,453,790 | 122,599 | 1,331,191 |
| Compensated absences | 279,204 | 116,871 | 146,260 | 249,815 | 214,841 | 34,974 |
| Pension liability (Note 8) | 2,766,331 | 809,263 | 218,927 | 3,356,667 | - | 3,356,667 |
| OPEB liability (Note 9) | <u>2,208,524</u> | <u>448,232</u> | <u>280,420</u> | <u>2,376,336</u> | <u>-</u> | <u>2,376,336</u> |
| Total | | | | | | |
| Business-type Activity | <u>9,151,290</u> | <u>1,374,366</u> | <u>1,014,048</u> | <u>9,511,608</u> | <u>597,440</u> | <u>8,914,168</u> |
| City Total | <u>\$ 125,677,838</u> | <u>\$ 33,823,463</u> | <u>\$ 12,726,086</u> | <u>\$ 146,775,215</u> | <u>\$ 6,745,684</u> | <u>\$ 140,029,531</u> |

Governmental Activities:

Certificates of Participation

\$7,825,000 City of Westminster 2008 Certificates of Participation (Civic Center Refunding), dated May 1, 2008. The Certificates are payable in annual installments ranging from \$320,000 to \$860,000 until maturity on June 1, 2022. Interest is payable bi-annually at an average rate of 4.1%. The 2008 Certificates were issued for the purpose of advance refunding the \$13,600,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998A (1998 Civic Center Refunding Program). Proceeds from the Series 2008 Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the Certificates until fully retired. The 1998 Certificates are legally defeased and no longer a liability of the City. The reacquisition price exceeded the net carrying amount of the debt. This amount is shown as deferred outflows of resources. These bonds have an AAA/AA-rating.

Principal outstanding at June 30, 2017

\$ 2,215,000

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Lease Payable

The City entered into a capital lease for the purpose of leasing City cars. The lease term is 36 months with an option to purchase. Principal and interest payments are payable annually at an average rate of 2%.

Principal outstanding at June 30, 2017 \$ 616,527

Capital assets acquired through the lease consisted of equipment with a net value of \$479,305, which consists of an original cost of \$1,355,809 less accumulated depreciation of \$876,504.

Compensated Absences/Claims, Pension, and OPEB Liabilities

Compensated absences and claims liabilities which do not have any set annual debt service requirements are being liquidated in the internal service funds. These internal service funds predominately serve the governmental funds. Accordingly, these liabilities are part of the total liabilities for governmental activities. Pension and OPEB liabilities are liquidated in the various funds which maintain or maintained the related employees and retirees.

Business-type Activity:

The Business-type Activity long-term liability transactions at June 30, 2017 are comprised of the following individual items:

Certificates of Participation

\$5,035,000 Certificates of Participation (Water System Refunding) Series 2008, dated June 1, 2008. The Certificates are payable in annual installments ranging from \$220,000 to \$465,000 until maturity on June 1, 2024. Interest is payable bi-annually at an average rate of 4.1%. The 2008 Certificates were issued for the purpose of advance refunding the \$5,210,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998B (1998 Water System Refunding Program) and the \$2,200,000 installment purchase agreement payable to Zions First National Bank. The 2008 Series Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 2008 Certificates until fully retired. The 1998 Certificates are legally defeased and no longer a liability of the City. The reacquisition price exceeded the net carrying amount of the debt. This amount is shown as deferred outflow of resources. These bonds have an AAA/AA- rating.

Principal outstanding at June 30, 2017 \$ 2,075,000

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued):

Certificates of Participation (Continued)

The covenants authorizing the 2008 Water System Refunding Program Certificates of Participation stipulate that water rates must be maintained at levels sufficient to generate revenues in excess of certain predetermined amounts. Additionally, the City must establish certain management guidelines with respect to the operation of the water system. Resolution No. 4147, authorizing the issuance, terms and conditions of the 2008 Water System Refunding Program Certificates of Participation, includes a covenant requiring that the charges for the services, facilities and water costs of the enterprise be so fixed that the “net revenues” of the enterprise shall be at least 120% of the installment payments on the Certificates, and the California Infrastructure and Economic Development Bank Loan.

For the fiscal year ended June 30, 2017, the calculation of the Enterprise Fund’s compliance with the rate coverage covenant is as follows:

| | |
|--|-------------------|
| Gross revenues: | |
| Charges for services | \$ 13,289,610 |
| Investment income | 78,750 |
| Other | <u>30,307</u> |
| Total gross revenues | <u>13,398,667</u> |
| Operating expenses: | |
| Operating expenses | 14,018,920 |
| Depreciation and amortization | (1,338,358) |
| Vehicle replacement charges | <u>(217,638)</u> |
| Total operating costs | <u>12,462,924</u> |
| Net revenues | <u>\$ 935,743</u> |
| Installment payments: | |
| Principal payments | \$ 313,910 |
| Interest payments | <u>142,683</u> |
| Total installment payments | <u>\$ 456,593</u> |
| Net revenues to installment payment coverage ratio | <u>205%</u> |

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued):

Certificates of Participation (Continued)

Additionally, the City has agreed to maintain a replacement reserve at a level the City determines to be economically prudent. At June 30, 2017, the Enterprise Fund's capital equipment replacement reserve is as follows:

| | |
|---------------------------------------|---------------------|
| Capital equipment replacement reserve | <u>\$ 2,427,260</u> |
|---------------------------------------|---------------------|

Loans Payable

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

| | |
|--|------------|
| | \$ 175,315 |
|--|------------|

\$2,000,000 installment sale agreement payable to California Infrastructure and Economic Development Bank, dated January 28, 2002. The agreement was issued to provide for the financing of a water tank. The project was completed, and the loan was fully funded as of June 30, 2004. The agreement is payable in annual installments ranging from \$40,000 to \$105,000 until maturity on August 1, 2031. Interest is payable at a fixed rate of 3.52% per annum.

| | |
|--|------------------|
| | <u>1,278,475</u> |
|--|------------------|

| | |
|---------------------|---------------------|
| Total Loans Payable | <u>\$ 1,453,790</u> |
|---------------------|---------------------|

Compensated Absences/Pension and OPEB Liabilities

Compensated absences, pension, and OPEB liabilities which do not have any set debt service requirements are expected to be liquidated by the Water Enterprise Fund are reported as a liability for Business-type Activity.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental and Business-type Activity:

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

The annual requirements to amortize all governmental and business-type long-term liabilities (excluding compensated absences and claims payable) outstanding as of June 30, 2017, including interest payments are as follows:

| Year Ending June 30, | Certificates of Participation Governmental Activities | | |
|-------------------------|--|-------------------|---------------------|
| | Principal | Interest | Total |
| | | | |
| 2018 | \$ 595,000 | \$ 91,150 | \$ 686,150 |
| 2019 | 615,000 | 67,350 | 682,350 |
| 2020 | 320,000 | 42,750 | 362,750 |
| 2021 | 335,000 | 29,550 | 364,550 |
| 2022 | 350,000 | 15,313 | 365,313 |
| | <u>\$ 2,215,000</u> | <u>\$ 246,113</u> | <u>\$ 2,461,113</u> |

| Year Ending June 30, | Leases Payable Governmental Activities | | |
|-------------------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| | | | |
| 2018 | \$ 239,461 | \$ 4,789 | \$ 244,250 |
| 2019 | 344,670 | 6,893 | 351,563 |
| 2020 | 32,396 | 648 | 33,044 |
| | <u>\$ 616,527</u> | <u>\$ 12,330</u> | <u>\$ 628,857</u> |

| Year Ending June 30, | Certificates of Participation Business-type Activity | | |
|-------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| | | | |
| 2018 | \$ 260,000 | \$ 86,556 | \$ 346,556 |
| 2019 | 270,000 | 76,156 | 346,156 |
| 2020 | 285,000 | 65,356 | 350,356 |
| 2021 | 295,000 | 53,600 | 348,600 |
| 2022 | 310,000 | 41,431 | 351,431 |
| 2023-2024 | 655,000 | 42,913 | 697,913 |
| | <u>\$ 2,075,000</u> | <u>\$ 366,012</u> | <u>\$ 2,441,012</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental and Business-type Activity (Continued):

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

| Year Ending June 30, | Loans Payable | | |
|-------------------------|------------------------|-------------------|---------------------|
| | Business-type Activity | | |
| | Principal | Interest | Total |
| 2018 | \$ 122,599 | \$ 49,974 | \$ 172,573 |
| 2019 | 126,903 | 45,629 | 172,532 |
| 2020 | 131,359 | 41,131 | 172,490 |
| 2021 | 73,395 | 36,475 | 109,870 |
| 2022 | 75,978 | 33,846 | 109,824 |
| 2023-2027 | 421,940 | 126,442 | 548,382 |
| 2028-2032 | <u>501,616</u> | <u>45,363</u> | <u>546,979</u> |
| | <u>\$ 1,453,790</u> | <u>\$ 378,860</u> | <u>\$ 1,832,650</u> |

| Year Ending June 30, | Grand Totals | | |
|-------------------------|---|---------------------|---------------------|
| | Governmental and Business-type Activities | | |
| | Principal | Interest | Total |
| 2018 | \$ 1,217,060 | \$ 232,469 | \$ 1,449,529 |
| 2019 | 1,356,573 | 196,028 | 1,552,601 |
| 2020 | 768,755 | 149,885 | 918,640 |
| 2021 | 703,395 | 119,625 | 823,020 |
| 2022 | 735,978 | 90,590 | 826,568 |
| 2023-2027 | 1,076,940 | 169,355 | 1,246,295 |
| 2028-2032 | <u>501,616</u> | <u>45,363</u> | <u>546,979</u> |
| | <u>\$ 6,360,317</u> | <u>\$ 1,003,315</u> | <u>\$ 7,363,632</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS:

The following is a summary of pension related items for the year ended June 30, 2017:

| | <u>Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Pension Expense</u> |
|-----------------------|------------------------------|---|--|----------------------------|
| CalPERS Miscellaneous | \$ 37,296,296 | \$ 7,171,177 | \$ (666,646) | \$ 2,456,796 |
| CalPERS Safety | 62,124,725 | 10,068,835 | (4,475,921) | 8,410,735 |
| PARS | <u>1,130,254</u> | <u>4,047</u> | <u>-</u> | <u>(101,122)</u> |
| | <u>\$ 100,551,275</u> | <u>\$ 17,244,059</u> | <u>\$ (5,142,567)</u> | <u>\$ 10,766,409</u> |

a. Public Employees' Retirement System (CalPERS):

General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Safety (police) cost sharing defined benefit plan, and the Miscellaneous (all other) Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

General Information about the Pension Plans (Continued):

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | Miscellaneous | | |
|--|------------------------------|--|--------------------------------|
| | Prior to October 22, 2011 | October 22, 2011 to December 31, 2012 | On or After January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.5%@55 | 2%@60 | 2%@62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 67 | 50 - 67 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 8.00% | 7.00% | 5.75% |
| Required employer contribution rates | 26.801% | 26.801% | 26.801% |

| | Safety | | |
|--|------------------------------|--|--------------------------------|
| | Prior to October 22, 2011 | October 22, 2011 to December 31, 2012 | On or After January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3%@50 | 2%@50 | 2.7%@57 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.00% | 2.0% to 2.7% | 2.0% to 2.7% |
| Required employee contribution rates | 9.00% | 9.00% | 12.25% |
| Required employer contribution rates: | | | |
| Normal cost rate | 21.530% | 16.312% | 12.821% |
| Payment of unfunded liability | \$ 2,455,905 | \$ 296 | \$ 1,567 |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

General Information about the Pension Plans (Continued):

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Miscellaneous Plan:

| | <u>Miscellaneous</u> |
|--|----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 248 |
| Inactive employees entitled to but not yet receiving benefits | 130 |
| Active employees | 130 |
| Total | <u><u>508</u></u> |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Net Pension Liability:

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|--------------------------------|---------------------------------|---------------------------------|
| Valuation Date | June 30, 2015 | June 30, 2015 |
| Measurement Date | June 30, 2016 | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| Inflation | 2.75% | 2.75% |
| Projected Salary Increase | (1) | (1) |
| Mortality Rate Table | (2) | (2) |
| Post Retirement Benefit Income | (3) | (3) |

(1) Varies by entry age and service.

(2) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|-------------------------------|--------------------------------|------------------------------------|---------------------------------|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plan are as follows:

| | Increase (Decrease) | | |
|--|-------------------------------|-----------------------------------|-------------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance at June 30, 2015 (Measurement Date) | <u>\$ 116,571,209</u> | <u>\$ 85,834,193</u> | <u>\$ 30,737,016</u> |
| Changes in the Year: | | | |
| Service cost | 1,560,638 | - | 1,560,638 |
| Interest on the total pension liability | 8,752,757 | - | 8,752,757 |
| Differences between expected and actual experience | 99,143 | - | 99,143 |
| Changes in assumptions | - | - | - |
| Changes in benefit terms | - | - | - |
| Plan to plan resource movement | - | - | - |
| Contribution - employer | | 2,432,527 | (2,432,527) |
| Contribution - employee (paid by employer) | - | - | - |
| Contribution - employee | - | 1,038,082 | (1,038,082) |
| Net investment income | - | 434,960 | (434,960) |
| Administrative expenses | - | (52,311) | 52,311 |
| Benefit payments, including refunds of employee contributions | (6,071,087) | (6,071,087) | - |
| Net Changes | <u>4,341,451</u> | <u>(2,217,829)</u> | <u>6,559,280</u> |
| Balance at June 30, 2016 (Measurement Date) | <u>\$ 120,912,660</u> | <u>\$ 83,616,364</u> | <u>\$ 37,296,296</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability (Continued):

Proportionate Share of Net Pension Liability

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net pension liability for the Safety Plan as follows:

| | |
|--------|--|
| | Proportionate Share of Net Pension Liability <hr/> |
| Safety | \$ 62,124,725 <hr/> <hr/> |

The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Safety Plan as of the measurement dates ended June 30, 2015 and 2016 was as follows:

| | |
|------------------------------|---------------|
| | <u>Safety</u> |
| Proportion - June 30, 2015 | 1.17133% |
| Proportion - June 30, 2016 | 1.19950% |
| Change - Increase (Decrease) | 0.02817% |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|-----------------------|----------------------|---------------|
| 1% Decrease | 6.65% | 6.65% |
| Net Pension Liability | \$ 53,232,085 | \$ 92,594,227 |
| Current Discount Rate | 7.65% | 7.65% |
| Net Pension Liability | \$ 37,296,296 | \$ 62,124,725 |
| 1% Increase | 8.65% | 8.65% |
| Net Pension Liability | \$ 24,139,803 | \$ 37,112,385 |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2017, the City recognized pension expense of \$2,456,796 and \$8,410,735 for the Miscellaneous and Safety Plans, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Miscellaneous | | Safety | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 2,578,591 | \$ - | \$ 3,950,925 | \$ - |
| Differences between expected and actual experience | 61,011 | (188,045) | - | (285,606) |
| Change in assumptions | - | (478,601) | - | (1,245,261) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - | - | (2,945,054) |
| Net differences between projected and actual earnings on plan investments | 4,531,575 | - | 6,117,910 | - |
| Total | <u>\$ 7,171,177</u> | <u>\$ (666,646)</u> | <u>\$ 10,068,835</u> | <u>\$ (4,475,921)</u> |

\$2,578,591 and \$3,950,925 reported as deferred outflows of resources related to contributions subsequent to the measurement date, for the Miscellaneous and Safety Plans, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30, | Miscellaneous | Safety |
|----------------------|---------------|----------------|
| 2018 | \$ (14,449) | \$ (1,718,780) |
| 2019 | 636,945 | (1,022,051) |
| 2020 | 2,108,045 | 2,790,151 |
| 2021 | 1,195,399 | 1,592,669 |
| 2022 | - | - |
| Thereafter | - | - |

Payable to the Pension Plan:

At June 30, 2017, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan:

General Information about the Pension Plan:

Plan Description and Benefits

Effective July 1, 2007, pursuant to sections 401(a) and 501(a) of the Internal Revenue Code, the City adopted a tax-qualified single-employer governmental defined benefit plan that is to be administered for the City by Public Agency Retirement Service (PARS), a third-party administrator. The plan was established to provide eligible employees, supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees Retirement System (CalPERS). The plan is closed and 6 eligible retirees or their beneficiaries are paid monthly

Contributions

The actuarially contribution is determined on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is funding the plan to pay the benefit payments payable each year. For the year ended June 30, 2017, the City's contribution was \$55,526.

