

**AGOURA HILLS REDEVELOPMENT AGENCY**

**Annual Financial Report**

**Year Ended June 30, 2003**

AGOURA HILLS REDEVELOPMENT AGENCY  
Annual Financial Report  
Year Ended June 30, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Notes to Financial Statements	13
Supplementary Information:	
Budgetary Comparison Schedule - Redevelopment Fund Capital Projects Fund	18
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 <u>Government Auditing Standards</u>	19

November 14, 2003

The Board of Directors of the  
Agoura Hills Redevelopment Agency

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund 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, 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV B to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statements Numbers 34 and 38 for the year ended June 30, 2003. This results in a change in the Agency's method of accounting and a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2003, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis identified in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying major fund budgetary comparison schedule listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The major fund budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Mareland & Associates, Inc.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Agoura Hills Redevelopment Agency (RDA), a component unit of the City of Agoura Hills, we offer readers of the RDA's financial statements this narrative overview and analysis of the financial activities of the RDA for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the RDA's first statements issued pursuant to GASB 34, the comparisons to the prior year are not provided on the government-wide financial statements. Comparative data on the government-wide financial statements will be presented in future years.

### FINANCIAL HIGHLIGHTS

- The RDA implemented GASB Statement No. 34, during the fiscal year ended June 30, 2003. The Agency included advances payable in its calculation of net assets as of July 1, 2002. As a result of this change in accounting principles, the net assets of government-wide statement of activities, has been established. The advances represent the City's financial support of Agency costs. The RDA's net assets, as restated \$(9,889,753) increased to \$1,804,814 as a result.
- During the year, the RDA's taxes and other governmental revenues exceeded expenses by \$663,372.
- The total revenues from all sources were \$2,430,397.
- The total cost of all RDA programs was \$1,767,025.
- For the Redevelopment Fund actual resources received exceeded final budget by \$1,525,991 while actual expenditures were \$874,732 more than final budget.
- At the end of the current fiscal year, restricted and unrestricted fund balance for the Agency totaled \$1,804,814.

### USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Agoura Hills RDA's basic financial statements. The RDA's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

**Government-wide Financial Statements** The Government-wide Financial Statements are designed to provide readers with a broad overview of the RDA's financial position, in a manner similar to that of a private-sector business. These statements are reported using the accrual basis of accounting. Thus, revenues and expenses are reported regardless of when cash is received or paid. One of the most important questions asked about the RDA's finances is, "Is the RDA as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the RDA as a whole and about its activities in a way that helps answer this question.

The Government-wide Financial Statements separate Governmental Activities that are principally supported by taxes and revenues from other agencies. The Governmental Activities of the RDA include Special Revenue, Debt Service and Capital Projects.

The Statement of Net Assets presents information on all of the RDA's assets and liabilities; the difference between the two is reported as net assets. Evaluating increases or decreases in net assets over time will serve as a useful indicator of where the financial position of the RDA is improving or declining.

**Fund Financial Statements.** The fund financial statements provide detail about the most significant funds-not the RDA as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The RDA, like other state and local governments, use fund accounting to demonstrate compliance with finance-related legal requirements.

**Governmental Funds** (General Fund, Special Revenue, Debt Service and Capital Projects Funds) are used to account for the same functions reported as Governmental Activities in the Government-wide Financial Statements. However, unlike Government-wide Financial Statements, Fund Financial Statements focus on short-term inflows and outflows of available resources. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. This information may be useful in evaluating the RDA's short-term financing requirements.

The focus of the Fund Financial Statements is narrower than that of the Government-wide Financial Statements. The various fund Balance Sheets and the Statement of Revenues, Expenditures, and Changes in Fund Balances, require a reconciliation to facilitate the comparison between fund statements and Government-wide Financial Statements, which are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting.

**Notes to the Financial Statements.** The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summaries of net assets and of changes in net assets are presented for the current year only as opposed to also presenting a comparison with the prior year since, as permitted by generally accepted accounting principles, the RDA has not restated the fiscal year 2001-02 financial statements. The fiscal year 2003-04 report will include comparative data.

