

## REPORT TO CITY COUNCIL

**DATE:** JANUARY 8, 2014  
**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**FROM:** GREG RAMIREZ, CITY MANAGER *hat For G.R.*  
**BY:** CHRISTY PINUELAS, DIRECTOR OF FINANCE *CP*  
**SUBJECT:** RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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The citywide annual audit was performed by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, for the FY 2012-13. All reports and letters have been attached for your review.

The Finance Committee met prior to the City Council meeting to review the information with the auditors. The audit information is presented to the City Council as a receive and file item and no further action is required.

### RECOMMENDATION

It is recommended the City Council receive and file the 2012-13 Comprehensive Annual Financial Report.

Attachments: Letters (3) from Vavrinek, Trine, Day & Co., LLP  
2012-13 Comprehensive Annual Financial Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable City Council of  
The City of Agoura Hills, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Agoura Hills, California, (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 17, 2013. As described in our report, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements 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. However, providing an opinion on compliance 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinch, Train, Dwyer & Co., LLP*

Rancho Cucamonga, California  
December 17, 2013



**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES  
APPLIED TO APPROPRIATIONS LIMIT CALCULATION**

The Honorable City Council of  
The City of Agoura Hills, California

We have applied the procedures enumerated below to the Appropriations Limit calculation of the City of Agoura Hills, California (City) prepared during the year ended June 30, 2013. These procedures, which were agreed to by the City were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. City management is responsible for the Appropriations Limit calculation. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets and compared the 2012-2013 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

**Finding:** No exceptions were noted in comparing the appropriations limit, annual adjustment factors and population and inflation factors used in the worksheets to the limit and factors adopted in the resolution. However, as noted in Procedure #3, the City utilized a prior year limit based upon a population change factor of 0.77 where the factor reported by the Department of Finance was 0.25 for the City.

2. We added last year's limit to the total adjustments and compared the resulting amount to this year's limit.

**Finding:** No exceptions were noted as a result of our procedures. However, as noted in Procedure #3, the City utilized a prior year limit based upon a population change factor of 0.77 where the factor reported by the Department of Finance was 0.25 for the City. This resulted in a calculated limit in the current year of \$14,081,015 rather than \$14,008,353. The resulting Council adopted limit was \$72,663 greater than the calculated limit. The budgeted appropriations were less than both the Council adopted limit and the re-calculated limit.

3. We compared the current year information to the worksheets described in No. 1 above.

**Finding:** The prior year balance utilized by the City was based upon a population change factor of 0.77 where the factor reported by the Department of Finance was 0.25 for the City. This resulted in a calculated limit in the prior year of \$13,541,010 rather than \$13,471,135. Utilizing the greater baseline in the current year resulted in a Council adopted limit that was \$72,663 greater than the calculated limit. The budgeted appropriations were less than both the Council adopted limit and the re-calculated limit.

4. We compared the prior year appropriations limit to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the use of the City Council and management of the City of Agoura Hills, California and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrich, Train, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2013



The Honorable City Council of  
The City of Agoura Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Agoura Hills (City) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The depreciation of capital assets for which useful lives are estimated.
- The other post-employment benefit actuarial accrued liability, net OPEB liability and annual required contributions, prepared by the City's actuary.
- The fair market values of investments.
- The allowance established for amounts due from the Successor Agency.
- The allowance established for the land held for resale for the Successor Agency.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The City has recorded advances to the Successor Agency which the California Department of Finance has denied. This item has been disclosed in Note 4(f) Advances to Successor Agency. The City has recorded an allowance for doubtful accounts in the amount of \$31,158,769.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Misstatements detected as a result of audit procedures and corrected by management include reducing the recorded value of land held for resale in the Redevelopment Successor Agency Private Purpose Trust by \$1,262,618 to reflect the lower of cost or fair value.

Uncorrected misstatements of the financial statements include an overstatement to the pooled cash and investments of \$105,537. This difference is attributed to the exclusion of the net investment premium in computing the difference between book value and fair value. Management has determined that its effect is immaterial to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation

to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City Council and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

*Vannich, Train, Day & Co, LLP*

Rancho Cucamonga, California  
December 17, 2013



# CITY OF AGOURA HILLS CALIFORNIA

\*\* Document on File and Available for Review in the Office of the City Clerk \*\*

91301

A CULTURAL EXPERIENCE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FISCAL YEAR 2012-13

[www.ci.agoura-hills.ca.us](http://www.ci.agoura-hills.ca.us)