

AGOURA HILLS REDEVELOPMENT AGENCY

Annual Financial Report

Year Ended June 30, 2007

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Year Ended June 30, 2007

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November 7, 2007

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, 2007, 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, 2007, 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 November 7, 2007, 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 considered in assessing 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.

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AGOURA HILLS REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2007

| <u>Assets</u> | <u>Governmental Activities</u> |
|--|------------------------------------|
| Cash and investments | \$ 4,853,401 |
| Interest receivable | 33,827 |
| Deferred loans | 256,925 |
| Due from other governments | <u>410,911</u> |
| Total Assets | <u>5,555,064</u> |
| <u>Liabilities</u> | |
| Accounts payable | 951,416 |
| Unearned revenue | <u>60,000</u> |
| Total Liabilities | <u>1,011,416</u> |
| <u>Net Assets</u> | |
| Restricted for low/moderate income housing | 3,048,260 |
| Unrestricted | <u>1,495,388</u> |
| Total Net Assets | <u>\$ 4,543,648</u> |

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
Statement of Activities
Year Ended June 30, 2007

| | <u>Expenses</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> Total Governmental Activities |
|---|---------------------|---|
| Functions/Programs | | |
| Governmental Activities: | | |
| Community development | \$ 4,032,934 | \$ (4,032,934) |
| Pass through to other agencies | <u>2,752,105</u> | <u>(2,752,105)</u> |
| Total Governmental Activities | <u>\$ 6,785,039</u> | <u>(6,785,039)</u> |
| General revenues: | | |
| Taxes | | 3,952,821 |
| Use of money and property | | 129,342 |
| Transfers from City | | <u>3,654,690</u> |
| Total General Revenues and Transfers | | <u>7,736,853</u> |
| Change in Net Assets | | 951,814 |
| Net Assets, Beginning of Year | | <u>3,591,834</u> |
| Net Assets, End of Year | | <u>\$ 4,543,648</u> |

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
Balance Sheet
Governmental Funds
June 30, 2007

| <u>Assets</u> | <u>Capital Projects</u> | | <u>Total Governmental Funds</u> |
|---|---------------------------|-------------------------------|---|
| | <u>Set-Aside Fund</u> | <u>Redevelopment Fund</u> | |
| Cash and investments | \$ 2,625,459 | \$ 2,227,942 | \$ 4,853,401 |
| Interest receivable | 33,827 | | 33,827 |
| Deferred loans | 256,925 | | 256,925 |
| Due from other governments | 194,887 | 216,024 | 410,911 |
| | | | |
| Total Assets | <u>\$ 3,111,098</u> | <u>\$ 2,443,966</u> | <u>\$ 5,555,064</u> |
| | | | |
| <u>Liabilities</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 2,838 | \$ 948,578 | \$ 951,416 |
| Deferred revenue | 60,000 | | 60,000 |
| | | | |
| Total Liabilities | <u>62,838</u> | <u>948,578</u> | <u>1,011,416</u> |
| | | | |
| Fund Balances: | | | |
| Reserved for low/moderate income housing | 3,048,260 | | 3,048,260 |
| Unreserved, undesignated | | 1,495,388 | 1,495,388 |
| | | | |
| Total Fund Balances | <u>3,048,260</u> | <u>1,495,388</u> | <u>4,543,648</u> |
| | | | |
| Total Liabilities and Fund Balances | <u>\$ 3,111,098</u> | <u>\$ 2,443,966</u> | <u>\$ 5,555,064</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, 2007

