



REPORT TO CITY COUNCIL

DATE: JANUARY 14, 2015
TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM: GREG RAMIREZ, CITY MANAGER 
BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE 
SUBJECT: RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

The citywide annual audit was performed by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants for the FY 2013-14. All reports and letters have been attached for your review. The Finance Committee met prior to the 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 2013-14 Comprehensive Annual Financial Report.

Attachment: 2013-14 Comprehensive Annual Financial Report



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, 2014. 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 March 17, 2014. 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. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. 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:

- Note 5 to the financial statements describes the City's net receivable for the advance to the Successor Agency. This receivable is partially offset with an allowance for doubtful accounts.
- Note 6 to the financial statements describes the extraordinary item of \$17,223,089 recognized for the advance to the Successor Agency.

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:

- Construction in progress was understated approximately \$4.9 million in the current year
- The beginning balance of construction in progress was understated approximately \$1.9 million
- Receivables and unearned revenue in the Other Grants fund were overstated approximately \$218 thousand
- Revenue in the Measure R fund was overstated approximately \$160 thousand

Uncorrected misstatements of the financial statements include an overstatement to the pooled cash and investments of \$98,016. 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 19, 2014.

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

We applied certain limited procedures to the management's discussion and analysis, the General Fund budgetary comparison schedule, and the OPEB schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the major capital projects fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Restriction on Use

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.

Vannink, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 19, 2014



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, 2014, 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 19, 2014. As described in our report, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002, that we consider to be significant deficiencies.

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*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Vannick, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 19, 2014

**CITY OF AGOURA HILLS, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2014-001

CAPITAL ASSETS

Criteria:

Costs meeting the City's capitalization requirements should be reflected as capital assets on the Statement of Net Position.

Condition:

Certain costs for assets being constructed had not been capitalized.

Context:

At year end, the City performs an analysis to identify costs that are reported as expenditures in the governmental funds and which should be capitalized for presentation on the Statement of Net Position. During that analysis, certain costs that met the requirements to be capitalized were not properly recorded as capital asset additions.

Effect:

Adjustments of approximately \$4.9 million were necessary to fairly state the current year construction in progress balance. Additionally, adjustments of approximately \$1.9 million were made to balances reported previously.

Cause:

The City's process of identifying capital asset additions did not include analyzing relevant accounts and projects.

Recommendation:

We recommend that the City strengthen its policies and procedures to ensure that all appropriate costs are capitalized in accordance with its capitalization policy and generally accepted accounting principles.

View of Responsible Official and Planned Corrective Action:

We agree with the recommendation and will review all costs in the Capital Projects Funds for capitalization in the future.

Finding 2014-002

YEAR-END CLOSING

Criteria:

The City should have policies and procedures in place to ensure the year-end closing is performed completely to allow for the preparation of the financial statements.

**CITY OF AGOURA HILLS, CALIFORNIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Condition:

The following items relating to the year-end close were identified and required adjustment:

- Beginning Fiduciary Net Position in the Successor Agency Private Purpose Trust was not reconciled
- A grant award was recorded in the amount of \$218 thousand as receivable and unearned revenue in the Other Grants fund. This resulted in an overstatement of \$218 thousand and required adjustment
- Unavailable revenue was not adjusted at year end in the Measure R fund. This resulted in an overstatement of approximately \$160 thousand and required adjustment
- Fair value of the investment pool was overstated approximately \$98 thousand

Context:

The condition noted above was identified during testing of various accounts and presentation related to the City's financial statements.

Effect:

Adjustments were required to fairly state the City's financial statements.

Cause:

The City's closing process did not ensure a complete close.

Recommendation:

We recommend the City strengthen its procedures to ensure that the year-end close is complete.

View of Responsible Official and Planned Corrective Action:

The City received notice from Los Angeles County Regional Park and Open Space District that there is approximately \$218 thousand on deposit to spend. In order to ensure the monies are tracked, the City recorded the monies as unavailable revenue and receivable. New accounting requirements require that the monies not be shown on the financial statements. The City will ensure all unavailable revenue is recorded according to the new accounting pronouncements.

The City reconciled the Measure R unavailable revenue late due to timing. We will make an effort to reconcile all unavailable revenues earlier in the process.

The City will update the procedures for reconciling the FMV for the investment pool.



**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, 2014. 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 2013-2014 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 as a result of our procedures.

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.

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

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

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.

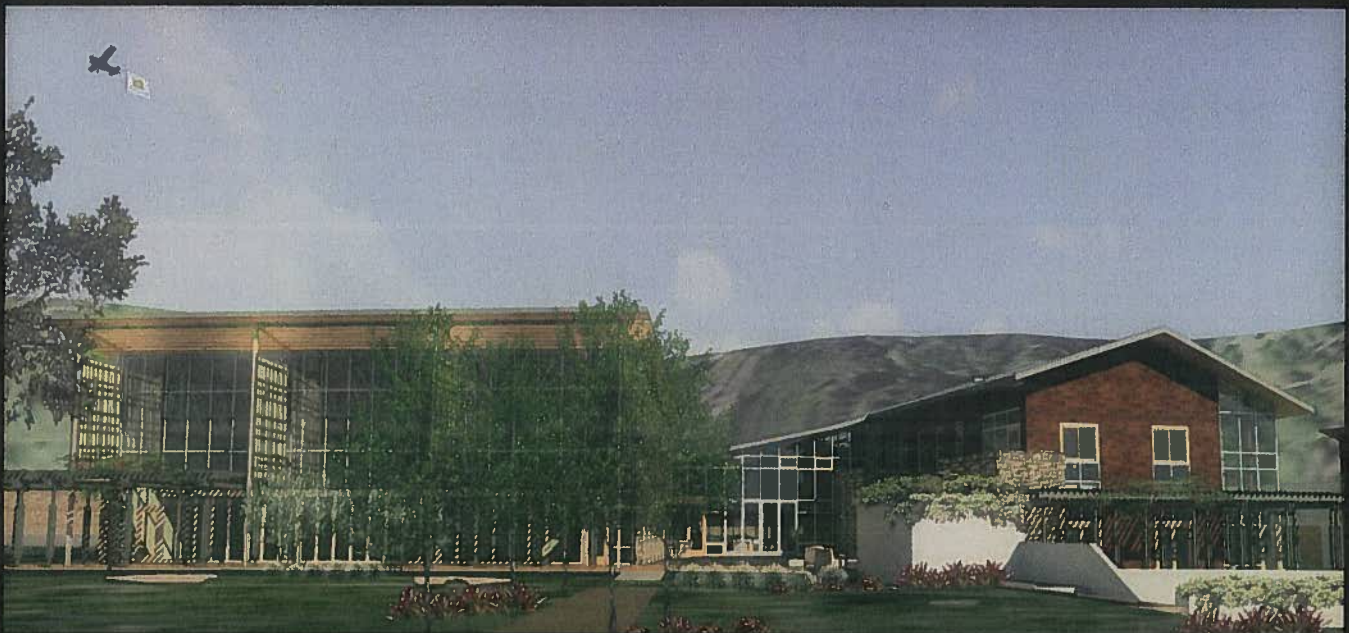
We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would 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 and is not intended to be and should not be used by anyone other than these specified parties.

Vannick, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 19, 2014

CITY OF AGOURA HILLS CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2013-14

www.ci.agoura-hills.ca.us