

Audit – Part II

See Part III

CITY OF AGOURA HILLS

Annual Financial Report

(With Independent Auditor's Report Thereon)

Year Ended June 30, 2004

CITY OF AGOURA HILLS
Annual Financial Report
June 30, 2004

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September 24, 2004

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Agoura Hills, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Agoura Hills' 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Agoura Hills, California, as of June 30, 2004, 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 24, 2004 on our consideration of the City of Agoura Hills 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 required supplementary information 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. The City 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 City's basic financial statements. The accompanying major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BASIC FINANCIAL STATEMENTS

CITY OF AGOURA HILLS
Statement of Net Assets
June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments	\$ 27,590,271
Receivables:	
Accounts and taxes	420,105
Interest	100,199
Due from other governments	1,327,730
Other	1,343
Deposits and prepaids	153,486
Investment in Joint Venture - Community Center	2,813,060
Capital assets, not being depreciated	9,989,900
Capital assets, being depreciated net	<u>28,288,881</u>
 Total Assets	 <u>70,684,975</u>
 <u>Liabilities</u>	
Accounts payable and accrued liabilities	1,558,128
Noncurrent liabilities:	
Due within one year	203,416
Due in more than one year	<u>9,204,855</u>
 Total Liabilities	 <u>10,966,399</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	29,040,644
Restricted for:	
Low/moderate income housing	1,341,995
Inclusionary housing in lieu	1,678,592
PEG capital grant	43,250
Unrestricted	<u>27,614,095</u>
 Total Net Assets	 <u>\$ 59,718,576</u>

See Accompanying Notes to Financial Statements.

CITY OF AGOURA HILLS
Statement of Activities
For the Year Ended June 30, 2004

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue</u> <u>and Changes</u> <u>in Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
Governmental activities:					\$ (3,234,301)
General government	\$ 3,246,847	\$ 12,546			(2,102,472)
Public safety	2,455,947	205,513	\$ 142,509	\$ 5,453	(1,426,821)
Public works	3,093,582	837,463	99,608	729,690	(1,026,549)
Community development	1,540,455	304,840	209,066		5,001,108
Transportation			5,001,108		
Pass through to other agencies	1,505,779				(1,505,779)
Community services	1,369,646	556,149			(813,497)
Interest and fiscal charges	482,620				(482,620)
Total primary government	<u>\$ 13,694,876</u>	<u>\$ 1,916,511</u>	<u>\$ 5,452,291</u>	<u>\$ 735,143</u>	<u>(5,590,931)</u>
		General Revenues			8,716,864
		Taxes			1,036,536
		Intergovernmental revenues			143,652
		Use of money and property			177,708
		Other revenues			<u>10,074,760</u>
		Total general revenues			4,483,829
		Change in net assets			<u>55,234,747</u>
		Net assets, July 1, as restated			<u>\$ 59,718,576</u>
		Net assets, June 30			

See Accompanying Notes to Financial Statements.

CITY OF AGOURA HILLS
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>Special Revenue Traffic Improvement</u>
<u>Assets</u>		
Cash and investments	\$ 9,891,214	\$ 9,732,732
Receivables:		
Accounts	359,769	
Interest	37,680	36,580
Taxes	60,336	
Due from other governments	577,593	178,612
Other	1,343	
Due from other funds	91,541	
Deposits and prepaids	153,486	
	<u>\$ 11,172,962</u>	<u>\$ 9,947,924</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable and accrued expenditures	\$ 817,556	\$ 190,932
Due to other funds		
Deferred revenue		
	<u>817,556</u>	<u>190,932</u>
 Total liabilities		
 Fund Balance:		
Reserved:		
Reserved for deposits and prepaids	153,486	
Reserved for low/moderate income housing		
Reserved for inclusionary housing in lieu		
Reserved for PEG capital grant	43,250	
	<u>196,736</u>	
 Total Reserved Fund Balance		
 Unreserved, reported in:		
General fund	10,158,670	
Special revenue funds		9,756,992
Capital projects funds		
Debt service fund		
	<u>10,158,670</u>	<u>9,756,992</u>
 Total Unreserved		
 Total Fund Balance (Deficit)		
	<u>10,355,406</u>	<u>9,756,992</u>
 Total Liabilities and Fund Balance		
	<u>\$ 11,172,962</u>	<u>\$ 9,947,924</u>

See Accompanying Notes to Financial Statements.