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

| | <u>Safety</u> |
|--|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 6 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | - |
| Total | <u>6</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Net Pension Liability:

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability as of the measurement date of June 30, 2017 was determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> |
|--------------------------------------|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Amortization Method: | |
| Level percent or level dollar | Level Dollar |
| Closed, Open, or layered periods | Closed |
| Amortization period at June 30, 2016 | 6.0 years |
| Amortization growth rate | 0.00% |
| Inflation | 0.00% |
| Salary Increases | N/A |
| Investment Rate of Return | 6.00% |
| Cost of Living Adjustments | 2.00% |
| Withdrawal/Disability | N/A |
| Mortality | Males: RP-2000 Male Table projected to 2020 using Scale BB (as prescribed by PARS) Females: RP-2000 Female Table projected to 2020 using Scale BB (as prescribed by PARS) |
| Form of Payment | Monthly as determined by plan document |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Net Pension Liability (Continued):

Discount Rate

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 29) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the City:

- Employer contributions are generally assumed to equal expected annual benefit payments plus expenses.
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.00%.
- The actuarial assumptions do not change.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that the detailed depletion date projections outlined in GASB 68 will show that the Fiduciary Net Position is always projected to be insufficient to cover benefit payments and administrative expenses.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Net Pension Liability (Continued):

Discount Rate (Continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of June 30, 2017.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| <u>Asset Class</u> | <u>Index</u> | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
|--|-------------------------|--------------------------|--|---|
| U.S. Cash | BAML 3 Month T-Bill | 11.69% | 0.36% | 0.35% |
| U.S. Core Fixed Income | Barclays Aggregate | 74.21% | 2.17% | 2.04% |
| U.S. Equity Market | Russell 3000 | 10.16% | 4.83% | 3.57% |
| Foreign Developed Equity | MSCI EAFE NR | 3.24% | 5.76% | 4.15% |
| U.S. Real Estate | FTSE NAREIT Equity REIT | 0.70% | 5.04% | 32.70% |
| Assumed Inflation - Mean | | | 2.32% | 2.30% |
| Assumed Inflation - Standard Deviation | | | 1.85% | 1.85% |
| Portfolio Real Mean Return | | | 2.37% | 2.25% |
| Portfolio Nominal Mean Return | | | 4.68% | 4.61% |
| Portfolio Standard Deviation | | | | 4.06% |
| Long-Term Expected Rate of Return | | | | 6.00% |

The discount rate for calculating the total pension liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current retirees. Therefore, the City chose the Bond Buyer General Obligation 20-Bond Index resulting is the use of a 3.58% rate in calculating the pension liability.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Changes in the Net Pension Liability:

The changes in the net pension liability for the Plan are as follows:

| | Increase (Decrease) | | |
|--|-------------------------------|-----------------------------------|-------------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balance at June 30, 2016 | <u>\$ 1,365,862</u> | <u>\$ 78,284</u> | <u>\$ 1,287,578</u> |
| Changes in the Year: | | | |
| Service cost | - | - | - |
| Interest on the total pension liability | 38,210 | - | 38,210 |
| Differences between expected and actual experience | - | - | - |
| Changes in assumptions | (139,101) | - | (139,101) |
| Changes in benefit terms | - | - | - |
| Contribution - employer | - | 55,526 | (55,526) |
| Contribution - employee (paid by employer) | - | - | - |
| Contribution - employee | - | - | - |
| Net investment income | - | 3,864 | (3,864) |
| Administrative expenses | - | (2,957) | 2,957 |
| Benefit payments, including refunds of employee contributions | (50,652) | (50,652) | - |
| Net Changes | <u>(151,543)</u> | <u>5,781</u> | <u>(157,324)</u> |
| Balance at June 30, 2017 | <u>\$ 1,214,319</u> | <u>\$ 84,065</u> | <u>\$ 1,130,254</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | |
|-----------------------|----------------------|
| | <u>Miscellaneous</u> |
| 1% Decrease | 2.58% |
| Net Pension Liability | \$ 1,327,009 |
| Current Discount Rate | 3.58% |
| Net Pension Liability | \$ 1,130,254 |
| 1% Increase | 4.58% |
| Net Pension Liability | \$ 972,881 |

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2017, the City recognized pension expense of \$(101,122) At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ - | \$ - |
| Differences between actual and expected experience | - | - |
| Change in assumptions | - | - |
| Net differences between projected and actual earnings on plan investments | 4,047 | - |
| Total | <u>\$ 4,047</u> | <u>\$ -</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. PENSION PLANS (CONTINUED):

b. Public Agency Retirement System (PARS) Supplementary Retirement Plan (Continued):

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of pension expense as follows:

| Year Ending June 30, | Amount |
|----------------------------|----------|
| 2018 | \$ 1,566 |
| 2019 | 1,565 |
| 2020 | 738 |
| 2021 | 178 |
| 2022 | - |
| Thereafter | - |

Payable to the Pension Plan:

At June 30, 2017, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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

Plan Description - Other Defined Contribution Pension Plans:

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

For the year ended June 30, 2017, the City's payroll covered by the plan was \$1,282,184. Contributions to the plan totaled \$96,164 with employee contributions in the amount of \$76,930 (6.0% of current covered payroll) and City contributions in the amount of \$19,234 (1.5% of current covered payroll).

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

a. Plan Description:

The City provides post-employment healthcare benefits including medical, dental, vision, and life insurance to eligible employees and their dependents at retirement through a single employer defined benefit OPEB plan administered by the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing the City's employees. Eligible retirees (service or disability retire through CalPERS directly from the City) receive reimbursement from the City for a portion of the costs for the coverage. The retiree healthcare plan does not issue a financial report.

The medical benefit through the California Public Employees Retirement System Healthcare Program (PEMHCA) is based on the hire date and the employee group. For employees in employee groups hired prior to dates in the following table, the City pays up to 100% of the cap.

| <u>Employee Group</u> | <u>2017 Cap</u> | <u>Hire Date</u> |
|-----------------------|-----------------|------------------|
| POA | \$ 892.00 | 07/01/2004 |
| Mgmt/Admin/Conf | 937.00 | 08/10/2005 |
| WMEA | 937.00 | 06/22/2005 |

For employees hired after the dates in the table above, the City pays a percent of the cap based on years of service with the City.

| <u>Years of Service</u> | <u>Percentage of Cap</u> |
|-------------------------|--------------------------------|
| Less than 5 | PEMHCA minimum (\$128 in 2017) |
| 5 through 10 | 25% |
| 11 through 15 | 50% |
| More than 15 | 100% |

The benefit to a surviving spouse continues based on CalPERS retirement plan election.

Dental, vision, and life insurance benefits are provided through the City's group insurance plans. The City provides full vision coverage, pays dental coverage up to \$20/month, and pays life insurance premiums up to \$19.10/month.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

b. Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City, the City's City Council, and/or the employee associations. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2017, the City paid \$2,725,171 in health care costs for its retirees and their covered dependents. The plan does not require employee contributions.

c. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan made primarily by the General Fund, and changes in the City's net OPEB obligation to the Retiree Health Plan:

| | Governmental Activities | Business-type Activity | Totals |
|--|----------------------------|---------------------------|----------------------|
| Annual required contribution | \$ 4,210,090 | \$ 482,910 | \$ 4,693,000 |
| Interest on net OPEB obligation | 676,414 | 77,586 | 754,000 |
| Adjustment to annual required contribution | <u>(978,736)</u> | <u>(112,264)</u> | <u>(1,091,000)</u> |
| Annual OPEB cost (expense) | 3,907,768 | 448,232 | 4,356,000 |
| Actual contributions made | <u>(2,444,751)</u> | <u>(280,420)</u> | <u>(2,725,171)</u> |
| Increase in net OPEB obligation | 1,463,017 | 167,812 | 1,630,829 |
| Net OPEB Obligation - beginning of year | <u>19,255,110</u> | <u>2,208,524</u> | <u>21,463,634</u> |
| Net OPEB Obligation - end of year | <u>\$ 20,718,127</u> | <u>\$ 2,376,336</u> | <u>\$ 23,094,463</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Annual OPEB Cost and Net OPEB Obligation (Continued):

The City's annual OPEB cost, the actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended June 30, 2017, were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|-------------------------|---|---------------------------|
| 06/30/15 | \$ 3,110,000 | \$ 2,038,861 | 65.6 % | \$ 20,414,803 |
| 06/30/16 | 3,201,000 | 2,152,169 | 67.2 % | 21,463,634 |
| 06/30/17 | 4,356,000 | 2,725,171 | 62.6 % | 23,094,463 |

d. Funded Status and Funding Progress:

As of June 30, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$64,531,000 (\$58,574,000 for the governmental activities and \$5,957,000 for the business-type activity), and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$64,531,000. The funded ratio (actuarial value of assets as a percentage of actuarial accrued liability) was 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$18,546,000 (\$16,485,000 for the governmental activities and \$2,061,000 for the business-type activities) and the ratio of the UAAL to the covered payroll was 348%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

e. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 3.75% per annum (net of administrative expenses), and a general inflation rate of 2.75% per annum. Medical premiums were assumed to increase annually with actual pre-Medicare costs used for 2017 and 2018 and an increase rate of 7.5% for HMOs and PPOs for 2019 premiums over 2018 premiums, both grading down to 4.0% for calendar year 2076 and thereafter. The post-Medicare annual medical cost increase rates were based on actual 2017 and 2018 premiums, with a 6.5% increase for HMOs and PPOs for 2019 premiums over 2018 premiums, both grading down to 4.0% for calendar year 2076 and thereafter. The PEMHCA minimum was assumed to increase with medical inflation (4.25%) annually after 2019. Actual rates were used for 2017 and 2018. Medical caps were assumed to follow healthcare trend. Vision premiums were assumed to increase by 2.75% annually. Dental and life insurance caps were assumed to remain frozen in the future. The UAAL is being amortized as a level percentage of projected payroll over 24 years on a closed basis commencing in fiscal year 2014. The remaining amortization period at June 30, 2017 was 21 years.

10. DEFERRED COMPENSATION:

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

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

10. DEFERRED COMPENSATION (CONTINUED):

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

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

11. RISK MANAGEMENT:

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

The City retains the risk of loss for general liability claims of up to \$500,000 per occurrence and workers' compensation claims of up to \$500,000 per person per occurrence. The City has established the Risk Management and Compensation/Benefits Internal Service Funds to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, whether or not reported, in each of these Funds.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 13 member cities which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. Portions of general liability and workers compensation claims exceeding the above mentioned amounts are covered by CIPA up to a maximum \$10,000,000 per claim and \$50,000,000 annual aggregate amount for general liability claims. The coverage for workers' compensation extends to statutory limit. Member cities make payments to CIPA based on underwriting estimates and may be assessed the difference between funds available and the \$50,000,000 annual aggregate in proportion to their annual premiums. Additional coverage is maintained through a commercial insurer for claims in excess of the per claim units and the annual aggregate amounts.

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

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

11. RISK MANAGEMENT (CONTINUED):

All Funds of the City participate in the risk management program and make payments to the Risk Management and Compensation/Benefits Internal Service Funds based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. At June 30, 2017, the Risk Management Fund had a net position of \$3,607,028. Also, at June 30, 2017, the Compensation/Benefits Fund had a reserve for catastrophic losses of \$991,198, which is reported as net position in this fund. The claims liabilities of \$7,579,025 and \$6,999,424 reported in the Risk Management and Compensation/Benefits Internal Service Funds, respectively, at June 30, 2017 are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and amount of the loss can be reasonably estimated.

Changes in the Risk Management and Compensation/Benefits Internal Service Funds' claims liability amounts in fiscal years 2017 and 2016 were as follows:

| | Risk Management Fund | | Compensation/Benefits Fund | |
|---|-------------------------|---------------------|-------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Beginning-year liability | \$ 7,339,528 | \$ 7,578,008 | \$ 6,986,037 | \$ 3,250,912 |
| Current-year claims and changes in estimates | 289,796 | 268,182 | 1,056,247 | 5,310,324 |
| Claim payments | <u>(50,299)</u> | <u>(506,662)</u> | <u>(1,042,860)</u> | <u>(1,575,199)</u> |
| Balance at fiscal year-end | <u>\$ 7,579,025</u> | <u>\$ 7,339,528</u> | <u>\$ 6,999,424</u> | <u>\$ 6,986,037</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

12. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications established as of June 30, 2017 were as follows:

| | General | Special Revenue Funds | | | Capital | Other | Total |
|--------------------------------------|--------------|-------------------------------------|--|---|---|--------------|--------------|
| | | Westminster Housing Authority | Housing and Community Development | Special Gas Tax and Street Improvements | Projects Fund Capital Improvements | | |
| Nonspendable: | | | | | | | |
| Prepaid items | \$ 33,695 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,695 |
| Restricted for: | | | | | | | |
| Housing authority | - | 26,425,178 | - | - | - | - | 26,425,178 |
| Housing and community development | - | - | 662,088 | - | - | - | 662,088 |
| Debt service | - | - | - | 221,281 | - | 262,422 | 483,703 |
| Parks | - | - | - | - | - | 2,495,425 | 2,495,425 |
| Special police services | - | - | - | - | - | 2,575,157 | 2,575,157 |
| Municipal lighting | - | - | - | - | - | 3,386,014 | 3,386,014 |
| Other grants | - | - | - | - | - | 594,354 | 594,354 |
| Offside drainage district | - | - | - | - | - | 150,554 | 150,554 |
| Total Restricted | - | 26,425,178 | 662,088 | 221,281 | - | 9,463,926 | 36,772,473 |
| Committed: | | | | | | | |
| Emergency contingency | 9,197,836 | - | - | - | - | - | 9,197,836 |
| Assigned: | | | | | | | |
| Capital projects | - | - | - | - | 15,332,202 | - | 15,332,202 |
| Community promotions | - | - | - | - | - | 442,279 | 442,279 |
| RDA dissolution | 2,696,420 | - | - | - | - | - | 2,696,420 |
| Total Assigned | 2,696,420 | - | - | - | 15,332,202 | 442,279 | 18,470,901 |
| Unassigned | 8,904,597 | - | - | (186,360) | - | - | 8,718,237 |
| Total Fund Balances | \$20,832,548 | \$ 26,425,178 | \$ 662,088 | \$ 34,921 | \$ 15,332,202 | \$ 9,906,205 | \$73,193,142 |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

12. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

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

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment through the passage of an ordinance, the City's highest level of decision-making authority. The fund balance committed in the General Fund for emergency contingency is established at 17% of General Fund operating expenditures. This amount can be used for budgeted revenue shortfalls and may include but not limited to: (1) significant decrease in property, sales, or transactions and use tax, or other revenues, (2) reductions in revenue due to actions by the state/federal government, (3) provide temporary resources in the event of an economic downturn while expenditure reductions are implemented, or (4) provide resources to meet emergency expenditures in the case of flood, fire, earthquake, or other disasters.

Assigned - 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. This amount includes amounts that are assigned through adoption of the budget. Council may delegate the ability of an employee or committee to assign the use of specific funds for specific purposes. Such delegation has not yet been granted to persons or committees other than the City Council. The City assigns unspent capital project balances and amounts in its Community Promotion Special Revenue Fund. The amounts assigned in the General Fund for RDA dissolution are set aside in the event amounts may have to be repaid to the state.

Unassigned - The classifications include 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 City'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 City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

13. COMMITMENTS AND CONTINGENCIES:

Claims and Judgments:

At June 30, 2017, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with workers compensation and general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City.

Grant Contingencies:

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

14. SUCCESSOR AGENCY DISCLOSURES:

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency of the City of Westminster Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosure related to capital assets and long-term liabilities are as follows:

Capital Assets:

The Successor Agency sold land valued at \$1,162,665 to the City for \$1,700,000.

Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | Balance at July 1, 2016 | Additions | Reductions | Balance at June 30, 2017 | Due Within One Year | Due in More Than One Year |
|-----------------------|-------------------------------|----------------------|----------------------|--------------------------------|---------------------------|---------------------------------|
| Tax allocation | | | | | | |
| bonds payable | \$117,970,000 | \$ 77,425,000 | \$ 75,020,000 | \$120,375,000 | \$ 2,375,000 | \$118,000,000 |
| Unamortized refunding | | | | | | |
| premium | - | 4,874,284 | 154,078 | 4,720,206 | - | 4,720,206 |
| Net Long-Term Debt | <u>\$117,970,000</u> | <u>\$ 82,299,284</u> | <u>\$ 75,174,078</u> | <u>\$125,095,206</u> | <u>\$ 2,375,000</u> | <u>\$122,720,206</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

Tax Allocation Bonds

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

\$ 20,200,000

\$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. Proceeds from the 2009 Subordinate Tax Allocation 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 2009 Subordinate Tax Allocation Bonds were legally defeased and paid in full on July 14, 2016 and are no longer a liability of the Successor Agency to the City of Westminster.

-

\$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.

22,750,000

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

14. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

Tax Allocation Bonds (Continued)

\$77,425,000 Westminster Commercial Redevelopment Project No. 1, 2016 Subordinate Tax Allocation Refunding Bonds dated July 14, 2016. The bonds are payable in annual installments ranging from \$325,000 to \$5,270,000 from November 1, 2017 until maturity on November 1, 2045. Interest is payable bi-annually at an average rate of 3.3%. The 2016 Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2009 Subordinate Tax Allocation Bonds until November 1, 2019 to redeem all 2009 Bonds in full on November 1, 2019. As of June 30, 2017, the defeased 2009 Bonds have a remaining outstanding balance of \$73,055,000. The City refunded the 2009 Bonds to reduce its total debt service payments over 29 years by \$33,449,533 and to obtain an economic gain (difference between the present values of the old and new debt) of \$20,015,291. The 2016 Bonds were issued for the purpose of refunding the 2009 Subordinate Tax Allocation Bonds. \$ 77,425,000

Total Tax Allocation Bonds \$ 120,375,000

The annual requirements to amortize the tax allocation bonds outstanding as of June 30, 2017, including interest payments are as follows:

| Year Ending <u>June 30,</u> | Tax Allocation Bonds | | |
|--------------------------------|-----------------------|----------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2018 | \$ 2,375,000 | \$ 4,855,744 | \$ 7,230,744 |
| 2019 | 2,460,000 | 4,762,506 | 7,222,506 |
| 2020 | 2,555,000 | 4,662,363 | 7,217,363 |
| 2021 | 2,660,000 | 4,554,125 | 7,214,125 |
| 2022 | 2,770,000 | 4,437,916 | 7,207,916 |
| 2023-2027 | 15,870,000 | 20,103,951 | 35,973,951 |
| 2028-2032 | 18,060,000 | 15,962,858 | 34,022,858 |
| 2033-2037 | 22,000,000 | 11,508,087 | 33,508,087 |
| 2038-2042 | 26,700,000 | 6,816,338 | 33,516,338 |
| 2043-2046 | <u>24,925,000</u> | <u>1,808,484</u> | <u>26,733,484</u> |
| | <u>\$ 120,375,000</u> | <u>\$ 79,472,372</u> | <u>\$ 199,847,372</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

14. SUCCESSOR AGENCY DISCLOSURES (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, 2017, the aggregate principal amount of Bonds outstanding totaled \$4,702,500.

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package, which dissolved the redevelopment agency.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each Dissolved RDA) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 11, 2012, the City elected to serve as the Successor Agency to the Westminster Redevelopment Agency.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction.

AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on February 9, 2011 to serve as the Housing Successor Agency.

As of the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Westminster Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

In the current and future fiscal years, the Successor Agency will only be allocated revenue from the County of Orange in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Dissolved RDA until all enforceable obligations of the Dissolved RDA have been paid in full and all assets have been liquidated.

16. EXTRAORDINARY ITEM:

The Successor Agency to the Westminster Redevelopment Agency Private-Purpose Trust Fund transferred certain assets to the City upon the final completion of the property management plan and acceptance by the California Department of Finance required under the redevelopment agency dissolution process and changes made to the dissolution process by Senate Bill 107 passed by the California legislature in September 2015.

| <u>Description</u> | <u>Amount</u> |
|---------------------------------------|---------------------|
| Transfer of bond proceeds to the City | <u>\$ 1,677,350</u> |

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

16. EXTRAORDINARY ITEM (CONTINUED):

The transfer of bond proceeds to the City reported as an extraordinary loss in the Successor Agency to the Westminster Redevelopment Agency Private-Purpose Trust Fund is reported as an extraordinary gain in the City's government-wide financial statements.

