

AGOURA HILLS REDEVELOPMENT AGENCY

Annual Financial Report

Year Ended June 30, 1997

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October 23, 1997

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, California as of and for the year ended June 30, 1997, 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 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 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, 1997, 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 October 23, 1997 on our consideration of the Agency internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Moreland & Associates

AGOURA HILLS REDEVELOPMENT AGENCY
 Combined Balance Sheet
 Governmental Fund Type and Account Group
 June 30, 1997

	Governmental Fund Type	Account Group	
ASSETS	Capital Projects	General Long-Term Debt	Total (Memorandum Only)
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
LIABILITIES AND FUND BALANCE			
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
 Capital Projects Fund
 For the Year Ended June 30, 1997

	1997	1996
Revenues:		
Tax increment (Note 3)		
Expenditures:		
Current:		
Community redevelopment:		
Professional services		\$ 4,109
Deficiency of Revenues Over Expenditures		(4,109)
Other Financing Sources:		
Long-term advance from general fund		4,109
Excess of Revenues and Other Financing Sources Over Expenditures		
Fund Balance, July 1		
Fund Balance, June 30	\$ -	\$ -

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 1997

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 an 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 generally adopts an annual budget for the Capital Projects Fund. However, no budget was adapted for the year ended June 30, 1997.

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, 1997

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, 1997

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, 1997:

	<u>Balance</u> <u>July 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1997</u>
Long-term advance payable to City of Agoura Hills	<u>\$10,160,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,160,857</u>

Long-Term Advances Payable

The City and the Agoura Hills Redevelopment Agency have entered into a reimbursement agreement for services. The amounts advanced under this agreement are intended to be repaid from future tax increments. The total \$10,160,857 advance to the Agency has been recorded in the General Long-Term Debt Account Group. The ultimate repayment of this advance is dependent upon the Agency's ability to generate positive tax increment revenues in future years. Accordingly, such repayment is uncertain at this time. In the event that the Agency cannot repay to the City the amounts due to them, the City will forgive the advance. As of June 30, 1997, \$4,526,951 in unpaid and unrecorded interest had accumulated on the amount advanced.

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, 1997 consisted entirely of an insured demand account categorized as credit risk category 1.

October 23, 1997

The Board of Directors of the
Agoura Hills Redevelopment Agency

Independent Auditors' Report on Compliance (Including the Provisions
Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) and
on Internal Control over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

We have audited the accompanying general purpose financial statements of the Agoura Hills Redevelopment Agency, a component unit of the City of Agoura Hills, California, as of and for the year ended June 30, 1997, as listed in the table of contents, and have issued our report thereon dated October 23, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the general purpose financial statements of the Agoura Hills Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, Division of Accounting and Reporting. 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 that are required to be reported under Government Auditing Standards. However, the results of our procedures disclosed immaterial instances of noncompliance with the provisions described in the Guidelines for Compliance Audits of California Redevelopment Agencies, as listed below.

1. 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 the required letter.
2. Pursuant to Health and Safety Code Section 33675, the Agency is required to file with the County auditor a statement of indebtedness as prescribed by the State Controller on or before October 1 of each year. For the year ended June 30, 1997, the Agency did not file the statement of indebtedness before October 1, 1996.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agoura Hills Redevelopment Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City of Agoura Hills in a separate letter dated October 23, 1997 relating to both the City and the Agency.

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

Moreland & Associates