Special Revenue		Capital Projects	Nonmajor Governmental Funds	Totals
Other Grants	Highway Construction	Redevelopment		
\$ 49,770		\$ 1,047,817	\$ 6,868,738	\$ 27,590,271
				359,769
715		1,807	23,417	100,199
				60,336
210,740	\$ 106,383		254,402	1,327,730
				1,343
				91,541
				153,486
<u>\$ 261,225</u>	<u>\$ 106,383</u>	<u>\$ 1,049,624</u>	<u>\$ 7,146,557</u>	<u>\$ 29,684,675</u>
\$ 162,946		\$ 177,029	\$ 209,665	\$ 1,558,128
	\$ 91,383		158	91,541
98,279	106,383			204,662
<u>261,225</u>	<u>197,766</u>	<u>177,029</u>	<u>209,823</u>	<u>1,854,331</u>
				153,486
			1,341,995	1,341,995
			1,678,592	1,678,592
				43,250
			<u>3,020,587</u>	<u>3,217,323</u>
				10,158,670
	(91,383)		2,243,266	11,908,875
		872,595		872,595
			1,672,881	1,672,881
	<u>(91,383)</u>	<u>872,595</u>	<u>3,916,147</u>	<u>24,613,021</u>
	<u>(91,383)</u>	<u>872,595</u>	<u>6,936,734</u>	<u>27,830,344</u>
<u>\$ 261,225</u>	<u>\$ 106,383</u>	<u>\$ 1,049,624</u>	<u>\$ 7,146,557</u>	<u>\$ 29,684,675</u>

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CITY OF AGOURA HILLS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Fund balances of governmental funds	\$ 27,830,344
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,278,781
Investment in Joint Venture Community Center represents interest only in capital assets of the joint venture rather than a financial asset and, therefore, is not reported in the funds.	2,813,060
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,408,271)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.	<u>204,662</u>
Net assets of governmental activities	<u><u>\$ 59,718,576</u></u>

See Accompanying Notes to Financial Statements.

CITY OF AGOURA HILLS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General	Special Revenue		
		Traffic Improvement	Other Grants	Highway Construction
Revenues:				
Taxes	\$ 7,092,346			
Licenses and permits	371,103			
Intergovernmental revenues	954,457	\$ 4,003,417	\$ 1,078,982	
Charges for services	750,287	328,415		
Fines and penalties	73,724			
Use of money and property	163,650	117,239	5,844	
Other revenues	125,945			
Total Revenues	<u>9,531,512</u>	<u>4,449,071</u>	<u>1,084,826</u>	
Expenditures:				
Current:				
General government	2,200,584			
Pass through to other agencies				
Public safety	2,255,640		33,471	
Community development	1,097,518		12,610	
Community services	765,688			
Public works	1,146,585			
Debt service:				
Principal payments				
Interest and fiscal charges				
Capital outlay	245,721	1,355,449	1,038,745	
Total Expenditures	<u>7,711,736</u>	<u>1,355,449</u>	<u>1,084,826</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>1,819,776</u>	<u>3,093,622</u>		
Other Financing Sources (Uses)				
Transfers in		493,543		
Transfers out	(1,739,011)			
Total Other Financing Sources (Uses)	<u>(1,739,011)</u>	<u>493,543</u>		
Net Change in Fund Balances	80,765	3,587,165		
Fund Balance (Deficit) July 1	10,274,641	6,169,827		\$ (91,383)
Fund Balance (Deficit), June 30	<u>\$ 10,355,406</u>	<u>\$ 9,756,992</u>	<u>\$ -</u>	<u>\$ (91,383)</u>

See Accompanying Notes to Financial Statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Redevelopment</u>		
\$ 1,649,330		\$ 8,741,676
	\$ 1,240,579	371,103
	404,830	7,277,435
	131,790	1,483,532
9,150	103,161	205,514
		399,044
		125,945
<u>1,658,480</u>	<u>1,880,360</u>	<u>18,604,249</u>
	94,096	2,294,680
1,505,779		1,505,779
	166,836	2,455,947
248,167	182,160	1,540,455
	597,404	1,363,092
	335,067	1,481,652
	185,000	185,000
	482,620	482,620
	656,054	3,295,969
<u>1,753,946</u>	<u>2,699,237</u>	<u>14,605,194</u>
<u>(95,466)</u>	<u>(818,877)</u>	<u>3,999,055</u>
523,111	1,014,733	2,031,387
(292,376)		(2,031,387)
<u>230,735</u>	<u>1,014,733</u>	
135,269	195,856	3,999,055
737,326	6,740,878	23,831,289
<u>\$ 872,595</u>	<u>\$ 6,936,734</u>	<u>\$ 27,830,344</u>

CITY OF AGOURA HILLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2004

Net changes in fund balance - total governmental funds \$ 3,999,055

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Additions to capital assets	\$ 2,500,845	
Depreciation expense	<u>(1,725,235)</u>	775,610

Issuance of long-term debt including capital advances, compensated absences and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net assets.