Table 1  
Net Assets

	Governmental Activities <u>2003</u>
Assets:	
Current and other assets	<u>\$1,814,308</u>
Liabilities:	
Current liabilities	<u>9,494</u>
Net assets:	
Restricted for housing	1,067,488
Unrestricted	<u>737,326</u>
Total Net Assets	<u>\$1,804,814</u>

The RDA's assets exceeded liabilities by \$1,804,814 at June 30, 2003.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003</u>
Revenues – General Revenues	
Taxes	\$ 2,405,365
Use of money and property	<u>25,032</u>
Total Revenues	<u>2,430,397</u>
Expenses	
Community services	(225,138)
Pass thru to other agencies	<u>(1,541,887)</u>
Total Expenses	<u>(1,767,025)</u>
Increase in net assets before transfer	663,372
Transfers from City	<u>11,031,195</u>
Change in net assets	<u>11,694,567</u>
Net assets at beginning of year, as restated	<u>(9,889,753)</u>
Net assets at end of year	<u>\$ 1,804,814</u>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the RDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the RDA's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the RDA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the RDA's governmental funds reported combined ending fund balances of \$1,804,814. The unrestricted fund balance of \$737,326 can be used for capital projects within the redevelopment project area. The restricted fund balance of 1,067,488 is reserved for low and moderate income housing and related expenditures.

The Agency exists to finance improvements to the commercial environment, upgrade residential neighborhoods and provide new public improvements. Often these activities do not result in a residual asset, but rather underwrite the cost of a development activity deemed beneficial in meeting the Agency's objectives. A net asset can reflect the debt obligation to be repaid through future tax revenues, without an offsetting asset. This is considered the routine functioning of such an entity.



The City's general fund loaned the Redevelopment Agency funds to finance various programs in accordance with budgetary authorizations. The repayment of this transfer is based on 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 the loan, the City will forgive the advance.

Earlier this year the City Council authorized the preparation of an Affordable Housing Opportunities Study to recommend programs to address the goals as well as our obligation towards the housing needs. The study identifies several effective housing assistance mechanisms that can be used to leverage the RDA's available resources in order to make housing attainable for low and moderate-income households. State Law requires the RDA to make adequate provisions of housing for existing and projected needs of low and moderate income levels of the community. The study includes various on-going affordable housing financing programs that are available to the Agency. The 20% Housing Set Aside fund balance increased \$496,624 for FY 2002/03.

## **DEBT ADMINISTRATION**

### **Long-term debt**

At the end of the current fiscal year, the RDA had total debt of advances from the City of Agoura Hills of \$11,031,195. The City and the Agency entered into a reimbursement agreement for services in September of 1993. In FY 2002-03, the City estimated that it will not be able to repay the entire advance from available future revenues.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 30001 Ladyface Court, Agoura Hills, CA 91301.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Statement of Net Assets**  
**June 30, 2003**

ASSETS	<u>Governmental Activities</u>
Cash and investments	\$ 1,745,520
Interest receivable	7,169
Due from other governments	<u>61,619</u>
Total assets	<u>1,814,308</u>
<b>LIABILITIES</b>	
Accounts payable	<u>9,494</u>
<b>NET ASSETS</b>	
Restricted for low/moderate income housing	1,067,488
Unrestricted	<u>737,326</u>
Total net assets	<u><u>\$ 1,804,814</u></u>

See Accompanying Notes to Financial Statements.

**CITY OF AGOURA HILLS**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<u>Functions/Programs</u>					
Governmental activities:					
Community development	\$ 225,138			\$ (225,138)	
Pass through to other agencies	1,541,887			(1,541,887)	
Total governmental activities	<u>\$ 1,767,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,767,025)</u>
General revenues:					
Taxes				2,405,365	
Use of money and property				25,032	
Transfers from City				11,031,195	
Total general revenues and transfers				13,461,592	
Change in net assets				11,694,567	
Net assets at beginning of year, as restated				(9,889,753)	
Net assets at end of year				\$ 1,804,814	

See Accompanying Notes to Financial Statements.

