

AGOURA HILLS REDEVELOPMENT AGENCY

Annual Financial Report

Year Ended June 30, 1996

AGOURA HILLS REDEVELOPMENT AGENCY
Annual Financial Report
Year Ended June 30, 1996

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION:	
Independent Auditors' Report	1
Combined Balance Sheet	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	3
Notes to Financial Statements	4
COMPLIANCE AND INTERNAL CONTROL SECTION:	
Independent Auditors' Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	7
Independent Auditors' Report on Compliance With Provisions of Laws and Regulations Contained in the <u>Guidelines For Compliance Audits of California Redevelopment Agencies</u>	9
Independent Auditors' Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	11

December 5, 1996

The Board of Directors of the
Agoura Hills Redevelopment Agency

Independent Auditors' Report

We have audited the accompanying general purpose financial statements of the Agoura Hills Redevelopment Agency (Agency), a component unit of the City of Agoura Hills, as of and for the year ended June 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Agency management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 5, 1996 on our consideration of the Agency internal control structure and a report dated December 5, 1996 on its compliance with laws and regulations.

Moreland & Associates

AGOURA HILLS REDEVELOPMENT AGENCY
 Combined Balance Sheet
 Governmental Fund Type and Account Group
 June 30, 1996

	Governmental Fund Type	Account Group	Total
<u>ASSETS</u>	Capital Projects	General Long-Term Debt	(Memorandum Only)
Current:			
Cash in bank (Note 5)	\$ 18,489		\$ 18,489
Amount to be provided for retirement of long-term debt	_____	\$ 10,160,857	10,160,857
Total Assets	\$ 18,489	\$ 10,160,857	\$ 10,179,346
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable (Note 3)	\$ 18,489		\$ 18,489
Advance payable to City of Agoura Hills (Note 4)	_____	\$ 10,160,857	10,160,857
Total Liabilities	18,489	10,160,857	10,179,346
Fund Balance:			
Unreserved	_____	_____	_____
Total Liabilities and Fund Balance	\$ 18,489	\$ 10,160,857	\$ 10,179,346

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
 Statement of Revenues, Expenditures and
 Changes in Fund Balance – Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 1996

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Tax increment (Note 3)	\$ _____	\$ _____	\$ _____
Expenditures:			
Community redevelopment:			
Administration	105,600		105,600
Legal services	15,000		15,000
Professional services	5,000	4,109	891
Capital improvements	843,100		843,100
Total Expenditures	968,700	4,109	964,591
Deficiency of Revenues Over Expenditures	(968,700)	(4,109)	(964,591)
Other Financing Sources:			
Proceeds of long-term debt	968,700	4,109	(964,591)
Fund Balance, Ending	\$ -	\$ -	\$ -

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Funds and Account Groups

The accounting records of the Agoura Hills Redevelopment Agency (Agency) are organized on the basis of a fund and account group as follows:

Governmental Fund Type:

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

Account Group:

The General Long-Term Debt Account Group is used to record the outstanding long-term advances payable to the City.

Basis of Accounting

The governmental fund type is maintained on the modified accrual basis wherein:

Revenues are recorded as received in cash except that revenues which are both measurable and available as a resource to finance operations of the current year are accrued.

Expenditures are recorded on an accrual basis except that (1) disbursements for inventory type items are considered expenditures at the time of purchase, (2) expenditures are not divided between years by the recording of prepaid expenses, and (3) interest on long-term debt is recorded as an expenditure on its due date.

Budgetary Practices

The Agency annually budgets for the Capital Projects Fund.

Agency Financial Reporting

In conformance with GASB Cod. Sec. 2100, "Defining the Financial Reporting Entity", the Agency financial activities will be included with financial activities of the City of Agoura Hills for financial reporting purposes. The Agoura Hills City Council acts as the Board of Directors of the Agency and is able to impose its will on the Agoura Hills Redevelopment Agency, therefore, the City is considered to be the primary government and the Agency is a component unit.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements (Continued)
June 30, 1996

Memorandum Only Totals

Total columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in the total columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. HISTORY AND ORGANIZATION

The Agoura Hills Redevelopment Agency was established March 9, 1988 pursuant to the California Community Redevelopment laws. The primary purpose of the Redevelopment Agency is to address blight conditions that exist within the City's freeway and roadside commercial corridor. The project area consists of approximately 1,041 acres.

3. TAX INCREMENT REVENUES

The Agency's primary source of revenue, other than loans and advances from the City will come from property taxes, referred to in the accompanying financial statements as "tax increment revenue". Property taxes allocated to the Agency will be computed in the following manner:

- (a) The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- (b) Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency. All taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts.