17. RESTATEMENTS OF NET POSITION AND FUND BALANCE:

Net Position:

Restatement of the Government-Wide financial statements' net position as of July 1, 2016 is as follows:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Net position at July 1, 2016, as originally reported | \$ 205,692,960 |
| Land held for resale not recorded in prior years | <u>1,463,000</u> |
| Net position at July 1, 2016, as restated | <u>\$ 207,155,960</u> |

Fund Balance:

Restatement of the Westminster Housing Authority Special Revenue Fund's fund balance as of July 1, 2016 is as follows:

| | |
|--|----------------------|
| Fund balance at July 1, 2016, as originally reported | \$ 25,554,647 |
| Land held for resale not recorded in prior years | <u>1,463,000</u> |
| Fund balance at July 1, 2016, as restated | <u>\$ 27,017,647</u> |

18. SUBSEQUENT EVENTS:

Events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosure as of November 30, 2017, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WESTMINSTER

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS SAFETY PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|----------------------|
| Measurement period | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.71795% | 0.70316% | 0.65247% |
| Plan's proportionate share of the net pension liability | \$ 62,124,175 | \$ 48,264,075 | \$ 40,599,811 |
| Plan's covered - employee payroll | \$ 9,200,544 | \$ 9,177,397 | \$ 9,232,577 |
| Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll | 675.22% | 525.90% | 439.75% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 74.06% | 78.40% | 81.21% |
| Plan's proportionate share of aggregate employer contributions | \$ 5,609,271 | \$ 5,753,034 | \$ 4,966,989 |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF WESTMINSTER

SCHEDULE OF CONTRIBUTIONS
CalPERS SAFETY PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 3,950,925 | \$ 3,624,844 | \$ 2,607,628 |
| Contributions in relation to the actuarially determined contributions | <u>(3,950,925)</u> | <u>(3,624,844)</u> | <u>(2,607,628)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 8,535,713 | \$ 9,200,544 | \$ 9,177,397 |
| Contributions as a percentage of covered - employee payroll | 46.29% | 39.40% | 28.41% |

Notes to Schedule:

| | | | |
|----------------|-----------|-----------|-----------|
| Valuation Date | 6/30/2014 | 6/30/2013 | 6/30/2012 |
|----------------|-----------|-----------|-----------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|----------------------------|--|
| Single and agent employers | Entry age** |
| Amortization method | Level percentage of payroll, closed** |
| Asset valuation method | Market Value*** |
| Inflation | 2.75%** |
| Salary increases | Depending on age, service, and type of employment** |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation** |
| Retirement age | 3% at 50 and 2% at 50 retirement age from 50 - 55 and 2.7% at 57 retirement age from 50 - 57** |
| Mortality | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.** |

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF WESTMINSTER

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS MISCELLANEOUS PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|------------------------------|------------------------------|------------------------------|
| Measurement period | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Total Pension Liability: | | | |
| Service cost | \$ 1,560,638 | \$ 1,545,832 | \$ 1,596,416 |
| Interest on total pension liability | 8,752,757 | 8,442,196 | 8,193,716 |
| Differences between expected and actual experience | 99,143 | (814,859) | - |
| Changes in assumptions | - | (2,073,935) | - |
| Changes in benefits | - | - | - |
| Benefit payments, including refunds of employee contributions | (6,071,087) | (5,998,818) | (5,541,372) |
| Net Change in Total Pension Liability | <u>4,341,451</u> | <u>1,100,416</u> | <u>4,248,760</u> |
| Total Pension Liability - Beginning of Year | <u>116,571,209</u> | <u>115,470,793</u> | <u>111,222,033</u> |
| Total Pension Liability - End of Year (a) | <u><u>\$ 120,912,660</u></u> | <u><u>\$ 116,571,209</u></u> | <u><u>\$ 115,470,793</u></u> |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | \$ 2,432,527 | \$ 1,995,892 | \$ 1,893,680 |
| Contributions - employee | 1,038,082 | 957,863 | 950,841 |
| Net investment income | 434,960 | 1,928,356 | 13,071,051 |
| Benefit payments | (6,071,087) | (5,998,818) | (5,541,372) |
| Administrative expenses | (52,311) | (96,506) | - |
| Net Change in Plan Fiduciary Net Position | <u>(2,217,829)</u> | <u>(1,213,213)</u> | <u>10,374,200</u> |
| Plan Fiduciary Net Position - Beginning of Year | <u>85,834,193</u> | <u>87,047,406</u> | <u>76,673,206</u> |
| Plan Fiduciary Net Position - End of Year (b) | <u><u>\$ 83,616,364</u></u> | <u><u>\$ 85,834,193</u></u> | <u><u>\$ 87,047,406</u></u> |
| Net Pension Liability - Ending (a)-(b) | <u><u>\$ 37,296,296</u></u> | <u><u>\$ 30,737,016</u></u> | <u><u>\$ 28,423,387</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 69.15% | 73.63% | 75.38% |
| Covered - employee payroll | \$ 9,763,265 | \$ 9,615,714 | \$ 9,591,542 |
| Net pension liability as percentage of covered- employee payroll | 382.01% | 319.65% | 296.34% |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF WESTMINSTER

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 2,578,591 | \$ 2,432,527 | \$ 1,995,892 |
| Contributions in relation to the actuarially determined contributions | <u>(2,578,591)</u> | <u>(2,432,527)</u> | <u>(1,995,892)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 10,109,723 | \$ 9,763,265 | \$ 9,615,714 |
| Contributions as a percentage of covered - employee payroll | 25.51% | 24.92% | 20.76% |

Notes to Schedule:

| | | | |
|----------------|-----------|-----------|-----------|
| Valuation Date | 6/30/2014 | 6/30/2013 | 6/30/2012 |
|----------------|-----------|-----------|-----------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|----------------------------|--|
| Single and agent employers | Entry age** |
| Amortization method | Level percentage of payroll, closed** |
| Asset valuation method | Market Value*** |
| Inflation | 2.75%** |
| Salary increases | Depending on age, service, and type of employment** |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation** |
| Retirement age | 2.5% at 55 and 2% at 60 retirement age from 50 - 67 and 2% at 62 retirement age from 52-67** |
| Mortality | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.** |

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF WESTMINSTER

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PARS PENSION PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | |
| Service cost | \$ - | \$ - | \$ - |
| Interest on total pension liability | 38,210 | 42,261 | 42,514 |
| Differences between expected and actual experience | - | 6,959 | - |
| Changes in assumptions | (139,101) | 229,573 | 78,569 |
| Changes in benefits | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(50,652)</u> | <u>(49,658)</u> | <u>(48,685)</u> |
| Net Change in Total Pension Liability | (151,543) | 229,135 | 72,398 |
| Total Pension Liability - Beginning of Year | <u>1,365,862</u> | <u>1,136,727</u> | <u>1,064,329</u> |
| Total Pension Liability - End of Year (a) | <u>\$ 1,214,319</u> | <u>\$ 1,365,862</u> | <u>\$ 1,136,727</u> |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | \$ 55,526 | \$ 54,437 | \$ 53,370 |
| Contributions - employee | - | - | - |
| Net investment income | 3,864 | 1,732 | (2,569) |
| Administrative expenses | (2,957) | (2,899) | - |
| Benefit payments | <u>(50,652)</u> | <u>(49,658)</u> | <u>(48,685)</u> |
| Net Change in Plan Fiduciary Net Position | 5,781 | 3,612 | 2,116 |
| Plan Fiduciary Net Position - Beginning of Year | <u>78,284</u> | <u>74,672</u> | <u>72,556</u> |
| Plan Fiduciary Net Position - End of Year (b) | <u>\$ 84,065</u> | <u>\$ 78,284</u> | <u>\$ 74,672</u> |
| Net Pension Liability - Ending (a)-(b) | <u>\$ 1,130,254</u> | <u>\$ 1,287,578</u> | <u>\$ 1,062,055</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 6.92% | 5.73% | 6.57% |
| Covered - employee payroll | N/A | N/A | N/A |
| Net pension (asset) liability as a percentage of covered- employee payroll | N/A | N/A | N/A |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF WESTMINSTER

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN

Last Ten Fiscal Years*

| Fiscal year ended | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ 154,322 | \$ 154,322 | \$ 129,852 |
| Contributions in relation to the actuarially determined contributions | <u>(55,526)</u> | <u>(54,437)</u> | <u>(53,370)</u> |
| Contribution deficiency (excess) | <u>\$ 98,796</u> | <u>\$ 99,885</u> | <u>\$ 76,482</u> |
| Covered - employee payroll | N/A | N/A | N/A |
| Contributions as a percentage of covered - employee payroll | N/A | N/A | N/A |

Notes to Schedule:

Valuation Date 06/30/2016

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Single and agent employers | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 6 years at June 30, 2016 |
| Asset valuation method | None |
| Inflation | 0.00% |
| Salary increases | N/A |
| Cost of living adjustment | 2.00% |
| Investment rate of return | 6% |
| Mortality | Males: RP-2000 Male Table projected to 2020 using Scale BB (as prescribed by PARS). Females: RP-2000 Female Table projected to 2020 using Scale BB (as prescribed by PARS) |

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF WESTMINSTER

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFIT PLAN
(dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Payroll [(b)-(a)]/c] |
|--------------------------------|---|---|--|----------------------------|---------------------------|--|
| 06/30/08 | \$ - | \$ 65,676 | \$ 65,676 | 0.00% | \$ 19,019 | 345.32% |
| 06/30/10 | - | 75,544 | 75,544 | 0.00% | 19,739 | 382.71% |
| 06/30/12 | - | 62,216 | 62,216 | 0.00% | 20,722 | 300.24% |
| 06/30/14 | - | 46,709 | 46,709 | 0.00% | 19,205 | 243.21% |
| 06/30/16 | - | 64,531 | 64,531 | 0.00% | 18,546 | 347.95% |

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CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 39,504,700 | \$ 42,311,700 | \$ 42,892,300 | \$ 580,600 |
| Licenses and permits | 870,000 | 870,000 | 847,246 | (22,754) |
| Fines | 965,000 | 965,000 | 887,534 | (77,466) |
| Investment and rental | 1,212,000 | 1,212,000 | 688,771 | (523,229) |
| Intergovernmental | 158,998 | 172,690 | 237,816 | 65,126 |
| Charges for services | 5,408,402 | 5,408,402 | 5,281,084 | (127,318) |
| Other | 308,200 | 325,550 | 342,786 | 17,236 |
| TOTAL REVENUES | <u>48,427,300</u> | <u>51,265,342</u> | <u>51,177,537</u> | <u>(87,805)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 3,106,575 | 4,435,255 | 4,168,686 | 266,569 |
| Public safety | 41,588,964 | 41,445,547 | 39,937,485 | 1,508,062 |
| Public works | 4,476,073 | 4,476,073 | 4,163,081 | 312,992 |
| Community development | 2,089,549 | 2,074,766 | 1,974,309 | 100,457 |
| Community services | 2,365,648 | 2,365,648 | 2,108,823 | 256,825 |
| Capital outlay | - | 1,757,113 | 1,752,534 | 4,579 |
| TOTAL EXPENDITURES | <u>53,626,809</u> | <u>56,554,402</u> | <u>54,104,918</u> | <u>2,449,484</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(5,199,509)</u> | <u>(5,289,060)</u> | <u>(2,927,381)</u> | <u>2,361,679</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of equipment and property | 5,000 | 5,000 | 6,232 | 1,232 |
| Transfers in | 3,365,005 | 3,365,005 | 3,365,005 | - |
| Transfers out | (95,000) | (2,112,350) | (2,112,350) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>3,275,005</u> | <u>1,257,655</u> | <u>1,258,887</u> | <u>1,232</u> |
| NET CHANGE IN FUND BALANCE | (1,924,504) | (4,031,405) | (1,668,494) | 2,362,911 |
| FUND BALANCE - BEGINNING OF YEAR | <u>22,501,042</u> | <u>22,501,042</u> | <u>22,501,042</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 20,576,538</u> | <u>\$ 18,469,637</u> | <u>\$ 20,832,548</u> | <u>\$ 2,362,911</u> |

See accompanying note to required supplementary information.

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE

WESTMINSTER HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 20,000 | \$ 20,000 | \$ 30,953 | \$ 10,953 |
| Intergovernmental | 25,000 | 25,000 | - | (25,000) |
| Other | - | - | 24,076 | 24,076 |
| TOTAL REVENUES | <u>45,000</u> | <u>45,000</u> | <u>55,029</u> | <u>10,029</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 986,082 | 1,000,865 | 647,498 | 353,367 |
| Capital outlay | - | 200,000 | - | 200,000 |
| TOTAL EXPENDITURES | <u>986,082</u> | <u>1,200,865</u> | <u>647,498</u> | <u>553,367</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (941,082) | (1,155,865) | (592,469) | 563,396 |
| FUND BALANCE - BEGINNING OF YEAR, AS RESTATED | <u>27,017,647</u> | <u>27,017,647</u> | <u>27,017,647</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 26,076,565</u> | <u>\$ 25,861,782</u> | <u>\$ 26,425,178</u> | <u>\$ 563,396</u> |

See accompanying note to required supplementary information.

CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Fines | \$ 15,000 | \$ 15,000 | \$ 600 | \$ (14,400) |
| Intergovernmental | 1,806,941 | 1,806,941 | 1,061,100 | (745,841) |
| TOTAL REVENUES | 1,821,941 | 1,821,941 | 1,061,700 | (760,241) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,440,955 | 1,440,955 | 857,574 | 583,381 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 380,986 | 380,986 | 204,126 | (176,860) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 20,315 | 20,315 | - |
| Transfers out | (362,381) | (362,381) | (362,381) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (362,381) | (342,066) | (342,066) | - |
| NET CHANGE IN FUND BALANCE | 18,605 | 38,920 | (137,940) | (176,860) |
| FUND BALANCE - BEGINNING OF YEAR | 800,028 | 800,028 | 800,028 | - |
| FUND BALANCE - END OF YEAR | \$ 818,633 | \$ 838,948 | \$ 662,088 | \$ (176,860) |

See accompanying note to required supplementary information.

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|--------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 3,926,122 | \$ 3,926,122 | \$ 4,070,765 | \$ 144,643 |
| Investment and rental | 17,000 | 17,000 | 22,010 | 5,010 |
| Intergovernmental | 602,243 | 602,243 | 1,875,288 | 1,273,045 |
| Charges for services | 50,000 | 50,000 | 62,438 | 12,438 |
| Other | - | - | 3,352 | 3,352 |
| TOTAL REVENUES | <u>4,595,365</u> | <u>4,595,365</u> | <u>6,033,853</u> | <u>1,438,488</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,948,843 | 1,948,843 | 1,765,249 | 183,594 |
| Debt service: | | | | |
| Principal retirement | 183,823 | 183,823 | 183,823 | - |
| Interest and fiscal charges | 38,587 | 38,587 | 38,587 | - |
| TOTAL EXPENDITURES | <u>2,171,253</u> | <u>2,171,253</u> | <u>1,987,659</u> | <u>183,594</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,424,112</u> | <u>2,424,112</u> | <u>4,046,194</u> | <u>1,622,082</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 7,867 | 7,867 |
| Transfers out | <u>(2,396,864)</u> | <u>(2,396,864)</u> | <u>(2,396,864)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(2,396,864)</u> | <u>(2,396,864)</u> | <u>(2,388,997)</u> | <u>7,867</u> |
| NET CHANGE IN FUND BALANCE | 27,248 | 27,248 | 1,657,197 | 1,629,949 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>(1,622,276)</u> | <u>(1,622,276)</u> | <u>(1,622,276)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ (1,595,028)</u> | <u>\$ (1,595,028)</u> | <u>\$ 34,921</u> | <u>\$ 1,629,949</u> |

See accompanying note to required supplementary information.

CITY OF WESTMINSTER

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

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

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OTHER SUPPLEMENTAL INFORMATION

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Community Promotion Fund - accounts for the assets generated by the sale of the City's cable franchise. Interest earnings and the proceeds of the sale are used to fund the repayment of the 2008 Certificates of Participation related to the Rose Center and 800 mhz.

CITY OF WESTMINSTER

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2017

| | Special Revenue Funds | | |
|---|-----------------------|-------------------------------|-----------------------|
| | Parks Dedication | Special Police Services | Municipal Lighting |
| ASSETS | | | |
| Cash and investments | \$ 2,495,425 | \$ 2,640,664 | \$ 3,373,982 |
| Receivables, net of allowance: | | | |
| Taxes | - | - | 22,101 |
| Due from other governments | - | 48,463 | - |
| Restricted assets: | | | |
| Cash and investments with fiscal agents | - | - | - |
| TOTAL ASSETS | \$ 2,495,425 | \$ 2,689,127 | \$ 3,396,083 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable and other liabilities | \$ - | \$ 19,471 | \$ - |
| Deposits | - | 94,499 | - |
| TOTAL LIABILITIES | - | 113,970 | - |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue | - | - | 10,069 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | - | 113,970 | 10,069 |
| FUND BALANCES: | | | |
| Restricted for: | | | |
| Parks | 2,495,425 | - | - |
| Special police services | - | 2,575,157 | - |
| Municipal lighting | - | - | 3,386,014 |
| Other grants | - | - | - |
| Offsite drainage district | - | - | - |
| Debt service | - | - | - |
| Assigned: | | | |
| Community promotions | - | - | - |
| TOTAL FUND BALANCES | 2,495,425 | 2,575,157 | 3,386,014 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,495,425 | \$ 2,689,127 | \$ 3,396,083 |

| Special Revenue Funds (Continued) | | | Total |
|-----------------------------------|-------------------|-------------------|----------------------|
| Other | Offsite | Community | Other |
| Grants | Drainage | Promotion | Governmental |
| | District | | Funds |
| \$ 576,801 | \$ 150,554 | \$ 705,302 | \$ 9,942,728 |
| - | - | - | 22,101 |
| 145,749 | - | - | 194,212 |
| - | - | 250 | 250 |
| <u>\$ 722,550</u> | <u>\$ 150,554</u> | <u>\$ 705,552</u> | <u>\$ 10,159,291</u> |
| | | | |
| \$ 34,271 | \$ - | \$ 851 | \$ 54,593 |
| - | - | - | 94,499 |
| <u>34,271</u> | <u>-</u> | <u>851</u> | <u>149,092</u> |
| | | | |
| 93,925 | - | - | 103,994 |
| <u>128,196</u> | <u>-</u> | <u>851</u> | <u>253,086</u> |
| | | | |
| - | - | - | 2,495,425 |
| - | - | - | 2,575,157 |
| - | - | - | 3,386,014 |
| 594,354 | - | - | 594,354 |
| - | 150,554 | - | 150,554 |
| - | - | 262,422 | 262,422 |
| - | - | 442,279 | 442,279 |
| <u>594,354</u> | <u>150,554</u> | <u>704,701</u> | <u>9,906,205</u> |
| | | | |
| <u>\$ 722,550</u> | <u>\$ 150,554</u> | <u>\$ 705,552</u> | <u>\$ 10,159,291</u> |