| | <u>Capital Projects</u> | | <u>Total Governmental Funds</u> |
|--|---------------------------|-------------------------------|---|
| | <u>Set-Aside Fund</u> | <u>Redevelopment Fund</u> | |
| Revenues: | | | |
| Tax increment | | \$ 3,952,821 | \$ 3,952,821 |
| Use of money and property | \$ 119,929 | 9,413 | 129,342 |
| Total Revenues | <u>119,929</u> | <u>3,962,234</u> | <u>4,082,163</u> |
| Expenditures: | | | |
| Current: | | | |
| Pass through to other agencies | 30,530 | 2,721,575 | 2,752,105 |
| Community development | 144,543 | 298,062 | 442,605 |
| Public works | | 23,407 | 23,407 |
| Capital outlay | | 3,566,922 | 3,566,922 |
| Total Expenditures | <u>175,073</u> | <u>6,609,966</u> | <u>6,785,039</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(55,144)</u> | <u>(2,647,732)</u> | <u>(2,702,876)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 790,564 | | 790,564 |
| Transfers out | | (790,564) | (790,564) |
| Transfers from City | | 3,654,690 | 3,654,690 |
| Total Other Financing Sources (Uses) | <u>790,564</u> | <u>2,864,126</u> | <u>3,654,690</u> |
| Net Change in Fund Balances | 735,420 | 216,394 | 951,814 |
| Fund Balances, Beginning of Year | <u>2,312,840</u> | <u>1,278,994</u> | <u>3,591,834</u> |
| Fund Balances, End of Year | <u>\$ 3,048,260</u> | <u>\$ 1,495,388</u> | <u>\$ 4,543,648</u> |

See Accompanying Notes to Financial Statements.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2007

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, 2006

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, 2007 consisted of the following:

| | |
|-----------|---------------------|
| City Pool | <u>\$ 4,853,401</u> |
|-----------|---------------------|

The Agency's portion of available cash is not identifiable. The Agency pools its available cash with the City for investment purposes. See the City's basic financial statements for the year ended June 30, 2007, for additional disclosure on cash and investments.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements (Continued)
June 30, 2006

B. Transfers

The following is a summary of transfers for the year ended June 30, 2007:

| | Transfers In | |
|----------------------|---------------------------|-----------------------|
| | Housing Set-Aside Fund | Redevelopment Fund |
| Transfers Out: | | |
| Redevelopment Fund | \$790,564 | |
| City of Agoura Hills | | \$3,654,690 |

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. \$524,550 of the transfer from City relate to an increase in advances, see Note IV C.

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 \$85,900 which is due upon sale or refinancing of the property. As of June 30, 2007, the Agency has outstanding loans in the amount of \$171,025 for rehabilitation loans, and \$85,900 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.

AGOURA HILLS REDEVELOPMENT AGENCY
Notes to Financial Statements (Continued)
June 30, 2006

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 of \$524,550 have been reported as transfers. The balance of advances from the City at June 30, 2007 was \$16,414,328.

AGOURA HILLS REDEVELOPMENT AGENCY
Budgetary Comparison Schedule
Redevelopment Capital Projects Fund
Year Ended June 30, 2007

| | <u>Budgeted Amount</u> Final | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------------------|---------------------|---|
| Revenues: | | | |
| Tax increment | \$ 2,292,910 | \$ 3,952,821 | \$ 1,659,911 |
| Use of money and property | 10,000 | 9,413 | (587) |
| Total Revenues | <u>2,302,910</u> | <u>3,962,234</u> | <u>1,659,324</u> |
| Expenditures: | | | |
| Current: | | | |
| Pass through to other agencies | 1,650,790 | 2,721,575 | (1,070,785) |
| Community development | 361,228 | 298,062 | 63,166 |
| Public works | 36,387 | 23,407 | 12,980 |
| Capital outlay | 8,196,500 | 3,566,922 | 4,629,578 |
| Total Expenditures | <u>10,244,905</u> | <u>6,609,966</u> | <u>3,634,939</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(7,941,995)</u> | <u>(2,647,732)</u> | <u>5,294,263</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from City | | 3,654,690 | 3,654,690 |
| Transfers out | (458,582) | (790,564) | (331,982) |
| Total Other Financing Sources (Uses) | <u>(458,582)</u> | <u>2,864,126</u> | <u>3,322,708</u> |
| Net Change in Fund Balances | <u>(8,400,577)</u> | <u>216,394</u> | <u>8,616,971</u> |
| Fund Balances, Beginning of Year | <u>1,278,994</u> | <u>1,278,994</u> | |
| Fund Balances, End of Year | <u>\$ (7,121,583)</u> | <u>\$ 1,495,388</u> | <u>\$ 8,616,971</u> |

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November 7, 2007

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, 2007, which collectively comprise the Agency's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, management and others within 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.

Mareland & Associates, Inc.