The Agency has no power to levy and collect taxes, and any legislative property tax reduction might correspondingly reduce the amount of tax revenues that would otherwise be available to pay the principal and interest on long-term debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would necessarily increase the amount of tax revenues that would be available to pay principal and interest on long-term debt.

In prior years, the Agency received \$18,489 in tax increment revenue. However, the Agency has been notified that the entire amount is subject to taxpayer refund and hence has been reported as a liability.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements (Continued)
June 30, 1996

4. GENERAL LONG-TERM DEBT ACCOUNT GROUP

The following is a summary of the changes in the General Long-Term Debt Account Group for the year ended June 30, 1996:

	<u>Balance</u> <u>7/1/95</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/96</u>
Long-term advance payable to City of Agoura Hills	<u>\$10,156,748</u>	<u>\$4,109</u>	<u>\$ -</u>	<u>\$10,160,857</u>

The City and the Agency have entered into a reimbursement agreement for services. During the year ended June 30, 1996, the City provided \$4,109 of services and improvements on behalf of the Agency. The cumulative advance outstanding at June 30, 1996 is \$10,160,857. The advance is due to the City upon demand; however, it is expected that the advance will be repaid from future tax increment revenues, or will be forgiven if future tax increments are not sufficient to provide for repayment of the advances.

Interest accrues upon debt only if it is not paid within 30 days of the City demanding repayment and shall accrue at the average daily rate as determined by the Local Agency Investment Fund.

5. CASH IN BANK

Demand Deposits

All demand deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an Agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an Agency's deposits. California law also allows, as an eligible security, first trust deeds having a value of 150% of the total amounts of the deposits. The Agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by federal depository insurance.

Credit Risk

Demand deposits are classified in three categories of credit risk as follows: Category 1 - insured or collateralized with securities held by the Agency or its agent in the Agency's name; Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name; Category 3 - uncollateralized.

Cash in bank of \$18,489 at June 30, 1996 consisted entirely of an insured demand account categorized as credit risk category 1.

December 5, 1996

The Board of Directors of the
Agoura Hills Redevelopment Agency

Independent Auditors' Report on Compliance Based on
an Audit of General Purpose Financial Statements
Performed in Accordance With Government Auditing Standards

We have audited the general purpose financial statements of the Agoura Hills Redevelopment Agency (Agency), a component unit of the City of Agoura Hills, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 5, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors and management of the Agency. However, this report is a matter of public record and its distribution is not limited.

Moreland & Associates

December 5, 1996

The Board of Directors of the
Agoura Hills Redevelopment Agency

Independent Auditors' Report on Compliance
With Provisions of Laws and Regulations Contained in the
Guidelines For Compliance Audits of California Redevelopment Agencies

We have audited the general purpose financial statements of the Agoura Hills Redevelopment Agency (Agency), a component unit of the City of Agoura Hills, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 5, 1996. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Agency's compliance with provisions of laws and regulations contained in the Guidelines For Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, Division of Local Government Fiscal Affairs.

The results of our tests indicated that, with respect to the items tested, the Agency complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe the Agency had not complied, in all material respects, with those provisions. However, the results of our procedures disclosed the following immaterial instances of noncompliance with these provisions.

1. California Health and Safety Code Section 33080 and 33080.1 require an Agency to submit an annual report (which includes an independent financial and compliance audit report) to the State Controller and Board of Directors within six months of the year end. For the year ended June 30, 1996, the Agency did not submit the annual report to the State Controller and Board of Directors within six months of the year end.

2. Pursuant to Health and Safety Code Section 33302 the Agency is required to obtain a letter from the Department of Housing and Community Development stating that their housing element substantially complies with state law. As of the date of this report the Agency had not obtained this letter.

This report is intended for the information of the Board of Directors and management of the Agency and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

Moreland & Associates

December 5, 1996

The Board of Directors of the
Agoura Hills Redevelopment Agency

Independent Auditors' Report on the
Internal Control Structure Based on an Audit of
General Purpose Financial Statements
Performed in Accordance With Government Auditing Standards

We have audited the general purpose financial statements of the Agoura Hills Redevelopment Agency (Agency), a component unit of the City of Agoura Hills, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 5, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

The management of the Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Agency for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing

procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain less significant matters involving the internal control structure of the Agency and its operation that we have reported in a separate letter dated December 5, 1996 to the management of the City of Agoura Hills relating to the City and the Agency.

This report is intended for the information of the Board of Directors and management of the Agency. However, this report is a matter of public record and its distribution is not limited.

Moreland & Associates