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | Special Revenue Funds | | |
|---|-----------------------|-------------------------------|-----------------------|
| | Parks Dedication | Special Police Services | Municipal Lighting |
| REVENUES: | | | |
| Taxes | \$ - | \$ - | \$ 1,549,964 |
| Investment and rental | 20,375 | 19,033 | 28,349 |
| Intergovernmental | - | 352,485 | - |
| Charges for services | 1,448,937 | 4,075 | - |
| Other | 4,250 | 671,254 | - |
| TOTAL REVENUES | <u>1,473,562</u> | <u>1,046,847</u> | <u>1,578,313</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | 440,529 | - |
| Community development | 65,500 | - | 900,006 |
| Community services | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest and fiscal charges | - | - | - |
| TOTAL EXPENDITURES | <u>65,500</u> | <u>440,529</u> | <u>900,006</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,408,062</u> | <u>606,318</u> | <u>678,307</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | 70,000 | 559,065 |
| Transfers out | <u>(562,615)</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(562,615)</u> | <u>70,000</u> | <u>559,065</u> |
| NET CHANGE IN FUND BALANCES | 845,447 | 676,318 | 1,237,372 |
| FUND BALANCES - BEGINNING OF YEAR | <u>1,649,978</u> | <u>1,898,839</u> | <u>2,148,642</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 2,495,425</u> | <u>\$ 2,575,157</u> | <u>\$ 3,386,014</u> |

| Special Revenue Funds (Continued) | | | Total |
|-----------------------------------|-------------------|-------------------|---------------------|
| Other | Offsite | | Other |
| Grants | Drainage | Community | Governmental |
| | District | Promotion | Funds |
| \$ - | \$ - | \$ - | \$ 1,549,964 |
| 4,914 | 1,224 | 6,181 | 80,076 |
| 576,078 | - | - | 928,563 |
| - | 2,054 | - | 1,455,066 |
| 26,018 | - | - | 701,522 |
| <u>607,010</u> | <u>3,278</u> | <u>6,181</u> | <u>4,715,191</u> |
| 24,898 | - | - | 24,898 |
| - | - | - | 440,529 |
| 187,504 | 161 | 2,443 | 1,155,614 |
| 347,935 | - | - | 347,935 |
| - | - | 218,000 | 218,000 |
| - | - | 45,761 | 45,761 |
| <u>560,337</u> | <u>161</u> | <u>266,204</u> | <u>2,232,737</u> |
| <u>46,673</u> | <u>3,117</u> | <u>(260,023)</u> | <u>2,482,454</u> |
| 42,150 | - | 60,000 | 731,215 |
| (246,003) | - | (580,000) | (1,388,618) |
| <u>(203,853)</u> | <u>-</u> | <u>(520,000)</u> | <u>(657,403)</u> |
| (157,180) | 3,117 | (780,023) | 1,825,051 |
| 751,534 | 147,437 | 1,484,724 | 8,081,154 |
| <u>\$ 594,354</u> | <u>\$ 150,554</u> | <u>\$ 704,701</u> | <u>\$ 9,906,205</u> |

CITY OF WESTMINSTER

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

PARKS DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 10,000 | \$ 10,000 | \$ 20,375 | \$ 10,375 |
| Charges for services | 100,000 | 1,170,000 | 1,448,937 | 278,937 |
| Other | - | - | 4,250 | 4,250 |
| | <u>110,000</u> | <u>1,180,000</u> | <u>1,473,562</u> | <u>293,562</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>5,500</u> | <u>65,500</u> | <u>65,500</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 104,500 | 1,114,500 | 1,408,062 | 293,562 |
| OTHER FINANCING USES: | | | | |
| Transfers out | <u>-</u> | <u>(562,615)</u> | <u>(562,615)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 104,500 | 551,885 | 845,447 | 293,562 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,649,978</u> | <u>1,649,978</u> | <u>1,649,978</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,754,478</u> | <u>\$ 2,201,863</u> | <u>\$ 2,495,425</u> | <u>\$ 293,562</u> |

CITY OF WESTMINSTER

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

SPECIAL POLICE SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 11,000 | \$ 11,000 | \$ 19,033 | \$ 8,033 |
| Intergovernmental | 188,825 | 298,761 | 352,485 | 53,724 |
| Charges for services | 2,000 | 2,000 | 4,075 | 2,075 |
| Other | 100,000 | 105,000 | 671,254 | 566,254 |
| TOTAL REVENUES | <u>301,825</u> | <u>416,761</u> | <u>1,046,847</u> | <u>630,086</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 898,119 | 1,036,036 | 440,529 | 595,507 |
| Capital outlay | 32,000 | 32,000 | - | 32,000 |
| TOTAL EXPENDITURES | <u>930,119</u> | <u>1,068,036</u> | <u>440,529</u> | <u>627,507</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (628,294) | (651,275) | 606,318 | 1,257,593 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | <u>70,000</u> | <u>70,000</u> | <u>70,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (558,294) | (581,275) | 676,318 | 1,257,593 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,898,839</u> | <u>1,898,839</u> | <u>1,898,839</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,340,545</u> | <u>\$ 1,317,564</u> | <u>\$ 2,575,157</u> | <u>\$ 1,257,593</u> |

CITY OF WESTMINSTER

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

MUNICIPAL LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 1,472,000 | \$ 1,472,000 | \$ 1,549,964 | \$ 77,964 |
| Investment and rental | 50,000 | 50,000 | 28,349 | (21,651) |
| TOTAL REVENUES | <u>1,522,000</u> | <u>1,522,000</u> | <u>1,578,313</u> | <u>56,313</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 968,100 | 968,100 | 900,006 | 68,094 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 553,900 | 553,900 | 678,307 | 124,407 |
| OTHER FINANCING SOURES: | | | | |
| Transfers in | - | 559,065 | 559,065 | - |
| NET CHANGE IN FUND BALANCE | 553,900 | 1,112,965 | 1,237,372 | 124,407 |
| FUND BALANCE - BEGINNING OF YEAR | <u>2,148,642</u> | <u>2,148,642</u> | <u>2,148,642</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 2,702,542</u> | <u>\$ 3,261,607</u> | <u>\$ 3,386,014</u> | <u>\$ 124,407</u> |

CITY OF WESTMINSTER

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

OTHER GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 5,000 | \$ 5,000 | \$ 4,914 | \$ (86) |
| Intergovernmental | 790,323 | 790,323 | 576,078 | (214,245) |
| Other | 8,000 | 8,000 | 26,018 | 18,018 |
| TOTAL REVENUES | 803,323 | 803,323 | 607,010 | (196,313) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 85,981 | 72,158 | 24,898 | 47,260 |
| Community development | 289,855 | 303,678 | 187,504 | 116,174 |
| Community services | 337,579 | 337,579 | 347,935 | (10,356) |
| TOTAL EXPENDITURES | 713,415 | 713,415 | 560,337 | 153,078 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 89,908 | 89,908 | 46,673 | (43,235) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 42,150 | 42,150 |
| Transfers out | (230,000) | (430,000) | (246,003) | 183,997 |
| TOTAL OTHER FINANCING SOURCES (USES) | (230,000) | (430,000) | (203,853) | 226,147 |
| NET CHANGE IN FUND BALANCE | (140,092) | (340,092) | (157,180) | 182,912 |
| FUND BALANCE - BEGINNING OF YEAR | 751,534 | 751,534 | 751,534 | - |
| FUND BALANCE - END OF YEAR | \$ 611,442 | \$ 411,442 | \$ 594,354 | \$ 182,912 |

CITY OF WESTMINSTER

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

OFFSITE DRAINAGE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 2,000 | \$ 2,000 | \$ 1,224 | \$ (776) |
| Charges for services | 3,000 | 3,000 | 2,054 | (946) |
| TOTAL REVENUES | 5,000 | 5,000 | 3,278 | (1,722) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 250 | 250 | 161 | 89 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 4,750 | 4,750 | 3,117 | (1,633) |
| FUND BALANCE - BEGINNING OF YEAR | 147,437 | 147,437 | 147,437 | - |
| FUND BALANCE - END OF YEAR | \$ 152,187 | \$ 152,187 | \$ 150,554 | \$ (1,633) |

CITY OF WESTMINSTER

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

COMMUNITY PROMOTION SPECIAL REVENUE FUND

For the year ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment and rental | \$ 8,000 | \$ 8,000 | \$ 6,181 | \$ (1,819) |
| TOTAL REVENUES | 8,000 | 8,000 | 6,181 | (1,819) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 3,500 | 3,500 | 2,443 | 1,057 |
| Debt service: | | | | |
| Principal retirement | 218,000 | 218,000 | 218,000 | - |
| Interest and fiscal charges | 45,761 | 45,761 | 45,761 | - |
| TOTAL EXPENDITURES | 267,261 | 267,261 | 266,204 | 1,057 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (259,261) | (259,261) | (260,023) | (762) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 60,000 | 60,000 | 60,000 | - |
| Transfers out | (580,000) | (580,000) | (580,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (520,000) | (520,000) | (520,000) | - |
| NET CHANGE IN FUND BALANCE | (779,261) | (779,261) | (780,023) | (762) |
| FUND BALANCE - BEGINNING OF YEAR | 1,484,724 | 1,484,724 | 1,484,724 | - |
| FUND BALANCE - END OF YEAR | \$ 705,463 | \$ 705,463 | \$ 704,701 | \$ (762) |

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INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF WESTMINSTER

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2017

| | <u>Risk Management</u> | <u>Compensation/ Benefits</u> |
|---|----------------------------|-----------------------------------|
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 268,087 | \$ 1,670,796 |
| Accounts receivable | - | - |
| Other receivables | - | - |
| Prepaid items | - | 27,763 |
| Inventories | - | - |
| | <u>268,087</u> | <u>1,698,559</u> |
| RESTRICTED ASSETS: | | |
| Cash and investments | <u>10,993,128</u> | <u>8,142,068</u> |
| CAPITAL ASSETS: | | |
| Buildings | - | - |
| Improvements other than buildings | - | - |
| Vehicles | - | - |
| Machinery and equipment | - | - |
| Office furniture, computers and equipment | - | - |
| Leased property | - | - |
| TOTAL CAPITAL ASSETS | <u>-</u> | <u>-</u> |
| Less accumulated depreciation | <u>-</u> | <u>-</u> |
| NET CAPITAL ASSETS | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>11,261,215</u> | <u>9,840,627</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred loss on refunding, net of accumulated amortization | <u>-</u> | <u>-</u> |

| <u>Motor Pool/ Equipment</u> | <u>Facilities/ Maintenance</u> | <u>Totals</u> |
|----------------------------------|------------------------------------|--------------------|
| \$ 1,484,945 | \$ 906,062 | \$ 4,329,890 |
| 2,688 | 398 | 3,086 |
| - | - | - |
| 8,715 | - | 36,478 |
| 22,972 | - | 22,972 |
| <u>1,519,320</u> | <u>906,460</u> | <u>4,392,426</u> |
| | | |
| <u>372,404</u> | <u>223,808</u> | <u>19,731,408</u> |
| | | |
| - | 4,427,467 | 4,427,467 |
| 585,555 | 37,300 | 622,855 |
| 3,859,016 | - | 3,859,016 |
| 208,407 | 86,802 | 295,209 |
| 2,472,621 | 326,060 | 2,798,681 |
| 1,355,807 | - | 1,355,807 |
| <u>8,481,406</u> | <u>4,877,629</u> | <u>13,359,035</u> |
| <u>(5,730,078)</u> | <u>(1,950,164)</u> | <u>(7,680,242)</u> |
| | | |
| <u>2,751,328</u> | <u>2,927,465</u> | <u>5,678,793</u> |
| | | |
| <u>4,643,052</u> | <u>4,057,733</u> | <u>29,802,627</u> |
| | | |
| <u>5,018</u> | <u>116,975</u> | <u>121,993</u> |

CITY OF WESTMINSTER

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
(CONTINUED)

June 30, 2017

| | <u>Risk Management</u> | <u>Compensation/ Benefits</u> |
|--|----------------------------|-----------------------------------|
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and other liabilities | \$ 75,162 | \$ - |
| Claims payable | 1,894,756 | 1,749,856 |
| Compensated absences | - | 1,591,004 |
| Leases payable | - | - |
| Certificates of participation | - | - |
| | <u>1,969,918</u> | <u>3,340,860</u> |
| TOTAL CURRENT LIABILITIES | | |
| LONG-TERM LIABILITIES: | | |
| Claims payable | 5,684,269 | 5,249,568 |
| Compensated absences | - | 259,001 |
| Leases payable | - | - |
| Certificates of participation | - | - |
| | <u>5,684,269</u> | <u>5,508,569</u> |
| TOTAL LONG-TERM LIABILITIES | | |
| | <u>7,654,187</u> | <u>8,849,429</u> |
| TOTAL LIABILITIES | | |
| NET POSITION: | | |
| Net investment in capital assets | - | - |
| Restricted for litigation | 3,338,941 | - |
| Unrestricted | 268,087 | 991,198 |
| | <u>3,607,028</u> | <u>991,198</u> |
| TOTAL NET POSITION | | |
| | <u>\$ 3,607,028</u> | <u>\$ 991,198</u> |

| <u>Motor Pool/ Equipment</u> | <u>Facilities/ Maintenance</u> | <u>Totals</u> |
|----------------------------------|------------------------------------|----------------------|
| \$ 51,372 | \$ 51,660 | \$ 178,194 |
| - | - | 3,644,612 |
| 61,158 | 17,008 | 1,669,170 |
| 239,461 | - | 239,461 |
| <u>20,413</u> | <u>155,140</u> | <u>175,553</u> |
| <u>372,404</u> | <u>223,808</u> | <u>5,906,990</u> |
| - | - | 10,933,837 |
| 9,956 | 2,769 | 271,726 |
| 377,066 | - | 377,066 |
| <u>55,577</u> | <u>422,399</u> | <u>477,976</u> |
| <u>442,599</u> | <u>425,168</u> | <u>12,060,605</u> |
| <u>815,003</u> | <u>648,976</u> | <u>17,967,595</u> |
| 2,063,830 | 2,466,901 | 4,530,731 |
| 1,769,237 | 1,058,831 | 3,338,941 |
| <u>1,769,237</u> | <u>1,058,831</u> | <u>4,087,353</u> |
| <u>\$ 3,833,067</u> | <u>\$ 3,525,732</u> | <u>\$ 11,957,025</u> |

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | Risk Management | Compensation/ Benefits |
|--|--------------------|---------------------------|
| OPERATING REVENUES: | | |
| Charges for services | \$ 2,017,000 | \$ 13,357,044 |
| Other | 3,249,409 | 1,563,535 |
| | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | 5,266,409 | 14,920,579 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES: | | |
| Salaries | - | 4,026,204 |
| Maintenance and operations | 24,570 | 311,146 |
| Insurance premiums and legal fees | 1,234,820 | 2,201,010 |
| Claims and benefits | 289,796 | 7,052,588 |
| Depreciation and amortization | - | - |
| | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | 1,549,186 | 13,590,948 |
| | <hr/> | <hr/> |
| OPERATING INCOME (LOSS) | 3,717,223 | 1,329,631 |
| | <hr/> | <hr/> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Investment income | - | - |
| Interest and fiscal charges | - | - |
| Loss on sale of property and equipment | - | - |
| | <hr/> | <hr/> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | - | - |
| | <hr/> | <hr/> |
| NET INCOME (LOSS) BEFORE TRANSFERS | 3,717,223 | 1,329,631 |
| | <hr/> | <hr/> |
| TRANSFERS: | | |
| Transfers in | 1,000,000 | - |
| Transfers out | - | - |
| | <hr/> | <hr/> |
| TOTAL TRANSFERS | 1,000,000 | - |
| | <hr/> | <hr/> |
| CHANGE IN NET POSITION | 4,717,223 | 1,329,631 |
| | <hr/> | <hr/> |
| NET POSITION - BEGINNING OF YEAR | (1,110,195) | (338,433) |
| | <hr/> | <hr/> |
| NET POSITION - END OF YEAR | \$ 3,607,028 | \$ 991,198 |
| | <hr/> <hr/> | <hr/> <hr/> |

| <u>Motor Pool/ Equipment</u> | <u>Facilities/ Maintenance</u> | <u>Totals</u> |
|----------------------------------|------------------------------------|----------------------|
| \$ 3,189,283 | \$ 2,269,650 | \$ 20,832,977 |
| 21,354 | 5,651 | 4,839,949 |
| <u>3,210,637</u> | <u>2,275,301</u> | <u>25,672,926</u> |
| 944,761 | 377,517 | 5,348,482 |
| 1,801,152 | 1,416,110 | 3,552,978 |
| - | - | 3,435,830 |
| - | - | 7,342,384 |
| <u>1,023,716</u> | <u>149,270</u> | <u>1,172,986</u> |
| <u>3,769,629</u> | <u>1,942,897</u> | <u>20,852,660</u> |
| <u>(558,992)</u> | <u>332,404</u> | <u>4,820,266</u> |
| 32,317 | 13,307 | 45,624 |
| (5,032) | (54,362) | (59,394) |
| <u>(54,493)</u> | <u>-</u> | <u>(54,493)</u> |
| <u>(27,208)</u> | <u>(41,055)</u> | <u>(68,263)</u> |
| <u>(586,200)</u> | <u>291,349</u> | <u>4,752,003</u> |
| 228,354 | 162,331 | 1,390,685 |
| <u>(745,000)</u> | <u>(565,000)</u> | <u>(1,310,000)</u> |
| <u>(516,646)</u> | <u>(402,669)</u> | <u>80,685</u> |
| (1,102,846) | (111,320) | 4,832,688 |
| <u>4,935,913</u> | <u>3,637,052</u> | <u>7,124,337</u> |
| <u>\$ 3,833,067</u> | <u>\$ 3,525,732</u> | <u>\$ 11,957,025</u> |

