

**AGOURA HILLS REDEVELOPMENT AGENCY**

**Annual Financial Report**

**Year Ended June 30, 2005**

AGOURA HILLS REDEVELOPMENT AGENCY  
Annual Financial Report  
Year Ended June 30, 2005

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September 23, 2005

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, 2005, 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 management. 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 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, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2005, 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, grant agreements and other matters. 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 Agency has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the basic financial statements.

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.

1 *Moreland & Associates, Inc.*

AGOURA HILLS REDEVELOPMENT AGENCY  
Statement of Net Assets  
June 30, 2005

| <u>ASSETS</u>                              | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Cash and investments                       | \$ 2,669,330                       |
| Interest receivable                        | 17,554                             |
| Deferred loan                              | 225,900                            |
| Prepaid expenses                           | 55,853                             |
| Due from other governments                 | <u>113,538</u>                     |
| Total assets                               | <u>3,082,175</u>                   |
| <u>LIABILITIES</u>                         |                                    |
| Accounts payable                           | <u>408,624</u>                     |
| <u>NET ASSETS</u>                          |                                    |
| Restricted for low/moderate income housing | 1,667,330                          |
| Unrestricted                               | <u>1,006,221</u>                   |
| Total net assets                           | <u><u>\$ 2,673,551</u></u>         |

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY  
Statement of Activities  
Year Ended June 30, 2005

|   | <u>Expenses</u>            | <u>Net (Expense)<br/>Revenue<br/>and Changes<br/>in Net Assets<br/>Total<br/>Governmental<br/>Activities</u> |
|---|----------------------------|--|
| <b>Functions/Programs</b>                   |                            |  |
| <b>Governmental activities:</b>             |                            |  |
| Community development                       | \$ 3,512,171               | \$ (3,512,171)   |
| Pass through to other agencies              | <u>1,670,375</u>           | <u>(1,670,375)</u>   |
| <b>Total governmental activities</b>        | <u><u>\$ 5,182,546</u></u> | <u><u>(5,182,546)</u></u>  |
| <br>  |                            |  |
| <b>General revenues:</b>                    |                            |  |
| Taxes                                       |                            | 2,178,196  |
| Use of money and property                   |                            | 52,238   |
| Transfers from City                         |                            | <u>3,411,073</u>   |
| <b>Total general revenues and transfers</b> |                            | <u>5,641,507</u>   |
| Change in net assets                        |                            | 458,961  |
| Net assets, beginning                       |                            | <u>2,214,590</u>   |
| Net assets, ending                          |                            | <u><u>\$ 2,673,551</u></u>   |

See Accompanying Notes to Financial Statements.

**AGOURA HILLS REDEVELOPMENT AGENCY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

| <u>ASSETS</u>                               | <u>Capital Projects</u>   |                               | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------------|-------------------------------|---|
|   | <u>Set-Aside<br/>Fund</u> | <u>Redevelopment<br/>Fund</u> |   |
| Cash and investments                        | \$ 1,416,908              | \$ 1,252,422                  | \$ 2,669,330                            |
| Interest receivable                         | 10,897                    | 6,657                         | 17,554                                  |
| Deferred loan                               | 225,900                   |                               | 225,900                                 |
| Prepaid expenses                            |                           | 55,853                        | 55,853                                  |
| Due from other governments                  | 17,012                    | 96,526                        | 113,538                                 |
| <br>Total assets                            | <br><u>\$ 1,670,717</u>   | <br><u>\$ 1,411,458</u>       | <br><u>\$ 3,082,175</u>                 |
| <br><u>LIABILITIES</u>                      |                           |                               |   |
| Liabilities:                                |                           |                               |   |
| Accounts payable                            | <u>\$ 3,387</u>           | <u>\$ 405,237</u>             | <u>\$ 408,624</u>                       |
| Fund balances:                              |                           |                               |   |
| Reserved for low/moderate<br>income housing | <u>\$ 1,667,330</u>       |                               | <u>1,667,330</u>                        |
| Unreserved, undesignated                    |                           | <u>1,006,221</u>              | <u>1,006,221</u>                        |
| <br>Total fund balances                     | <br><u>1,667,330</u>      | <br><u>1,006,221</u>          | <br><u>2,673,551</u>                    |
| <br>Total liabilities and fund balances     | <br><u>\$ 1,670,717</u>   | <br><u>\$ 1,411,458</u>       | <br><u>\$ 3,082,175</u>                 |