**AGOURA HILLS REDEVELOPMENT AGENCY**

**Balance Sheet  
Governmental Funds  
June 30, 2003**

ASSETS	Capital Projects		Total Governmental Funds
	Set-Aside Fund	Redevelopment Fund	
Cash and investments	\$ 1,024,786	\$ 720,734	\$ 1,745,520
Interest receivable	4,387	2,782	7,169
Due from other governments	38,315	23,304	61,619
<b>Total assets</b>	<b>\$ 1,067,488</b>	<b>\$ 746,820</b>	<b>\$ 1,814,308</b>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable		\$ 9,494	\$ 9,494
Fund balances:			
Reserved for low/moderate income housing	\$ 1,067,488		1,067,488
Unreserved, undesignated		737,326	737,326
<b>Total fund balances</b>	<b>1,067,488</b>	<b>737,326</b>	<b>1,804,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,067,488</b>	<b>\$ 746,820</b>	<b>\$ 1,814,308</b>

See Accompanying Notes to Financial Statements.

**AGOORA HILLS REDEVELOPMENT AGENCY**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2003**

	Capital Projects		Total Governmental Funds
	Set-Aside Fund	Redevelopment Fund	
Revenues:			
Tax increment		\$ 2,405,365	\$ 2,405,365
Use of money and property	\$ 15,551	9,481	25,032
Total revenues	<u>15,551</u>	<u>2,414,846</u>	<u>2,430,397</u>
Expenditures:			
Current:			
Pass through to other agencies		1,541,887	1,541,887
Community development		225,138	225,138
Total expenditures		<u>1,767,025</u>	<u>1,767,025</u>
Excess of revenues over expenditures	<u>15,551</u>	<u>647,821</u>	<u>663,372</u>
Other financing sources (uses):			
Transfers in	481,073		481,073
Transfers out		(481,073)	(481,073)
Transfers from City		11,031,195	11,031,195
Total other financing sources (uses)	<u>481,073</u>	<u>10,550,122</u>	<u>11,031,195</u>
Net change in fund balances	496,624	11,197,943	11,694,567
Fund balances, beginning, as restated	<u>570,864</u>	<u>(10,460,617)</u>	<u>(9,889,753)</u>
Fund balances, ending	<u>\$ 1,067,488</u>	<u>\$ 737,326</u>	<u>\$ 1,804,814</u>

See Accompanying Notes to Financial Statements.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**June 30, 2003**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Agoura Hills Redevelopment Agency.

A. Reporting Entity- Agoura Hills Redevelopment Agency

The Agoura Hills Redevelopment Agency (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.

The Agency is a component unit of the City and, accordingly, is included in the City's basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Agoura Hills Redevelopment Agency. For the most part, the effect of interfund activity has been eliminated from these statements.

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 charges for services and 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting

The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis, revenue from property taxes is recognized in the fiscal year from which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year from which all eligibility requirements have been satisfied.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2003**

Governmental fund statements are reported using the modified accrual basis of accounting wherein revenues are recognized as soon as they are both measurable and available. The primary revenue sources susceptible to accrual are property taxes, investment income and capital project financing sources. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then use unrestricted resources as needed.

The Agency reports the following major governmental funds:

The Redevelopment Set-Aside Capital Projects Fund is used to account for the 20% portion of the Agency's tax increment revenue and other revenue sources that are required to be set aside for low and moderate income housing and related expenditures.

The Redevelopment Capital Projects Fund is used to account for financial resources segregated for the acquisition and rehabilitation of capital projects within the redevelopment project area.

**II. STEWARSHIP, COMPLIANCE, AND ACCOUNTIBILITY**

Budgetary Practices

A. The Agency adopts an annual budget for the Redevelopment Capital Projects Fund on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2003, the Redevelopment Capital Projects Fund expenditures exceeded final budget estimates as summarized below.

	Final Budget	Expenditures	Expenditures Over Budget
Pass through to other agencies	\$ 669,771	\$ 1,541,887	\$ 872,116
Community development	222,522	225,138	2,616

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2003**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments at June 30, 2003 consisted of the following:

Pooled Deposits:

Equity in City deposit pool <sup>(1)</sup>	\$ 195,665
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Investments:

Pooled:

Local agency investment fund <sup>(1)</sup> <sup>(2)</sup>	<u>1,549,855</u>
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Total Cash and Investments	<u><u>\$ 1,745,520</u></u>
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<sup>(1)</sup> Not subject to categorization.