CITY OF WESTMINSTER

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2017

| | Risk Management | Compensation/ Benefits |
|--|----------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customer | \$ 5,266,409 | \$ 15,333,455 |
| Payment to suppliers | (1,335,550) | (9,554,045) |
| Payment to employees | - | (4,013,285) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>3,930,859</u> | <u>1,766,125</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Cash received from other funds | 1,000,000 | - |
| Cash paid to other funds | - | - |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>1,000,000</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | - | - |
| Proceeds from sale of assets | - | - |
| Principal payments on capital leases | - | - |
| Principal payments on bonds | - | - |
| Interest and fiscal charges | - | - |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | - | - |
| NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS | 4,930,859 | 1,766,125 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>6,330,356</u> | <u>8,046,739</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 11,261,215</u> | <u>\$ 9,812,864</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 3,717,223 | \$ 1,329,631 |
| Depreciation and amortization | - | - |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | - | 412,876 |
| (Increase) decrease in prepaid items | - | (544) |
| (Increase) decrease in inventories | - | - |
| Increase (decrease) in accounts payable and other liabilities | (25,861) | (2,144) |
| Increase (decrease) in claims payable | 239,497 | 13,387 |
| Increase (decrease) in compensated absences payable | - | 12,919 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 3,930,859</u> | <u>\$ 1,766,125</u> |
| NONCASH ITEM: | | |
| Capital lease proceeds | <u>\$ -</u> | <u>\$ -</u> |

| Motor Pool/ Equipment | Facilities/ Maintenance | Totals |
|--------------------------|----------------------------|----------------------|
| \$ 3,212,520 | \$ 2,275,301 | \$ 26,087,685 |
| (1,886,297) | (1,470,595) | (14,246,487) |
| (928,804) | (392,702) | (5,334,791) |
| <u>397,419</u> | <u>412,004</u> | <u>6,506,407</u> |
| 228,354 | 162,331 | 1,390,685 |
| (745,000) | (565,000) | (1,310,000) |
| <u>(516,646)</u> | <u>(402,669)</u> | <u>80,685</u> |
| (94,780) | (164,746) | (259,526) |
| 50,290 | - | 50,290 |
| (158,348) | - | (158,348) |
| (19,555) | (148,622) | (168,177) |
| (4,024) | (30,578) | (34,602) |
| <u>(226,417)</u> | <u>(343,946)</u> | <u>(570,363)</u> |
| 32,317 | 13,307 | 45,624 |
| (313,327) | (321,304) | 6,062,353 |
| <u>2,170,676</u> | <u>1,451,174</u> | <u>17,998,945</u> |
| <u>\$ 1,857,349</u> | <u>\$ 1,129,870</u> | <u>\$ 24,061,298</u> |
| \$ (558,992) | \$ 332,404 | \$ 4,820,266 |
| 1,023,716 | 149,270 | 1,172,986 |
| 1,883 | - | 414,759 |
| - | - | (544) |
| (6,262) | - | (6,262) |
| (78,883) | (54,485) | (161,373) |
| - | - | 252,884 |
| 15,957 | (15,185) | 13,691 |
| <u>\$ 397,419</u> | <u>\$ 412,004</u> | <u>\$ 6,506,407</u> |
| <u>\$ 63,545</u> | <u>\$ -</u> | <u>\$ 63,545</u> |

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AGENCY FUND

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

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

CITY OF WESTMINSTER

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

For the year ended June 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---------------------------------|---------------------------------------|------------------|------------------|--|
| ASSETS: | | | | |
| Restricted cash and investments | <u>\$ 8,551</u> | <u>\$ 70</u> | <u>\$ -</u> | <u>\$ 8,621</u> |
| LIABILITIES: | | | | |
| Due to bondholders | <u>\$ 8,551</u> | <u>\$ 70</u> | <u>\$ -</u> | <u>\$ 8,621</u> |

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2017

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

| Contents: | <u>Pages</u> |
|---|--------------|
| <u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 146 - 155 |
| <u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue sources. | 156 - 169 |
| <u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 170 - 176 |
| <u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 177 - 178 |
| <u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 179 - 181 |

CITY OF WESTMINSTER

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 227,269,999 | \$ 232,222,529 | \$ 205,398,439 | \$ 212,179,772 |
| Restricted | 27,073,245 | 18,560,287 | 18,906,200 | 20,922,791 |
| Unrestricted | (52,891,903) | (45,089,856) | (38,262,036) | 47,925,059 |
| Total governmental activities net position | <u>\$ 201,451,341</u> | <u>\$ 205,692,960</u> | <u>\$ 186,042,603</u> | <u>\$ 281,027,622</u> |
| Business-type activity: | | | | |
| Net investment in capital assets | \$ 28,530,266 | \$ 29,107,174 | \$ 28,666,666 | \$ 28,061,606 |
| Restricted | 113,146 | 112,665 | 112,548 | 113,103 |
| Unrestricted | 6,047,304 | 6,152,733 | 7,379,655 | 7,704,313 |
| Total business-type activity net position | <u>\$ 34,690,716</u> | <u>\$ 35,372,572</u> | <u>\$ 36,158,869</u> | <u>\$ 35,879,022</u> |
| Primary government: | | | | |
| Net investment in capital assets | \$ 255,800,265 | \$ 261,329,703 | \$ 234,065,105 | \$ 240,241,378 |
| Restricted | 27,186,391 | 18,672,952 | 19,018,748 | 21,035,894 |
| Unrestricted | (46,844,599) | (38,937,123) | (30,882,381) | 55,629,372 |
| Total primary government net position | <u>\$ 236,142,057</u> | <u>\$ 241,065,532</u> | <u>\$ 222,201,472</u> | <u>\$ 316,906,644</u> |

Source: City Finance Department

Fiscal Year Ended June 30,

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 233,128,695 | \$ 224,286,618 | \$ 130,622,799 | \$ 115,917,966 | \$ 100,104,347 | \$ 97,870,305 |
| 18,418,248 | 14,770,657 | 81,222,098 | 88,669,819 | 99,106,443 | 78,051,423 |
| 59,794,122 | 63,601,972 | 58,305,385 | 57,608,308 | 63,917,681 | 71,423,945 |
| <u>\$ 311,341,065</u> | <u>\$ 302,659,247</u> | <u>\$ 270,150,282</u> | <u>\$ 262,196,093</u> | <u>\$ 263,128,471</u> | <u>\$ 247,345,673</u> |
| | | | | | |
| \$ 27,137,496 | \$ 27,240,106 | \$ 27,813,299 | \$ 28,200,770 | \$ 28,951,409 | \$ 30,019,525 |
| 113,158 | 113,158 | 113,160 | 113,911 | 335,645 | 380,756 |
| 7,390,477 | 8,209,794 | 5,392,113 | 3,408,574 | 2,017,567 | 1,093,307 |
| <u>\$ 34,641,131</u> | <u>\$ 35,563,058</u> | <u>\$ 33,318,572</u> | <u>\$ 31,723,255</u> | <u>\$ 31,304,621</u> | <u>\$ 31,493,588</u> |
| | | | | | |
| \$ 260,266,191 | \$ 251,526,724 | \$ 158,436,098 | \$ 144,118,736 | \$ 129,055,756 | \$ 127,889,830 |
| 18,531,406 | 14,883,815 | 81,335,258 | 88,783,730 | 99,442,088 | 78,432,179 |
| 67,184,599 | 71,811,766 | 63,697,498 | 61,016,882 | 65,935,248 | 72,517,252 |
| <u>\$ 345,982,196</u> | <u>\$ 338,222,305</u> | <u>\$ 303,468,854</u> | <u>\$ 293,919,348</u> | <u>\$ 294,433,092</u> | <u>\$ 278,839,261</u> |

CITY OF WESTMINSTER

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Expenses: | | | | |
| Governmental activities: | | | | |
| General government | \$ 4,350,036 | \$ 3,595,489 | \$ 3,280,458 | \$ 3,312,809 |
| Public safety | 43,809,880 | 44,860,014 | 40,616,802 | 44,091,261 |
| Public works | 11,583,654 | 11,596,949 | 11,358,510 | 12,016,265 |
| Community development | 7,625,758 | 8,276,191 | 8,417,841 | 7,843,505 |
| Community services | 2,893,873 | 3,021,121 | 2,854,580 | 2,863,068 |
| Interest on long-term debt | 142,150 | 164,648 | 185,852 | 201,770 |
| Total governmental activities expenses | <u>70,405,351</u> | <u>71,514,412</u> | <u>66,714,043</u> | <u>70,328,678</u> |
| Business-type activity: | | | | |
| Water enterprise | 14,045,523 | 13,600,864 | 13,625,444 | 12,879,866 |
| Total business-type activity expenses | <u>14,045,523</u> | <u>13,600,864</u> | <u>13,625,444</u> | <u>12,879,866</u> |
| Total primary government expenses | <u>84,450,874</u> | <u>85,115,276</u> | <u>80,339,487</u> | <u>83,208,544</u> |
| Program revenues: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 1,231,459 | 1,494,713 | 1,708,850 | 1,723,410 |
| Public safety | 3,487,204 | 2,816,217 | 2,901,892 | 3,152,528 |
| Public works | 951,852 | 1,267,530 | 1,535,590 | 1,505,347 |
| Community development | 3,546,329 | 3,219,518 | 2,583,435 | 2,253,350 |
| Community services | 223,802 | 280,281 | 351,225 | 358,651 |
| Operating grants and contributions | 9,141,531 | 6,984,437 | 8,827,408 | 8,656,867 |
| Capital grants and contributions | 72,760 | 7,548,627 | 16,638,708 | 3,435,672 |
| Total governmental activities program revenues | <u>18,654,937</u> | <u>23,611,323</u> | <u>34,547,108</u> | <u>21,085,825</u> |
| Business-type activity: | | | | |
| Charges for services: | | | | |
| Water enterprise | 13,319,917 | 12,731,731 | 14,202,098 | 14,742,082 |
| Total business-type activity program revenues | <u>13,319,917</u> | <u>12,731,731</u> | <u>14,202,098</u> | <u>14,742,082</u> |
| Total primary government program revenues | <u>31,974,854</u> | <u>36,343,054</u> | <u>48,749,206</u> | <u>35,827,907</u> |
| Net revenues (expenses): | | | | |
| Governmental activities | (51,750,414) | (47,903,089) | (32,166,935) | (49,242,853) |
| Business-type activity | <u>(725,606)</u> | <u>(869,133)</u> | <u>576,654</u> | <u>1,862,216</u> |
| Total net revenues (expenses) | <u>(52,476,020)</u> | <u>(48,772,222)</u> | <u>(31,590,281)</u> | <u>(47,380,637)</u> |

Source: City Finance Department

Fiscal Year Ended June 30,

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 3,145,098 | \$ 1,904,232 | \$ 11,836,459 | \$ 21,335,005 | \$ 9,175,952 | \$ 8,529,466 |
| 38,072,257 | 39,706,407 | 37,050,903 | 36,313,972 | 37,564,132 | 34,981,171 |
| 11,889,094 | 12,138,788 | 10,839,138 | 10,041,239 | 10,263,012 | 10,149,119 |
| 5,393,309 | 11,110,694 | 14,699,366 | 12,043,058 | 12,693,678 | 12,502,817 |
| 2,722,324 | 2,874,153 | 2,977,448 | 2,979,397 | 3,050,217 | 2,873,862 |
| 218,241 | 4,624,156 | 6,135,877 | 6,027,294 | 2,812,049 | 2,728,406 |
| <u>61,440,323</u> | <u>72,358,430</u> | <u>83,539,191</u> | <u>88,739,965</u> | <u>75,559,040</u> | <u>71,764,841</u> |
| | | | | | |
| 12,204,823 | 12,072,927 | 12,264,194 | 11,910,470 | 12,215,154 | 12,112,328 |
| <u>12,204,823</u> | <u>12,072,927</u> | <u>12,264,194</u> | <u>11,910,470</u> | <u>12,215,154</u> | <u>12,112,328</u> |
| | | | | | |
| 73,645,146 | 84,431,357 | 95,803,385 | 100,650,435 | 87,774,194 | 83,877,169 |
| | | | | | |
| 1,332,542 | 1,393,011 | 947,291 | 871,954 | 859,442 | 931,322 |
| 2,392,084 | 2,399,733 | 2,963,243 | 3,178,152 | 2,949,945 | 2,510,083 |
| 1,529,292 | 1,911,770 | 1,301,079 | 1,104,193 | 684,585 | 710,098 |
| 2,192,448 | 1,367,032 | 1,638,817 | 1,707,098 | 1,677,390 | 2,056,317 |
| 328,483 | 378,061 | 388,247 | 394,655 | 353,094 | 323,492 |
| 7,357,298 | 9,931,063 | 11,945,008 | 7,167,620 | 8,990,834 | 8,170,763 |
| 13,785,183 | 8,122,092 | 1,171,634 | 1,277,811 | 410,664 | 3,824,058 |
| <u>28,917,330</u> | <u>25,502,762</u> | <u>20,355,319</u> | <u>15,701,483</u> | <u>15,925,954</u> | <u>18,526,133</u> |
| | | | | | |
| 14,805,527 | 14,842,016 | 14,374,002 | 12,704,027 | 11,190,581 | 10,866,749 |
| <u>14,805,527</u> | <u>14,842,016</u> | <u>14,374,002</u> | <u>12,704,027</u> | <u>11,190,581</u> | <u>10,866,749</u> |
| | | | | | |
| 43,722,857 | 40,344,778 | 34,729,321 | 28,405,510 | 27,116,535 | 29,392,882 |
| | | | | | |
| (32,522,993) | (46,855,668) | (63,183,872) | (73,038,482) | (59,633,086) | (53,238,708) |
| 2,600,704 | 2,769,089 | 2,109,808 | 793,557 | (1,024,573) | (1,245,579) |
| <u>(29,922,289)</u> | <u>(44,086,579)</u> | <u>(61,074,064)</u> | <u>(72,244,925)</u> | <u>(60,657,659)</u> | <u>(54,484,287)</u> |

CITY OF WESTMINSTER

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|----------------------|-----------------------|------------------------|
| | 2017 | 2016 | 2015 | 2014 |
| General revenues and other changes in net position: | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 17,663,949 | \$ 16,044,115 | \$ 15,749,960 | \$ 15,523,825 |
| Transactions and use taxes | 3,064,761 | - | - | - |
| Property taxes, levied for general purposes | 15,727,357 | 15,186,466 | 13,867,837 | 13,038,715 |
| Utility users tax | 4,496,482 | 4,595,948 | 4,917,994 | 5,063,905 |
| Motor vehicle taxes | - | - | 38,642 | 40,004 |
| Other taxes | 3,489,715 | 3,558,019 | 3,340,556 | 3,205,784 |
| Unrestricted investment earnings | (108,819) | 965,817 | 550,512 | 632,038 |
| Transfers | 35,000 | 35,000 | (4,525,088) | 660,654 |
| Extraordinary item | 1,677,350 | 27,168,081 | (16,963,040) | (19,235,515) |
| Total governmental activities | <u>46,045,795</u> | <u>67,553,446</u> | <u>16,977,373</u> | <u>18,929,410</u> |
| Business-type activity: | | | | |
| Unrestricted investment earnings | 78,750 | 117,837 | 108,353 | 36,327 |
| Miscellaneous | - | - | - | - |
| Transfers | (35,000) | (35,000) | 4,525,088 | (660,654) |
| Total business-type activity | <u>43,750</u> | <u>82,837</u> | <u>4,633,441</u> | <u>(624,327)</u> |
| Total primary government | <u>46,089,545</u> | <u>67,636,283</u> | <u>21,610,814</u> | <u>18,305,083</u> |
| Changes in net position | | | | |
| Governmental activities | (5,704,619) | 19,650,357 | (15,189,562) | (30,313,443) |
| Business-type activity | (681,856) | (786,296) | 5,210,095 | 1,237,889 |
| Total primary government | <u>\$ (6,386,475)</u> | <u>\$ 18,864,061</u> | <u>\$ (9,979,467)</u> | <u>\$ (29,075,554)</u> |

Source: City Finance Department

Fiscal Year Ended June 30,

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 13,931,661 | \$ 12,994,495 | \$ 13,164,455 | \$ 12,212,474 | \$ 13,238,135 | \$ 16,182,971 |
| - | - | - | - | - | - |
| 16,304,916 | 25,159,373 | 47,004,633 | 47,264,839 | 48,096,950 | 47,114,786 |
| 4,928,588 | 5,020,744 | 5,082,094 | 5,010,797 | 5,478,092 | 5,431,551 |
| 48,337 | 46,649 | 1,214,413 | 274,349 | 319,341 | 411,655 |
| 3,110,512 | 3,020,103 | 2,199,984 | 2,825,328 | 3,098,184 | 2,908,715 |
| (222,757) | 1,266,006 | 1,885,429 | 3,949,401 | 5,926,914 | 7,295,177 |
| 3,385,481 | 597,070 | 587,053 | 568,916 | (741,732) | 824,994 |
| - | 31,260,193 | - | - | - | - |
| 41,486,738 | 79,364,633 | 71,138,061 | 72,106,104 | 75,415,884 | 80,169,849 |
| 86,479 | 72,467 | 72,561 | 26,318 | 47,566 | 89,866 |
| - | - | - | 167,675 | 46,308 | - |
| (3,385,481) | (597,070) | (587,052) | (568,916) | 741,732 | (824,994) |
| (3,299,002) | (524,603) | (514,491) | (374,923) | 835,606 | (735,128) |
| 38,187,736 | 78,840,030 | 70,623,570 | 71,731,181 | 76,251,490 | 79,434,721 |
| 8,963,745 | 32,508,965 | 7,954,189 | (932,378) | 15,782,798 | 26,931,141 |
| (698,298) | 2,244,486 | 1,595,317 | 418,634 | (188,967) | (1,980,707) |
| \$ 8,265,447 | \$ 34,753,451 | \$ 9,549,506 | \$ (513,744) | \$ 15,593,831 | \$ 24,950,434 |

CITY OF WESTMINSTER

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|------------------------------------|----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| General fund: | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - |
| Total general fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| All other governmental funds: | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | |
| Special revenue funds | - | - | - | - |
| Debt service funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| General fund: | | | | |
| Nonspendable | \$ 33,695 | \$ 27,125 | \$ 47,687 | \$ 52,290 |
| Committed | 9,197,836 | - | - | - |
| Assigned | 2,696,420 | - | - | - |
| Unassigned | 8,904,597 | 22,473,917 | 22,069,159 | 24,105,648 |
| Total general fund | <u>\$ 20,832,548</u> | <u>\$ 22,501,042</u> | <u>\$ 22,116,846</u> | <u>\$ 24,157,938</u> |
| All other governmental funds: | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 25,919,581 |
| Restricted | 36,772,473 | 33,487,248 | 32,727,621 | 9,454,051 |
| Assigned | 15,774,481 | 18,513,114 | 20,118,196 | 22,643,343 |
| Unassigned | (186,360) | (1,894,658) | (261,909) | (753,634) |
| Total all other governmental funds | <u>\$ 52,360,594</u> | <u>\$ 50,105,704</u> | <u>\$ 52,583,908</u> | <u>\$ 57,263,341</u> |

Note: GASB 54 was implement in 2011, prior years have no comparable data.