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2005

|  | Capital Projects    |                       | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------|--------------------------------|
|  | Set-Aside<br>Fund   | Redevelopment<br>Fund |                                |
| <b>Revenues:</b>   |                     |                       |                                |
| Tax increment  |                     | \$ 2,178,196          | \$ 2,178,196                   |
| Use of money and property                                    | \$ 32,921           | 19,317                | 52,238                         |
| <b>Total revenues</b>  | <u>32,921</u>       | <u>2,197,513</u>      | <u>2,230,434</u>               |
| <b>Expenditures:</b>   |                     |                       |                                |
| Current:   |                     |                       |                                |
| Pass through to other agencies                               |                     | 1,670,375             | 1,670,375                      |
| Community development  | 105,926             | 315,607               | 421,533                        |
| Capital outlay   |                     | 3,090,638             | 3,090,638                      |
| <b>Total expenditures</b>                                    | <u>105,926</u>      | <u>5,076,620</u>      | <u>5,182,546</u>               |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>(73,005)</u>     | <u>(2,879,107)</u>    | <u>(2,952,112)</u>             |
| <b>Other financing sources (uses):</b>                       |                     |                       |                                |
| Transfers in   | 398,340             |                       | 398,340                        |
| Transfers out  |                     | (398,340)             | (398,340)                      |
| Transfers from City  |                     | 3,411,073             | 3,411,073                      |
| <b>Total other financing sources (uses)</b>                  | <u>398,340</u>      | <u>3,012,733</u>      | <u>3,411,073</u>               |
| <b>Net change in fund balances</b>                           | 325,335             | 133,626               | 458,961                        |
| <b>Fund balances, beginning</b>                              | <u>1,341,995</u>    | <u>872,595</u>        | <u>2,214,590</u>               |
| <b>Fund balances, ending</b>                                 | <u>\$ 1,667,330</u> | <u>\$ 1,006,221</u>   | <u>\$ 2,673,551</u>            |

See Accompanying Notes to Financial Statements.

# AGOURA HILLS REDEVELOPMENT AGENCY

## Notes to Financial Statements

June 30, 2005

### 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 blended component unit of the City of Agoura Hills (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 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, 2005

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

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.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments at June 30, 2005 consisted of the following:

Investments:

Pooled:

Local agency investment fund \$ 2,669,330

AGOURA HILLS REDEVELOPMENT AGENCY  
Notes to Financial Statements (Continued)  
June 30, 2005

Investments Authorized by the California Government Code and the Agency's investment Policy:

The Agency's investment policy authorizes investment in all investments authorized under provisions of California Government Code Section 53601.

Investments Authorized by Debt Agreements

Investment 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 Agency's investment policy. The Agency is authorized to invest in Money Market Funds.

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. As of the year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 5.5 months.

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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's policy do not contain

**AGOURA HILLS REDEVELOPMENT AGENCY**

Notes to Financial Statements (Continued)

June 30, 2005

legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

**Investment in State Investment Pool**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The book 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.

**B. Transfers**

The following is a summary of transfers for the year ended June 30, 2005:

|                      | Transfers In              |                       |
|----------------------|---------------------------|-----------------------|
|                      | Housing<br>Set-Aside Fund | Redevelopment<br>Fund |
| Transfers Out:       |                           |                       |
| Redevelopment Fund   | \$398,340                 |                       |
| City of Agoura Hills |                           | \$3,411,073           |

The Redevelopment 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.