<sup>(2)</sup> The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF), that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Pooled Cash and Investments:

The cash balances of the Agency are pooled with the other funds of the City. The Agency pools its cash and investments of all funds with the City Treasurer for investing.

**B. Transfers**

The following is a summary of transfers for the year ended June 30, 2003:

	Transfers In	
	Housing Set-Aside Fund	Redevelopment Fund
Transfers Out:		
Redevelopment Agency Fund	\$481,073	
City of Agoura Hills		\$11,031,195



**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2003**

The Redevelopment Agency Fund transferred funds to the Housing Set-Aside Fund equal to the 20% of taxes to be used to improve and preserve low and moderate income housing programs in accordance with budgetary authorizations. The transfer from the City to the Redevelopment Funds represents the City's financial support of agency costs. \$10,835,530 represents the support through June 30, 2002 with \$195,665 representing support during the year ended June 30, 2003.

Advance from City of Agoura Hills

The following is a summary of changes in advances:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Advances				
payable	\$10,835,530	\$ -	\$10,835,530	\$ -

The City and the Agency entered into a reimbursement agreement for services. In FY 2002-03, the City estimated that it will not be able to repay the entire advance from available future revenues. Therefore, the balance at July 1, 2003 has been reported as a transfer in the current year.

**IV. OTHER INFORMATION**

**A. Tax increment revenue**

The Agency's primary source of revenue is 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.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2003**

**B. Changes in Accounting Policy**

The Agency implemented GASB Statement No.34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the fiscal year ended June 30, 2003. As part of this implementation, the Agency included advances payable in its calculation of net assets as of July 1, 2002.

As a result of this change in accounting principle, the net assets of government-wide statement of activities, has been established, as shown below.

	Capital Projects Redevelopment Fund	Governmental Activities
Beginning fund balance, July 1, 2002	\$ 374,913	\$ 945,777
Advances from City of Agoura Hills, previously reported as general long-term debt	(10,835,530)	(10,835,530)
Beginning fund balance and net assets, July 1, 2002	\$ (10,460,617)	\$ (9,889,753)

**C. Commitment**

The advances represent the City's financial support of Agency costs. The \$10,835,530 represents the support through June 30, 2002, net of interest of \$8,441,743 that had been accrued but not recorded as advances. The balance of the advance at June 30, 2003 is \$11,031,195, plus accumulated accrued interest (compounded at the average daily rate as determined by the Local Agency Investment Fund) of \$8,879,839.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Budgetary Comparison Schedule**  
**Redevelopment Fund Capital Projects Fund**  
**For the Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Tax increment	\$ 883,855	\$ 883,855	\$ 2,405,365	\$ 1,521,510
Use of money and property	5,000	5,000	9,481	4,481
<b>Total revenues</b>	<b>888,855</b>	<b>888,855</b>	<b>2,414,846</b>	<b>1,525,991</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Pass through to other agencies	669,771	669,771	1,541,887	(872,116)
Community development	222,522	222,522	225,138	(2,616)
<b>Total expenditures</b>	<b>892,293</b>	<b>892,293</b>	<b>1,767,025</b>	<b>(874,732)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,438)</b>	<b>(3,438)</b>	<b>647,821</b>	<b>651,259</b>
<b>Other financing sources (uses):</b>				
Transfers from City		11,058,052	11,031,195	(26,857)
Transfers out	(176,771)	(176,771)	(481,073)	(304,302)
<b>Total other financing sources (uses):</b>	<b>(176,771)</b>	<b>10,881,281</b>	<b>10,550,122</b>	<b>(331,159)</b>
<b>Net change in fund balance</b>	<b>(180,209)</b>	<b>10,877,843</b>	<b>11,197,943</b>	<b>320,100</b>
<b>Fund balance</b>				
beginning of year, as restated	374,913	(10,460,617)	(10,460,617)	
<b>Fund balance, ending of year</b>	<b>\$ 194,704</b>	<b>\$ 417,226</b>	<b>\$ 737,326</b>	<b>\$ 320,100</b>

November 14, 2003

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 financial statements of the governmental activities and each major fund 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, 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon November 14, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the basic 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.

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 opinions on the basic 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.

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 and is not intended to be and should not be used by anyone other than these specified parties.

*Moreland & Associates, Inc.*