Fiscal Year Ended June 30,

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ - | \$ - | \$ - | \$ 8,006 | \$ 71,467 | \$ 178,817 |
| - | - | - | 27,419,072 | 25,838,264 | 26,769,605 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,427,078</u> | <u>\$ 25,909,731</u> | <u>\$ 26,948,422</u> |
| \$ - | \$ - | \$ - | \$ 40,314,773 | \$ 36,271,246 | \$ 46,499,980 |
| - | - | - | (4,615,396) | (3,258,634) | 1,025,637 |
| - | - | - | 4,090,059 | 19,877,443 | - |
| - | - | - | 117,835,083 | 134,679,128 | 61,134,734 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,624,519</u> | <u>\$ 187,569,183</u> | <u>\$ 108,660,351</u> |
| \$ 33,750 | \$ 39,055 | \$ 9,944 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 25,881,185 | 26,842,509 | 27,320,296 | - | - | - |
| <u>\$ 25,914,935</u> | <u>\$ 26,881,564</u> | <u>\$ 27,330,240</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 27,491,378 | \$ 27,633,116 | \$ 27,768,885 | \$ - | \$ - | \$ - |
| 7,015,881 | 5,761,682 | 109,183,565 | - | - | - |
| 21,114,572 | 19,901,437 | 22,253,296 | - | - | - |
| - | (1,391,240) | (6,145,831) | - | - | - |
| <u>\$ 55,621,831</u> | <u>\$ 51,904,995</u> | <u>\$ 153,059,915</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF WESTMINSTER

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|-----------------------|-----------------------|---------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Revenues: | | | | |
| Taxes | \$ 48,513,029 | \$ 43,418,660 | \$ 41,343,833 | \$ 39,747,241 |
| Licenses and permits | 847,246 | 924,622 | 841,683 | 590,133 |
| Fines | 888,134 | 981,486 | 1,054,360 | 1,056,336 |
| Investment and rental | 849,487 | 1,895,092 | 1,461,106 | 1,530,365 |
| Intergovernmental | 4,102,767 | 3,242,315 | 5,413,209 | 5,055,687 |
| Charges for services | 6,798,588 | 7,223,368 | 7,053,125 | 7,374,392 |
| Other | 1,071,736 | 648,332 | 499,627 | 814,517 |
| Total revenues | <u>63,070,987</u> | <u>58,333,875</u> | <u>57,666,943</u> | <u>56,168,671</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,193,584 | 2,854,956 | 2,837,553 | 2,645,794 |
| Public safety | 40,378,014 | 39,667,745 | 38,154,641 | 36,080,703 |
| Public works | 4,163,081 | 4,120,634 | 4,059,709 | 3,988,725 |
| Community development | 6,464,433 | 7,152,897 | 7,352,977 | 6,246,260 |
| Community services | 2,456,758 | 2,548,588 | 2,350,030 | 2,198,832 |
| Capital outlay | 7,443,447 | 9,043,703 | 4,565,323 | 5,875,873 |
| Debt service: | | | | |
| Principal retirement | 401,823 | 384,200 | 370,100 | 356,001 |
| Interest and fiscal charges | 84,348 | 99,875 | 114,819 | 125,661 |
| Bond issuance cost | - | - | - | - |
| Total expenditures | <u>65,585,488</u> | <u>65,872,598</u> | <u>59,805,152</u> | <u>57,517,849</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,514,501)</u> | <u>(7,538,723)</u> | <u>(2,138,209)</u> | <u>(1,349,178)</u> |
| Other financing sources (uses): | | | | |
| Sale of equipment and property | 6,232 | 8,073 | 10,414 | 7,202 |
| Issuance of notes | - | - | - | - |
| Refunding bonds issued | - | - | - | - |
| Payment to refund bond escrow agent | - | - | - | - |
| Transfers in | 8,875,550 | 6,281,711 | 11,444,395 | 11,883,373 |
| Transfers out | <u>(8,921,235)</u> | <u>(6,181,505)</u> | <u>(16,037,125)</u> | <u>(11,453,494)</u> |
| Total other financing sources (uses) | <u>(39,453)</u> | <u>108,279</u> | <u>(4,582,316)</u> | <u>437,081</u> |
| Net change in fund balances, before extraordinary item | <u>(2,553,954)</u> | <u>(7,430,444)</u> | <u>(6,720,525)</u> | <u>(912,097)</u> |
| Extraordinary item | <u>1,677,350</u> | <u>5,336,436</u> | <u>-</u> | <u>796,610</u> |
| Net change in fund balances | <u>\$ (876,604)</u> | <u>\$ (2,094,008)</u> | <u>\$ (6,720,525)</u> | <u>\$ (115,487)</u> |
| Debt service as a percentage of noncapital expenditures | 0.8% | 0.9% | 0.9% | 0.9% |

Source: City Finance Department

Fiscal Year Ended June 30,

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------|-------------------------|-----------------------|------------------------|----------------------|----------------------|
| \$ 41,291,261 | \$ 48,564,166 | \$ 73,504,074 | \$ 69,844,492 | \$ 72,937,249 | \$ 74,944,551 |
| 562,390 | 534,216 | 530,628 | 620,236 | 541,564 | 788,416 |
| 842,025 | 880,510 | 1,110,773 | 933,524 | 1,204,324 | 1,163,930 |
| 642,884 | 2,310,873 | 2,490,896 | 4,484,131 | 6,576,597 | 7,940,173 |
| 4,887,053 | 8,005,280 | 7,578,633 | 5,523,241 | 6,681,802 | 8,796,697 |
| 6,465,147 | 6,695,115 | 7,329,150 | 8,159,633 | 7,147,861 | 7,182,259 |
| 537,382 | 1,759,189 | 822,043 | 699,080 | 600,436 | 411,497 |
| <u>55,228,142</u> | <u>68,749,349</u> | <u>93,366,197</u> | <u>90,264,337</u> | <u>95,689,833</u> | <u>101,227,523</u> |
| 2,731,616 | 2,038,157 | 12,752,912 | 22,574,407 | 10,202,999 | 9,889,172 |
| 35,564,705 | 36,150,994 | 35,095,326 | 35,994,815 | 35,678,439 | 34,862,431 |
| 4,143,916 | 4,193,485 | 3,461,921 | 3,526,715 | 3,894,763 | 3,963,226 |
| 4,890,935 | 9,904,011 | 11,816,018 | 11,791,113 | 11,387,018 | 11,488,332 |
| 2,091,606 | 2,149,528 | 2,315,418 | 2,370,867 | 2,345,372 | 2,327,286 |
| 5,977,328 | 20,989,342 | 66,502,982 | 35,440,808 | 18,211,162 | 10,481,427 |
| 345,427 | 1,829,853 | 1,766,260 | 1,548,636 | 567,487 | 1,494,041 |
| 136,065 | 3,638,255 | 5,718,439 | 6,359,141 | 998,797 | 2,901,203 |
| - | - | 772,601 | - | 4,684,354 | 2,038,705 |
| <u>55,881,598</u> | <u>80,893,625</u> | <u>140,201,877</u> | <u>119,606,502</u> | <u>87,970,391</u> | <u>79,445,823</u> |
| <u>(653,456)</u> | <u>(12,144,276)</u> | <u>(46,835,680)</u> | <u>(29,342,165)</u> | <u>7,719,442</u> | <u>21,781,700</u> |
| 10,275 | 14,813 | 1,846,367 | 5,602 | 6,034 | 15,660 |
| - | - | 40,265,000 | - | 73,055,000 | - |
| - | - | - | - | - | 35,656,258 |
| - | - | - | - | - | (37,132,228) |
| 12,236,170 | 28,706,358 | 49,301,182 | 34,907,052 | 44,647,832 | 41,091,464 |
| <u>(8,842,784)</u> | <u>(26,190,975)</u> | <u>(48,926,310)</u> | <u>(34,309,807)</u> | <u>(47,558,167)</u> | <u>(40,482,862)</u> |
| <u>3,403,661</u> | <u>2,530,196</u> | <u>42,486,239</u> | <u>602,847</u> | <u>70,150,699</u> | <u>(851,708)</u> |
| 2,750,205 | (9,614,080) | (4,349,441) | (28,739,318) | 77,870,141 | 20,929,992 |
| - | (91,989,516) | - | - | - | - |
| <u>\$ 2,750,205</u> | <u>\$ (101,603,596)</u> | <u>\$ (4,349,441)</u> | <u>\$ (28,739,318)</u> | <u>\$ 77,870,141</u> | <u>\$ 20,929,992</u> |

1.0%

9.1%

11.2%

9.4%

9.0%

9.3%

CITY OF WESTMINSTER

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|------------------------|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| City Direct Rate: | | | | | | | | | | |
| City basic rate | 0.09443 | 0.09443 | 0.09443 | 0.09443 | 0.09443 | 0.09443 | 0.09443 | 0.17142 | 0.09443 | 0.09340 |
| Redevelopment agency | 0.00066 | 0.00067 | 0.00066 | 0.00066 | 0.48930 | 0.48394 | 0.47443 | 0.39240 | 0.48403 | 0.47658 |
| Total City Direct Rate | 0.09509 | 0.09510 | 0.09509 | 0.09509 | 0.58373 | 0.57837 | 0.56886 | 0.56382 | 0.57846 | 0.56998 |
| Overlapping Rates: | | | | | | | | | | |
| Special Districts | 0.04380 | 0.04380 | 0.04400 | 0.04400 | 0.04400 | 0.04380 | 0.04400 | 0.04300 | 0.04400 | 0.44000 |
| County of Orange | 0.15487 | 0.15487 | 0.15277 | 0.15277 | 0.15277 | 0.15490 | 0.15277 | 0.15277 | 0.15277 | 0.15250 |
| School Districts | 0.70690 | 0.70690 | 0.70980 | 0.70980 | 0.70980 | 0.70690 | 0.70980 | 0.70980 | 0.70980 | 0.71000 |
| Total Direct Rate | 1.00000 | 1.00000 | 1.00100 | 1.00100 | 1.00100 | 1.00003 | 1.00100 | 1.07699 | 1.00100 | 1.39590 |

Notes:

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

CITY OF WESTMINSTER

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

| Taxpayer | 2017 | | 2008 | |
|---------------------------------------|------------------------|--|------------------------|--|
| | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| Westminster Mall LLC | \$ 133,072,884 | 1.58% | \$ - | 0.00% |
| WRI West Gate South LP | 71,690,830 | 0.85% | 62,608,589 | 0.90% |
| Land Partners | 65,435,559 | 0.78% | - | 0.00% |
| PK I Pavilions Place LP | 52,536,375 | 0.63% | 34,270,248 | 0.50% |
| An Tang Dao Trust | 46,823,108 | 0.56% | - | 0.00% |
| Jasmine Place Associates LLC | 45,250,211 | 0.54% | - | 0.00% |
| WRW Properties LLC | 41,939,155 | 0.50% | - | 0.00% |
| VJK Properties LLC | 37,012,290 | 0.44% | - | 0.00% |
| Villa Pacific Townhomes Investment LP | 35,587,500 | 0.42% | - | 0.00% |
| CLPF-7400 Hazard LLC | 27,774,299 | 0.33% | - | 0.00% |
| Retail Property Trust | - | 0.00% | 125,119,636 | 1.81% |
| Asian Garden Limited | - | 0.00% | 25,258,325 | 0.36% |
| Macy's Department Store | - | 0.00% | 34,347,265 | 0.50% |
| Avalon Center at Garden Grove | - | 0.00% | 25,151,667 | 0.36% |
| Mary Hatchell Trust | - | 0.00% | 24,480,000 | 0.35% |
| Delma Corporation | - | 0.00% | 19,725,483 | 0.28% |
| Ipers 7400 Hazard Aveue California | - | 0.00% | 19,550,000 | 0.28% |
| Sears Roebuck & Company | - | 0.00% | 17,706,637 | 0.26% |
| | <u>\$ 557,122,211</u> | <u>6.63%</u> | <u>\$ 388,217,850</u> | <u>5.60%</u> |

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

Source: HdL, Coren & Cone

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CITY OF WESTMINSTER

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------------------------|--|---|--------------------|---------------------------------------|---------------------------|--------------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2017 | \$ 2,508,326 | \$ 2,461,818 | 98.15% | n/a | \$ 2,461,818 | 98.15% |
| 2016 | 2,505,497 | 2,452,411 | 97.88% | n/a | 2,452,411 | 97.88% |
| 2015 | 2,484,435 | 2,423,695 | 97.56% | n/a | 2,423,695 | 97.56% |
| 2014 | 2,486,017 | 2,459,754 | 98.94% | n/a | 2,459,754 | 98.94% |
| 2013 | 2,478,261 | 2,446,175 | 98.71% | n/a | 2,446,175 | 98.71% |
| 2012 | 2,482,399 | 2,444,304 | 98.47% | n/a | 2,444,304 | 98.47% |
| 2011 | 2,474,791 | 2,441,784 | 98.67% | n/a | 2,441,784 | 98.67% |
| 2010 | 2,474,260 | 2,448,073 | 98.94% | n/a | 2,448,073 | 98.94% |
| 2009 | 2,486,095 | 2,466,393 | 99.21% | n/a | 2,466,393 | 99.21% |
| 2008 | 2,480,113 | 2,473,935 | 99.75% | 5,545 | 2,479,480 | 99.97% |

Note:

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

CITY OF WESTMINSTER

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | City | | | Taxable Assessed Value |
|----------------------------------|------------------|----------------|---------------------|------------------------------|
| | Secured | Unsecured | Less: Exemptions | |
| 2017 | \$ 3,064,980,617 | \$ 101,438,368 | \$ 82,540,972 | \$ 3,083,878,013 |
| 2016 | 3,064,980,617 | 101,438,368 | 82,540,972 | 3,083,878,013 |
| 2015 | 3,064,980,617 | 101,438,368 | 82,540,972 | 3,083,878,013 |
| 2014 | 3,064,980,617 | 101,438,368 | 82,540,972 | 3,083,878,013 |
| 2013 | 3,064,980,617 | 101,438,368 | 82,540,972 | 3,083,878,013 |
| 2012 | 3,064,980,617 | 101,438,368 | 82,540,972 | 3,083,878,013 |
| 2011 | 3,069,535,195 | 101,438,368 | 82,540,972 | 3,088,432,591 |
| 2010 | 3,067,626,290 | 101,438,368 | 82,540,972 | 3,086,523,686 |
| 2009 | 3,067,626,290 | 101,438,368 | 82,540,972 | 3,086,523,686 |
| 2008 | 3,069,628,787 | 101,438,368 | 82,540,972 | 3,088,526,183 |

Notes:

Exemptions are netted directly against the individual property categories.

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

* Total direct tax rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013-14, the Total Direct Tax Rate no longer includes revenues generated from the former redevelopment tax areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012-13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportion as general fund revenue.

Redevelopment Agency

| <u>Secured</u> | <u>Unsecured</u> | <u>Less: Exemptions</u> | <u>Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|------------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|
| \$ 8,367,114,668 | \$ 174,986,973 | \$ 142,653,259 | \$ 8,399,448,382 | 0.09509% * |
| 8,132,917,882 | 265,498,056 | 136,841,764 | 8,261,574,174 | 0.09509% * |
| 7,524,637,360 | 232,501,482 | 135,957,596 | 7,621,181,246 | 0.09509% * |
| 7,126,139,657 | 179,837,353 | 133,206,501 | 7,172,770,509 | 0.09509% * |
| 6,918,154,624 | 217,478,421 | 120,375,213 | 7,015,257,832 | 0.58373% |
| 6,810,028,867 | 260,385,471 | 135,330,222 | 6,935,084,116 | 0.57837% |
| 6,671,290,676 | 234,915,169 | 127,617,865 | 6,778,587,980 | 0.56886% |
| 6,475,021,589 | 223,131,714 | 85,047,489 | 6,613,105,814 | 0.56382% |
| 6,640,331,942 | 246,139,801 | 115,830,355 | 6,770,641,388 | 0.57846% |
| 6,522,611,781 | 223,161,571 | 108,888,418 | 6,636,884,934 | 0.56998% |

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CITY OF WESTMINSTER

TAX REVENUES BY SOURCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year Ended June 30, | Sales | Transactions and Use * | Property | Utility Users | Business License | Franchise | Transient Occupancy | Total |
|-------------------------------------|---------------|------------------------------|---------------|------------------|---------------------|--------------|------------------------|---------------|
| 2017 | \$ 17,663,949 | \$ 3,064,761 | \$ 15,727,357 | \$ 4,496,482 | \$ 1,381,319 | \$ 1,241,700 | \$ 866,696 | \$ 44,442,264 |
| 2016 | 16,044,115 | - | 15,186,466 | 4,595,948 | 1,388,612 | 1,367,801 | 801,606 | 39,384,548 |
| 2015 | 15,749,960 | - | 13,867,837 | 4,917,994 | 1,216,170 | 1,410,626 | 713,760 | 37,876,347 |
| 2014 | 15,523,825 | - | 13,038,715 | 5,063,905 | 1,240,779 | 1,356,397 | 608,608 | 36,832,229 |
| 2013 | 13,931,661 | - | 16,304,916 | 4,928,588 | 1,205,111 | 1,312,251 | 593,150 | 38,275,677 |
| 2012 | 12,994,495 | - | 25,159,373 | 5,020,744 | 1,212,032 | 1,297,359 | 510,712 | 46,194,715 |
| 2011 | 13,164,455 | - | 47,004,633 | 5,082,094 | 1,214,413 | 1,273,931 | 496,321 | 68,235,847 |
| 2010 | 12,212,474 | - | 47,264,839 | 5,010,797 | 1,167,267 | 1,206,421 | 451,640 | 67,313,438 |
| 2009 | 13,238,135 | - | 48,096,950 | 5,478,092 | 1,237,147 | 1,337,974 | 523,063 | 69,911,361 |
| 2008 | 16,182,971 | - | 47,114,786 | 5,431,551 | 1,203,102 | 1,137,316 | 568,297 | 71,638,023 |

*Beginning in April 2017, a tax measure allowed for the collection of a 1% transaction tax.