AGOURA HILLS REDEVELOPMENT AGENCY  
Notes to Financial Statements (Continued)  
June 30, 2005

IV. OTHER INFORMATION

A. Redevelopment Set-Aside Loans

During the year the Redevelopment Agency participated in a housing rehabilitation loan program, and a first time home buyer program, with Redevelopment Set – Aside funds. The housing rehabilitation loan program offers qualified applicants a loan amount up to \$20,000 which is due to the Agency upon the sale or refinancing of the property. The first time homebuyer program offers qualified applicants up to \$85,000 which is due upon sale or refinancing of the property. As of June 30, 2005, the Agency has outstanding loans in the amount of \$140,900 for rehabilitation loans, and \$85,000 for first time homebuyer loans. The Agency records these loans as deferred loans in the fund.

B. 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.

C. Commitment

The City and the Agency entered into a reimbursement agreement for services. The City estimated the Agency will be unable to pay the entire advance from available future revenues. Therefore, the additions to the advances have been reported as transfers. The balance of advances from the City at June 30, 2005 was \$14,965,379.

**AGOURA HILLS REDEVELOPMENT AGENCY**  
**Budgetary Comparison Schedule**  
**Redevelopment Fund Capital Projects Fund**  
**Year Ended June 30, 2005**

|  | Budgeted Amounts   |                    | Actual              | Variance               |
|--|--------------------|--------------------|---------------------|------------------------|
|  | Original           | Final              |                     | Positive<br>(Negative) |
| <b>Revenues:</b>   |                    |                    |                     |                        |
| Tax increment  | \$ 1,920,207       | \$ 1,920,207       | \$ 2,178,196        | \$ 257,989             |
| Use of money and property                                | 10,000             | 10,000             | 19,317              | 9,317                  |
| <b>Total revenues</b>                                    | <u>1,930,207</u>   | <u>1,930,207</u>   | <u>2,197,513</u>    | <u>267,306</u>         |
| <b>Expenditures:</b>                                     |                    |                    |                     |                        |
| Current:   |                    |                    |                     |                        |
| Pass through to other agencies                           | 1,467,018          | 1,467,018          | 1,670,375           | (203,357)              |
| Community development                                    | 342,308            | 342,308            | 315,607             | 26,701                 |
| Capital outlay   | 3,200,000          | 3,200,000          | 3,090,638           | 109,362                |
| <b>Total expenditures</b>                                | <u>5,009,326</u>   | <u>5,009,326</u>   | <u>5,076,620</u>    | <u>(67,294)</u>        |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>(3,079,119)</u> | <u>(3,079,119)</u> | <u>(2,879,107)</u>  | <u>200,012</u>         |
| <b>Other financing sources (uses):</b>                   |                    |                    |                     |                        |
| Transfers from City                                      | 3,411,073          | 3,411,073          | 3,411,073           |                        |
| Transfers out  | (384,041)          | (384,041)          | (398,340)           | (14,299)               |
| <b>Total other financing sources (uses)</b>              | <u>3,027,032</u>   | <u>3,027,032</u>   | <u>3,012,733</u>    | <u>(14,299)</u>        |
| <b>Net change in fund balance</b>                        | (52,087)           | (52,087)           | 133,626             | 185,713                |
| <b>Fund balance, beginning of year</b>                   | <u>872,595</u>     | <u>872,595</u>     | <u>872,595</u>      |                        |
| <b>Fund balance, ending of year</b>                      | <u>\$ 820,508</u>  | <u>\$ 820,508</u>  | <u>\$ 1,006,221</u> | <u>\$ 185,713</u>      |

September 23, 2005

The Board of Directors of the  
Agoura Hills Redevelopment Agency

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance (Including the Provisions Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) and Other Matters 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, a component unit of the City of Agoura Hills, California as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 23, 2005. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

## Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

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.

*Marsland + Associates, Inc.*