CITY OF WESTMINSTER

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years
(in thousands of dollars)

| | Calendar Year Ended December 31, | | | |
|----------------------------|----------------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 | 2013 |
| Apparel Stores | \$ 69,140 | \$ 73,464 | \$ 76,392 | \$ 76,962 |
| General Merchandise | 228,548 | 209,505 | 214,955 | 225,171 |
| Food Stores | 42,871 | 53,081 | 53,540 | 52,739 |
| Eating and Drinking Places | 169,097 | 156,426 | 149,203 | 139,919 |
| Building Materials | 95,709 | 89,206 | 75,359 | 70,754 |
| Auto Dealers and Supplies | 453,527 | 414,952 | 339,238 | 356,999 |
| Service Stations | 96,476 | 117,269 | 144,835 | 149,039 |
| Other Retail Stores | 225,719 | 199,631 | 196,295 | 197,312 |
| All Other Outlets | 299,604 | 281,864 | 260,003 | 232,985 |
| | <u>\$ 1,680,691</u> | <u>\$ 1,595,398</u> | <u>\$ 1,509,820</u> | <u>\$ 1,501,880</u> |
| City direct sales tax rate | 1.00% | 1.00% | 1.00% | 1.00% |

Source: State of California Board of Equalization and the HdL Companies

Calendar Year Ended December 31,

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 68,687 | \$ 68,208 | \$ 66,348 | \$ 67,837 | \$ 69,491 | \$ 75,928 |
| 228,174 | 237,195 | 238,551 | 240,647 | 247,629 | 250,135 |
| 51,389 | 50,988 | 48,122 | 48,507 | 48,471 | 46,778 |
| 126,781 | 116,638 | 112,311 | 111,107 | 115,219 | 116,963 |
| 65,478 | 82,061 | 88,210 | 95,453 | 105,446 | 113,331 |
| 294,170 | 227,061 | 213,918 | 240,762 | 311,356 | 444,176 |
| 153,277 | 143,165 | 122,507 | 113,161 | 154,832 | 140,489 |
| 198,453 | 198,004 | 189,422 | 194,923 | 207,502 | 231,479 |
| 196,519 | 182,074 | 177,957 | 179,518 | 214,723 | 228,072 |
| <u>\$ 1,382,928</u> | <u>\$ 1,305,394</u> | <u>\$ 1,257,346</u> | <u>\$ 1,291,915</u> | <u>\$ 1,474,669</u> | <u>\$ 1,647,351</u> |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

CITY OF WESTMINSTER

PRINCIPAL SALES TAX REMITTERS BY CATEGORY

Current Year and Nine Years Ago

| Category | Calendar Year 2016 | | | Calendar Year 2007 | | |
|----------------------------|--------------------|------|-------------------------------------|--------------------|------|-------------------------------------|
| | Taxable Sales | Rank | Percent of Total City Taxable Sales | Taxable Sales | Rank | Percent of Total City Taxable Sales |
| Auto Dealers and Supplies | \$ 453,527 | 1 | 27.53% | \$ 444,254 | 1 | 26.43% |
| All Other Outlets | 299,604 | 2 | 18.19% | 228,115 | 4 | 13.57% |
| General Merchandise | 228,548 | 3 | 13.87% | 250,135 | 2 | 14.88% |
| Other Retail Stores | 225,719 | 4 | 13.70% | 240,245 | 3 | 14.29% |
| Eating and Drinking Places | 169,097 | 5 | 10.26% | 116,998 | 6 | 6.96% |
| Service Stations | 96,476 | 6 | 5.86% | 140,489 | 5 | 8.36% |
| Building Materials | 95,709 | 7 | 5.81% | 113,331 | 7 | 6.74% |
| Apparel Stores | 69,140 | 8 | 4.20% | 75,946 | 8 | 4.52% |
| Food Stores | 42,871 | 9 | 2.60% | 38,162 | 9 | 2.27% |

Source: State of California Board of Equalization and the HdL Companies

CITY OF WESTMINSTER

WATER CUSTOMERS

Current Year and Nine Years Ago

| Water Customer | 2017 | | 2008 | |
|------------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | Water Charges | Percent of Total Water Revenues | Water Charges | Percent of Total Water Revenues |
| City of Westminster | \$ 233,881 | 1.81% | 166,673 | 1.61% |
| Arnel Management | 208,190 | 1.61% | 117,373 | 1.13% |
| Los Alisos | 122,343 | 0.95% | - | 0.00% |
| Westminster School District | 100,939 | 0.78% | 103,067 | 0.99% |
| Garden Grove Unified | 100,158 | 0.78% | 61,560 | 0.59% |
| Mission del Amo Mobile Home Park | 68,365 | 0.53% | 32,588 | 0.31% |
| Huntington Beach Union High School | 68,075 | 0.53% | - | 0.00% |
| LLC Site #4842, Westminster Mall | 65,400 | 0.51% | - | 0.00% |
| Prado Verde Estates | 57,345 | 0.44% | - | 0.00% |
| Mobile Community Mgt Co | 57,081 | 0.44% | - | 0.00% |
| Rancho del Sol | 55,448 | 0.43% | 33,621 | 0.32% |
| Westminster Village HOA | 53,315 | 0.41% | 51,511 | 0.50% |
| Tres Vidas Apartments | 48,662 | 0.38% | 31,698 | 0.31% |
| Busch Carr & Mc Adoo | 46,043 | 0.36% | 31,469 | 0.30% |
| Jow Investment LLC | 45,125 | 0.35% | - | 0.00% |
| Birmingham Realty Services | - | 0.00% | 36,846 | 0.36% |
| Pembroke Management Inc. | - | 0.00% | 42,776 | 0.41% |
| Park Lane Town Home | - | 0.00% | 43,396 | 0.42% |
| Total | <u>\$ 1,330,370</u> | | <u>\$ 752,578</u> | |
| Total Metered Water Sales | <u>\$ 12,895,924</u> | | <u>\$ 10,376,281</u> | |

Source: City of Westminster

CITY OF WESTMINSTER

WATER RATES

Last Ten Fiscal Years

| <u>Fiscal Year Ended June 30,</u> | <u>Monthly Base Rate</u> | <u>Rate per 1,000 Gallons</u> |
|---|----------------------------------|---------------------------------------|
| 2017 | \$ 7.30 | \$ 2.54 |
| 2016 | 7.30 | 2.36 |
| 2015 | 7.30 | 2.30 |
| 2014 | 7.30 | 2.30 |
| 2013 | 6.52 | 2.30 |
| 2012 | 6.52 | 2.30 |
| 2011 | 6.52 | 2.25 |
| 2010 | 5.78 | 1.97 |
| 2009 | 5.21 | 1.56 |
| 2008 | 5.21 | 1.36 |

Note:

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

CITY OF WESTMINSTER

WATER SOLD BY TYPE OF CUSTOMER

Last Ten Fiscal Years
(in millions of gallons)

| Fiscal Year Ended June 30, | Type of Customer | | | | | Total |
|-------------------------------------|------------------|------------|--------------|----------|------------|---------------|
| | Residential | Industrial | Commercial | Military | Government | |
| 2017 | \$ 10,276,682 | \$ 109,734 | \$ 2,275,296 | \$ - | \$ 100,155 | \$ 12,761,867 |
| 2016 | 9,953,572 | 97,688 | 2,135,545 | - | 104,795 | 12,291,600 |
| 2015 | 11,312,453 | 108,947 | 2,501,890 | - | 101,055 | 14,024,345 |
| 2014 | 11,918,276 | 121,814 | 2,657,925 | - | 106,287 | 14,804,302 |
| 2013 | 12,038,551 | 111,678 | 2,564,280 | - | 98,127 | 14,812,636 |
| 2012 | 11,620,170 | 119,472 | 2,561,499 | - | 104,206 | 14,405,347 |
| 2011 | 11,304,445 | 120,700 | 2,311,541 | - | 96,485 | 13,833,171 |
| 2010 | 10,159,526 | 122,059 | 2,027,216 | - | 111,499 | 12,420,300 |
| 2009 | 9,125,193 | 105,137 | 1,750,138 | - | 106,469 | 11,086,937 |
| 2008 | 8,454,873 | 107,602 | 1,696,826 | - | 102,111 | 10,361,412 |

Total direct rate
per 1,000 gallons

CITY OF WESTMINSTER

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | |
|----------------------------------|----------------------------|-------------------|-------------------------------------|------------------|-------------------------------------|
| | Tax Allocation Bonds | Leases Payable | Certificates of Participation | Notes Payable | Total Governmental Activities |
| 2017 | \$ - | \$ 616,527 | \$ 2,215,000 | \$ - | \$ 2,831,527 |
| 2016 | - | 711,330 | 2,785,000 | - | 3,496,330 |
| 2015 | - | 479,507 | 3,330,000 | - | 3,809,507 |
| 2014 | - | 552,088 | 3,855,000 | - | 4,407,088 |
| 2013 | - | - | 4,360,000 | - | 4,360,000 |
| 2012 | - | - | 4,850,000 | - | 4,850,000 |
| 2011 | 141,340,000 | - | 5,054,255 | 300,000 | 146,694,255 |
| 2010 | 102,235,000 | - | 5,889,463 | 300,000 | 108,424,463 |
| 2009 | 103,195,000 | - | 6,699,671 | 300,000 | 110,194,671 |
| 2008 | 30,140,000 | - | 7,479,879 | 300,000 | 37,919,879 |

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

| Business-type Activity | | | | | |
|-------------------------------------|------------------|------------------------------------|--------------------------------|-------------------------------------|-----------------------|
| Certificates of Participation | Loans Payable | Total Business-type Activity | Total Primary Government | Percentage of Personal Income | Debt per Capita |
| \$ 2,075,000 | \$ 1,453,790 | \$ 3,528,790 | \$ 6,360,317 | 0.30% | \$ 68 |
| 2,325,000 | 1,572,231 | 3,897,231 | 7,393,561 | 0.36% | 79 |
| 2,565,000 | 1,686,655 | 4,251,655 | 8,061,162 | 0.42% | 88 |
| 2,800,000 | 1,797,198 | 4,597,198 | 9,004,286 | 0.50% | 98 |
| 3,030,000 | 1,903,992 | 4,933,992 | 9,293,992 | 0.55% | 102 |
| 3,250,000 | 2,007,163 | 5,257,163 | 10,107,163 | 0.61% | 111 |
| 3,377,067 | 2,106,835 | 5,483,902 | 152,178,157 | 9.80% | 1,692 |
| 3,806,075 | 2,203,126 | 6,009,201 | 114,433,664 | 7.76% | 1,214 |
| 4,220,083 | 2,296,152 | 6,516,235 | 116,710,906 | 7.99% | 1,251 |
| 4,619,091 | 2,386,023 | 7,005,114 | 44,924,993 | 2.94% | 483 |

CITY OF WESTMINSTER

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Outstanding General Bonded Debt | | | Percent of Assessed Value | Per Capita |
|----------------------------------|---------------------------------|----------------------------|-------|---------------------------------|---------------|
| | General Obligation Bonds | Tax Allocation Bonds | Total | | |
| 2017 | \$ - | \$ - | \$ - | 0.00% | \$ - |
| 2016 | - | - | - | 0.00% | - |
| 2015 | - | - | - | 0.00% | - |
| 2014 | - | - | - | 0.00% | - |
| 2013 | - | - | - | 0.00% | - |
| 2012 | - | - | - | 0.00% | - |
| 2011 | - | - | - | 0.00% | - |
| 2010 | - | - | - | 0.00% | - |
| 2009 | - | - | - | 0.00% | - |
| 2008 | - | - | - | 0.00% | - |

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

CITY OF WESTMINSTER

DIRECT AND OVERLAPPING DEBT

June 30, 2017

| | | | |
|---|------------------------------|-------------------------|---------------------------------|
| 2016-17 Assessed Valuation: | | <u>\$ 8,410,334,862</u> | |
| | Percentage Applicable (1) | Total Debt 6/30/2017 | City's Share of Debt 6/30/17 |
| <u>Overlapping Tax and Assessment Debt:</u> | | | |
| Metropolitan Water District | 0.324% | \$ 74,905,000 | \$ 242,692 |
| Coast Community College District | 6.733% | 805,844,504 | 54,257,510 |
| Garden Grove Unified School District | 9.220% | 329,640,160 | 30,392,823 |
| Huntington Beach Union High School District | 12.533% | 193,079,998 | 24,198,716 |
| Ocean View School District | 5.220% | 45,000,000 | 2,349,000 |
| Westminster School District | 61.632% | 92,769,517 | 57,175,709 |
| Total Overlapping Tax and Assessment Debt | | <u>\$ 1,541,239,179</u> | <u>\$ 168,616,450</u> |
| <u>Direct and Overlapping General Fund Debt:</u> | | | |
| Orange County General Fund Obligations | 1.602% | \$ 227,516,000 | \$ 3,644,806 |
| Orange County Pension Obligations | 1.602% | 386,762,539 | 6,195,936 |
| Orange County Board of Education Certificates of Participation | 1.602% | 14,440,000 | 231,329 |
| Coast Community College District Certificates of Participation | 6.733% | 3,610,000 | 243,061 |
| Huntington Beach Union High School District Certificates of Participation | 12.533% | 63,961,090 | 8,016,243 |
| Ocean View School District Certificates of Participation | 5.220% | 23,920,000 | 1,348,624 |
| Westminster School District Certificates of Participation | 61.632% | 43,396,659 | 26,746,229 |
| City of Westminster Certificates of Participation | 100.000% | 2,215,000 | 2,215,000 |
| City of Westminster Leases Payable | 100.000% | 616,527 | 616,527 |
| Total Gross Direct and Overlapping General Fund Debt | | <u>\$ 766,437,815</u> | <u>\$ 49,257,755</u> |
| Less: MWDOC Water Facilities Corporation (100% self-supporting) | | | - |
| Total Net Direct and Overlapping General Fund Debt | | | <u>\$ 49,257,755</u> |
| <u>Overlapping Tax Increment Debt: (Successor Agency):</u> | 100.000% | <u>\$ 120,375,000</u> | <u>\$ 120,375,000</u> |
| Total Direct Debt | | | \$ 2,831,527 |
| Total Gross Overlapping Debt | | | \$ 335,317,678 |
| Total Net Overlapping Debt | | | \$ 335,317,678 |
| Gross Combined Total Debt | | | \$ 338,149,205 (2) |
| Net Combined Total Debt | | | \$ 338,149,205 |

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

| | |
|---|--------------|
| Total Overlapping Tax and Assessment Debt | 2.00% |
| Total Direct Debt (\$2,831,527) | 0.03% |
| Gross Combined Total Debt | 4.02% |
| Net Combined Total Debt | 4.02% |

Ratios to Redevelopment Successor Agency Incremental Valuation (\$5,243,915,877):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 2.30% |
|--------------------------------------|-------|

Source: California Municipal Statistics

CITY OF WESTMINSTER

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Assessed valuation | \$ 8,410,334,862 | \$ 8,279,643,537 | \$ 7,628,668,713 | \$ 7,176,140,802 |
| Conversion percentage | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 2,102,583,716 | 2,069,910,884 | 1,907,167,178 | 1,794,035,201 |
| Debt limit percentage | 15% | 15% | 15% | 15% |
| Debt limit | 315,387,557 | 310,486,633 | 286,075,077 | 269,105,280 |
| Total net debt applicable to limitation: General obligation bonds | - | - | - | - |
| Legal debt margin | <u>\$ 315,387,557</u> | <u>\$ 310,486,633</u> | <u>\$ 286,075,077</u> | <u>\$ 269,105,280</u> |
| Total debt applicable to the limit as a percentage of debt limit | 0.0% | 0.0% | 0.0% | 0.0% |

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

| Fiscal Year Ended June 30, | | | | | |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| \$ 7,023,383,445 | \$ 3,170,973,563 | \$ 3,168,813,154 | \$ 3,169,064,658 | \$ 3,171,067,155 | \$ 3,171,050,607 |
| <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> |
| 1,755,845,861 | 792,743,391 | 792,203,289 | 792,266,165 | 792,766,789 | 792,762,652 |
| <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| 263,376,879 | 118,911,509 | 118,830,493 | 118,839,925 | 118,915,018 | 118,914,398 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 263,376,879</u> | <u>\$ 118,911,509</u> | <u>\$ 118,830,493</u> | <u>\$ 118,839,925</u> | <u>\$ 118,915,018</u> | <u>\$ 118,914,398</u> |
| 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

CITY OF WESTMINSTER

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Certificates of Participation | | | | | Coverage |
|----------------------------------|-------------------------------|-------------------------------|-----------------------------|--------------|------------|----------|
| | Water Revenue | Less Operating Expenses | Net Available Revenue | Debt Service | | |
| | | | | Principal | Interest | |
| 2017 | \$ 13,398,669 | \$ 12,462,923 | \$ 935,746 | \$ 313,910 | \$ 142,683 | 2.05 |
| 2016 | 12,849,568 | 11,596,914 | 1,252,654 | 301,737 | 154,495 | 2.75 |
| 2015 | 14,310,451 | 11,794,202 | 2,516,249 | 294,637 | 166,031 | 5.46 |
| 2014 | 14,778,409 | 11,214,695 | 3,563,714 | 287,609 | 175,282 | 7.70 |
| 2013 | 14,892,006 | 10,626,700 | 4,265,306 | 275,651 | 183,875 | 9.28 |
| 2012 | 14,914,482 | 10,533,453 | 4,381,029 | 518,758 | 199,751 | 6.10 |
| 2011 | 14,446,563 | 10,623,725 | 3,822,838 | 506,930 | 215,261 | 5.29 |
| 2010 | 12,730,344 | 10,334,102 | 2,396,242 | 490,165 | 230,258 | 3.33 |
| 2009 | 11,238,147 | 10,284,546 | 953,601 | 473,459 | 243,728 | 1.33 |
| 2008 | 10,956,615 | 10,096,961 | 859,654 | 200,011 | 291,052 | 1.75 |

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

CITY OF WESTMINSTER

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Population (1) | Personal Income (in billions)(2) * | Per Capita Personal Income (2) * | Unemployment Rate (3) |
|----------------------------------|-------------------|--|---|-----------------------------|
| 2017 | 93,533 | \$ 214.7 | \$ 62,063 | 5.50% |
| 2016 | 94,073 | 205.0 | 61,663 | 6.10% |
| 2015 | 92,106 | 191.7 | 60,013 | 6.20% |
| 2014 | 91,652 | 180.4 | 57,573 | 7.50% |
| 2013 | 91,169 | 169.8 | 56,519 | 9.20% |
| 2012 | 90,677 | 166.6 | 55,540 | 11.20% |
| 2011 | 89,937 | 155.3 | 53,270 | 12.70% |
| 2010 | 94,294 | 147.4 | 52,414 | 13.20% |
| 2009 | 93,284 | 146.0 | 52,864 | 10.00% |
| 2008 | 93,027 | 153.0 | 55,276 | 5.90% |

Sources:

(1) State Department of Finance

* (2) Department of Transportation - Orange County Economic Forecast 2015-2040 (previous years; updated)

(3) U.S. Department of Labor, Bureau of Labor & Statistics (estimates last updated 6/30/16)

CITY OF WESTMINSTER

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| Employer | 2017 | | 2008 | |
|------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Carroll Hospital Center | 1,400 | 3.28% | - | 0.00% |
| Westminster School District | 1,029 | 2.41% | - | 0.00% |
| Kindred Hospital-Westminster | 450 | 1.05% | - | 0.00% |
| Walmart | 346 | 0.81% | 325 | 0.69% |
| Target | 325 | 0.76% | 210 | 0.44% |
| City of Westminster | 320 | 0.75% | 404 | 0.85% |
| Macy's | 300 | 0.70% | - | 0.00% |
| Honda World | 217 | 0.51% | - | 0.00% |
| Westminster High School | 200 | 0.47% | 200 | 0.42% |
| JC Penney Co | 185 | 0.43% | 200 | 0.42% |
| B & E Farm/Ito Farms | | | 700 | 1.48% |
| Southern California Edison | | | 413 | 0.87% |
| BE Aerospace Manufacturing | | | 350 | 0.74% |
| Sears | | | 300 | 0.63% |
| Hapa Industries, Ltd | | | 250 | 0.53% |
| Lexus of Westminster | | | 175 | 0.37% |

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

Sources: MuniServices, LLC
EDD Labor Force Data

CITY OF WESTMINSTER

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

| Function | Fiscal Year Ended June 30, | | | | | | | | | |
|-----------------------|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General government | 30 | 39 | 38 | 32 | 22 | 33 | 39 | 47 | 49 | 47 |
| Public safety | 130 | 142 | 135 | 145 | 141 | 158 | 162 | 167 | 171 | 174 |
| Public works | 28 | 30 | 26 | 29 | 28 | 28 | 30 | 29 | 34 | 36 |
| Community development | 23 | 24 | 22 | 19 | 22 | 39 | 42 | 43 | 40 | 43 |
| Community service | 56 | 59 | 53 | 54 | 49 | 60 | 63 | 68 | 74 | 73 |
| Water | 25 | 27 | 24 | 24 | 25 | 27 | 28 | 28 | 29 | 31 |
| Total | <u>292</u> | <u>321</u> | <u>298</u> | <u>303</u> | <u>287</u> | <u>345</u> | <u>364</u> | <u>382</u> | <u>397</u> | <u>404</u> |

CITY OF WESTMINSTER

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

| Function | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Police: | | | | | | | | | | |
| Arrests | 2,359 | 2,540 | 2,646 | 2,528 | 2,960 | 2,513 | 2,547 | 2,553 | 2,092 | *1,663 |
| Traffic violations | 1,067 | 1,831 | 2,991 | 6,424 | 5,566 | 8,407 | 11,106 | 11,432 | 6,662 | 6,547 |
| Parking violations | 20,314 | 21,308 | 22,965 | 19,979 | 12,525 | 15,193 | 16,322 | 15,504 | 19,102 | 15,884 |
| Fire: | | | | | | | | | | |
| Number of calls answered | 7,421 | 7,441 | 6,880 | 6,201 | 6,446 | 6,006 | 5,880 | 5,781 | 5,835 | *4,248 |
| Inspections conducted | 1,459 | 1,694 | 1,013 | 1,028 | 513 | 1,555 | 1,945 | 1,347 | 1,820 | *644 |
| Public works: | | | | | | | | | | |
| Street resurfacing (miles) | 4.00 | 4.00 | 3.10 | 5.00 | 5.50 | 15.00 | 16.78 | 18.00 | 15.00 | 18.00 |
| Parks and recreation: | | | | | | | | | | |
| Number of recreation classes | 1,134 | 1,288 | 1,347 | 1,218 | 1,081 | 1,143 | 1,391 | 532 | 786 | 991 |
| Number of facility rentals | 106 | 88 | 80 | 59 | 72 | 97 | 87 | 80 | 80 | 85 |
| Water: | | | | | | | | | | |
| New connections | 76 | 80 | 43 | 28 | 33 | 30 | **3,317 | **3,725 | **4,214 | **7,095 |
| Average daily consumption (in hundred cubic feet) | 11,841 | 11,480 | 13,678 | 14,374 | 14,054 | 13,724 | 13,219 | 13,477 | 14,678 | 14,910 |

* As of September 30, 2008

** Includes replacement meters

CITY OF WESTMINSTER
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

| Function | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire: | | | | | | | | | | |
| Fire stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public works: | | | | | | | | | | |
| Street (miles) | 187 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 171 |
| Streetlights | 4,733 | 4,733 | 4,733 | 4,733 | 4,733 | 4,747 | 4,662 | 4,697 | 4,697 | 4,697 |
| Traffic signals | 71 | 71 | 68 | 68 | 68 | 68 | 68 | 66 | 66 | 68 |
| Parks and recreation: | | | | | | | | | | |
| Parks | 23 | 24 | 24 | 24 | 24 | 25 | 25 | 25 | 25 | 24 |
| Community centers | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 240 | 235 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 |
| Maximum daily capacity (in acre per feet per day) | 83 | 82 | 90 | 90 | 73 | 73 | 73 | 76 | 76 | 76 |

Source: City of Westminster

CITY OF WESTMINSTER, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2017

CITY OF WESTMINSTER

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June 30, 2017

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

The Honorable Mayor and
Members of City Council
City of Westminster
Westminster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and
Members of City Council
City of Westminster
Westminster, California

Report on Compliance for Each Major Federal Program

We have audited the City of Westminster's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 30, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
(Continued)**

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF WESTMINSTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

| Federal Grantor / Pass - Through Grantor / Program / Cluster Title | Catalog of Federal Domestic Assistance Number | Program Identification Number | Award Amount | Federal Expenditures | Subrecipient Expenditures |
|---|---|-------------------------------------|-----------------|-------------------------|------------------------------|
| <u>United States Department of Housing and Urban Development</u> | | | | | |
| Direct Assistance: | | | | | |
| Community Development Block Grant (CDBG) | 14.218 | B-14-MC-06-0509 | \$ 935,585 | | |
| | 14.218 | B-15-MC-06-0509 | 952,806 | | |
| | 14.218 | B-16-MC-06-0509 | 944,997 | \$ 814,994 | \$ 43,000 |
| HOME Investment Partnership Program | 14.239 | M-12-MC-060556 | 271,811 | | |
| | 14.239 | M-14-MC-060556 | 286,350 | | |
| | 14.239 | M-15-MC-060556 | 260,999 | | |
| | 14.239 | M-16-MC-060556 | 273,659 | <u>314,157</u> | <u>-</u> |
| Total United States Department of Housing and Urban Development | | | | <u>1,129,151</u> | <u>43,000</u> |
| <u>United States Department of Justice</u> | | | | | |
| Direct Assistance: | | | | | |
| Equitable Sharing Program | 16.922 | N/A | N/A | <u>126,540</u> | <u>-</u> |
| Passed through County of Orange: | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-DJ-BX-0038 | 19,667 | 7,208 | - |
| | 16.738 | 2015-DJ-BX-0226 | 19,120 | 13,220 | - |
| | 16.738 | 2016-DJ-BX-0746 | 18,475 | <u>18,475</u> | <u>-</u> |
| Total Edward Byrne Memorial Justice Assistance Grant Program | | | | <u>38,903</u> | <u>-</u> |
| Total United States Department of Justice | | | | <u>165,443</u> | <u>-</u> |
| <u>United States Department of Transportation</u> | | | | | |
| Passed through California Department of Transportation: | | | | | |
| Highway Planning and Construction | 20.205 | HSIPL-5338(048) | 756,000 | 8,799 | - |
| | | HSIPL-5338(051) | 639,667 | <u>575,700</u> | <u>-</u> |
| Total United States Department of Transportation | | | | <u>584,499</u> | <u>-</u> |

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTMINSTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2017

| Federal Grantor / Pass - Through Grantor / Program / Cluster Title | Catalog of Federal Domestic Assistance Number | Program Identification Number | Award Amount | Federal Expenditures | Subrecipient Expenditures |
|---|---|-------------------------------------|-----------------|-------------------------|------------------------------|
| <u>United States Department of Health and Human Services</u> | | | | | |
| Passed through the County of Orange: | | | | | |
| Family Resource Center | 93.556 | FFZ1515 | \$ 300,000 | \$ 297,023 | \$ - |
| <u>United States Department of Homeland Security</u> | | | | | |
| Passed through the State of California: | | | | | |
| Emergency Management Performance Grants | 97.042 | FY15 EMPG | 13,692 | 12,785 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 2,188,901</u> | <u>\$ 43,000</u> |

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTMINSTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Westminster (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Expenditures, are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule agree to amounts reported within the City's Comprehensive Annual Financial Report.

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

6. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2017

1. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance? yes no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 14.218 | United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grant |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. Findings Relating to Financial Statements:

None.

3. Findings and Questioned Costs Relating to Major Federal Awards:

There were no findings or questioned costs for the year ended June 30, 2017.

CITY OF WESTMINSTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2017

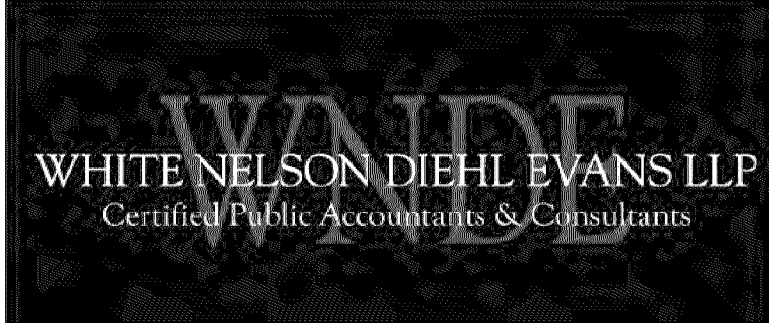
There were no findings reported for fiscal year 2015-2016.

CITY OF WESTMINSTER

APPROPRIATIONS LIMIT WORKSHEET NO. 6

**WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET**

FOR THE YEAR ENDED JUNE 30, 2017



INDEPENDENT ACCOUNTANTS' REPORT ON
AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET

To the Honorable Mayor and
Members of City Council
City of Westminster
Westminster, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Westminster, California for the year ended June 30, 2017. These procedures, which were agreed to by the City of Westminster, California and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the City of Westminster, California in meeting the requirements of Section 1.5 of Article XIIB of the California Constitution. The City's management is responsible for the Appropriations Limit Worksheet No. 6.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Appropriations Limit Worksheet No. 6 for the year ended June 30, 2017, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit.

No exceptions were noted as a result of this procedure.

3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of this procedure.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines".

This report is intended solely for the use of the City Council and management of the City of Westminster, California and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017

CITY OF WESTMINSTER

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2017

Appropriations limit for fiscal year ended June 30, 2016 (see Note 2) \$ 78,428,701

Adjustment factors for the fiscal year ended June 30, 2017 (see Note 2):

| Inflation Factor <u>(Note 3)</u> | Population Factor <u>(Note 4)</u> | Combined Factor <u>Factor</u> | |
|--|---|-------------------------------------|---------------------|
| 1.05370000 | 1.00990000 | 1.06413163 | x <u>0.06413163</u> |

Adjustment for inflation and nonresidential new construction 5,029,760

Other adjustments (Note 5) -

Total adjustments 5,029,760

Appropriations limit for fiscal year ended June 30, 2017 \$ 83,458,461

See accompanying notes to Appropriations Limit Worksheet No. 6.

CITY OF WESTMINSTER

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2017

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to an agreed-upon procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Westminster for the fiscal year 2016-2017 represents the percentage change in the 4th quarter per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Westminster for fiscal year 2016-2017 represents the annual percentage change in the population for the County in which the City of Westminster is located.

5. OTHER ADJUSTMENTS:

A California governmental agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another governmental agency or private entity. The City of Westminster had no such adjustments for the year ended June 30, 2017.



To the Honorable Mayor and
Members of the City Council
City of Westminster
Westminster, California

We have audited the financial statements of the governmental activities, business-type activity, each major fund, and aggregate remaining fund information of the City of Westminster (the City) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter on May 10, 2017 and in our letter on planning matters to you dated June 14, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of other existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements are as follows:

- a. Management's estimate of the fair value of investments is based on market values provided by outside sources.
- b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.
- c. The estimated useful lives of capital assets for depreciation purposes are based on industry standards.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Sensitive Estimates (Continued)

- d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- e. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plan with PARS are based on actuarial valuations provided by an outside consultant.
- f. The annual required contribution and actuarial accrued liability for the City's Other Post-Employment Benefit Plan are based on certain actuarial assumptions and methods prepared by an outside consultant.
- g. The claims liability for workers' compensation and general liabilities are based on estimates by the claims administrator and an actuarial study.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 8 regarding the defined benefit pension plans, Note 9 regarding the City's other post-employment benefit plan, Note 11 regarding the claims payable, Note 14 regarding Successor Agency disclosures, Note 15 regarding the recent changes in legislation affecting California Redevelopment Agencies, and Note 16 regarding extraordinary items.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As a result of our audit related testwork, we proposed no corrections of the financial statements that, in our judgment, had a significant effect on the City of Westminster's financial reporting process.

Significant Audit Findings (Continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the CalPERS pension plans - schedule of proportionate share of the net pension liability and the schedule of contributions - safety plan, the schedule of changes in the net pension liability and related ratios and the schedule of contributions - miscellaneous plan, the PARS pension plan - schedule of changes in the net pension liability and related ratios and the schedule of contributions, the schedule of funding progress - other post-employment benefit plan, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the combining and individual non-major fund financial statements and schedules (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Upcoming Changes in Accounting Standards and Regulatory Updates

Procurement Rules under Uniform Guidance

The Uniform Guidance has different procurement rules than those previously required by the Circular A-133. Due to the work required by nonfederal entities to implement these new rules, a two-year grace period was given. In May 2017, an additional one-year grace period was given. Beginning July 1, 2018, nonfederal entities will be required to comply with all of the Uniform Guidance procurement rules. Included in these new rules is the requirement for written policies and procedures.

Commencing with the fiscal year 2018-2019 audits, auditors will request the written policies of the nonfederal entity for all single audits and review the procurement policies and procedures for compliance with the Uniform Guidance procurement rules.

Other Postemployment Benefit Standards

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement). The scope of this Statement addresses accounting and financial reporting for postemployment benefits other than pension (other postemployment benefits or OPEB) that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit and defined contribution plans. This Statement requires governments to report a net OPEB liability or asset on the face of the financial statements. The City is required to implement this Statement in fiscal year ending June 30, 2018.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Westminster and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017



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

The Honorable Mayor and
Members of City Council
City of Westminster
Westminster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017

**CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND**

FINANCIAL STATEMENTS

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

JUNE 30, 2017

CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND

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June 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
the City of Westminster
Westminster, California

Report on Financial Statements

We have audited the accompanying financial statements of the Air Quality Management District Special Revenue Fund (AQMD) of the City of Westminster, California (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the AQMD's financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the AQMD's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the AQMD. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Management District Special Revenue Fund of the City of Westminster, California as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Air Quality Management District Special Revenue Fund and do not purport to, and do not present fairly the financial position of the City of Westminster, California, as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the AQMD's basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City's internal control over financial reporting of the AQMD and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance of the AQMD.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017

CITY OF WESTMINSTER
AIR QUALITY IMPROVEMENT DISTRICT
SPECIAL REVENUE FUND

BALANCE SHEET

June 30, 2017

ASSETS:

| | |
|----------------------------|----------------|
| Cash and investments | \$ 346,180 |
| Due from other governments | <u>124,462</u> |

| | |
|--------------|--------------------------|
| TOTAL ASSETS | <u><u>\$ 470,642</u></u> |
|--------------|--------------------------|

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCE

LIABILITIES:

| | |
|--|----------|
| Accounts payable and accrued liabilities | \$ 2,189 |
|--|----------|

DEFERRED INFLOWS OF RESOURCES:

| | |
|---------------------|---------------|
| Unavailable revenue | <u>93,925</u> |
|---------------------|---------------|

| | |
|--|--------|
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 96,114 |
|--|--------|

FUND BALANCE:

| | |
|-----------------------------|----------------|
| Restricted for other grants | <u>374,528</u> |
|-----------------------------|----------------|

| | |
|--|--------------------------|
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u><u>\$ 470,642</u></u> |
|--|--------------------------|

See accompanying notes to financial statements.

CITY OF WESTMINSTER
 AIR QUALITY IMPROVEMENT DISTRICT
 SPECIAL REVENUE FUND

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

For the year ended June 30, 2017

| | Budgeted Amount Original and Final | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------|--|------------|---|
| REVENUES: | | | |
| Investment income | \$ 3,000 | \$ 3,091 | \$ 91 |
| Revenue from other agencies | 230,000 | 120,131 | (109,869) |
| TOTAL REVENUES: | 233,000 | 123,222 | (109,778) |
| EXPENDITURES: | | | |
| Administration | 5,900 | 7,508 | (1,608) |
| Director program | 524,258 | 221,243 | 303,015 |
| TOTAL EXPENDITURES | 530,158 | 228,751 | 301,407 |
| CHANGE IN FUND BALANCE | (297,158) | (105,529) | 191,629 |
| FUND BALANCE, BEGINNING OF YEAR | 480,057 | 480,057 | - |
| FUND BALANCE, END OF YEAR | \$ 182,899 | \$ 374,528 | \$ 191,629 |

See accompanying notes to financial statements.

CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. GENERAL:

California Assembly Bill 2766 authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the South Coast District. Forty cents of every dollar subvented to SCAQMD is allocated to the cities and counties in the South Coast Air District proportionately based upon population. The amounts attributable to the City of Westminster are maintained in the City's Air Quality Management District Special Revenue Fund. These financial statements are intended to present fairly the financial position and changes in financial position of only the Air Quality Management District Special Revenue Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Fund Accounting:

The accounts of the City of Westminster are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Monies received under Assembly Bill 2766 (AB 2766) are recorded in the Air Quality Management District Special Revenue Fund, that is used to account for the proceeds of revenue to be used for the purpose of implementing the California Clean Air Act.

B. Basis of Accounting:

The Air Quality Management District Special Revenue Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include motor vehicle fees and earnings on investments. Expenditures are recorded when the liability is incurred.

C. Measurement Focus:

The Air Quality Management District Special Revenue Fund is accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets and current liabilities are included on its balance sheet. The statement of revenues, expenditures and changes in fund balance for the Air Quality Management District Special Revenue Fund generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF WESTMINSTER
AIR QUALITY MANAGEMENT DISTRICT
SPECIAL REVENUE FUND

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Budgetary Accounting:

The budget for the Air Quality Management District Special Revenue Fund is adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Encumbrance accounting, under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to restrict that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the Air Quality Management District Special Revenue Fund during the year. Encumbrances outstanding at year-end are reported as restricted fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

E. Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Investments:

The Air Quality Management District Special Revenue Fund cash and investments balances are pooled with various other City funds for deposit and investment purposes. Each fund's share of the pooled cash account is separately accounted for, and investment income is apportioned to the participating funds based on the relationship of their average monthly balances to the total of the pooled cash and investments. Information regarding the credit risk and authorized types of deposits and investments in the City's pooled cash and investments is included in the City's comprehensive annual financial report. This report can be obtained from the City of Westminster.



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

The Honorable City Council of
the City of Westminster
Westminster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Air Quality Management District Special Revenue Fund (AQMD) of the City of Westminster, California (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the AQMD's basic financial statements, and have issued our report thereon dated November 30, 2017. Our report includes an emphasis of matter indicating that the financial statements present only the AQMD, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2017 and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the AQMD (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the AQMD's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (Continued)

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Air Quality Management District Special Revenue Fund of the City of Westminster, California's financial statements are free from material misstatements, we performed tests of its compliance with applicable provisions of Assembly Bill 2766 (AB2766), Chapter 1705 (Health and Safety Code Sections 44220 through 44247), and certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2017