Principal retirements	\$ 192,581	
Change in compensated absences	<u>(25,478)</u>	167,103

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.

(457,939)

Change on net assets of governmental activities

\$ 4,483,829

See Accompanying Notes to Financial Statements.

CITY OF AGOURA HILLS
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2004

<u>Assets</u>	
Cash and investments	<u>\$ 870,864</u>
<u>Liabilities</u>	
Deposits payable	<u>\$ 870,864</u>

See Accompanying Notes to Financial Statements.

CITY OF AGOURA HILLS
Notes to Financial Statements
June 30, 2004

I. Summary of Significant Accounting Policies

A. Description of Reporting Entity

The City of Agoura Hills (City) was incorporated December 8, 1982, under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a Council/Manager form of government. As required by generally accepted accounting principals, these financial statements present the government and its component units for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City of Agoura Hills, the primary government. Each component unit has a June 30 year end.

Blended Component Units

The Agoura Hills Redevelopment Agency, the Public Facilities Corporation and the Public Financing Authority are legally separate entities. The Agoura Hills City Council exercises financial accountability over each entity. Financial accountability is determined on the basis of budget adoption, taxing authority, funding, and the appointment of the governing board. Additionally, City staff manages the operations of each of these organizations on a contractual or reimbursement basis. A discussion of each entity follows.

The Agoura Hills Redevelopment Agency (Agency) was established March 9, 1988 pursuant to the laws of the State of California Health and Safety Code, Section 33000 et. seq., and is a separate governmental entity. The elected City Council serves as board members for the Agency. The primary purpose of the Agency is to address blighting conditions that exist within the City's freeway and roadside commercial corridor. The area is suffering from physical blight and economic disuse arising from poor and inadequate planning, street layout and street access. Improvements are necessary to increase economic growth in the City.

On July 15, 1992, the Redevelopment Agency adopted its Redevelopment Plan. Pass-through agreements with all of the underlying taxing entities were completed by June 30, 1994. No new pass-through agreements were approved during fiscal year 2003-2004. Complete financial statements for the Agoura Hills Redevelopment Agency can be obtained from the Finance Department at:

City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301

CITY OF AGOURA HILLS
Notes to Financial Statements (Continued)
June 30, 2004

The Agoura Hills Public Facilities Corporation (Corporation) was incorporated January 5, 1988 as a not-for-profit public benefit corporation and determined to be tax exempt pursuant to Revenue and Taxation Code 23701(d) of the State of California. The sole purpose of the Corporation is to provide a financing vehicle for the construction of public facilities. No financial activity is reported as the Corporation is not active.

The Agoura Hills Public Financing Authority (Authority) was organized in April 2001 under a joint exercise of power agreement to provide financing for public capital improvements for the City and the Agoura Hills Redevelopment Agency. The members of the City Council act as the governing board of the Financing Authority. The Authority's financial activity is reported in a debt service and capital projects fund.

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grant 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 and fiduciary funds even though the latter is excluded from the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The government-wide and fiduciary 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 when a liability is incurred, regardless of the timing of the related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in

CITY OF AGOURA HILLS
Notes to Financial Statements (Continued)
June 30, 2004

exchange, including property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grant, entitlements and donations is recognized in the fiscal year from which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments and compensated absences, which are recognized as an expenditure to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

The Traffic Improvement Special Revenue Fund is used to account for traffic improvement and arterial street system fees paid by developers which may only be used for constructing traffic impacted arterial streets.

The Other Grants Special Revenue Fund is used to account for various state grant funds received for street improvements and park development.

The Highway Construction Special Revenue Fund is used to account for City highway construction and maintenance by various federal and state grants.

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

CITY OF AGOURA HILLS
Notes to Financial Statements (Continued)
June 30, 2004

Additionally, the City reports the following fund types:

Governmental Funds:

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs, other than capitalized leases and compensated absences, which are paid from the governmental funds.

The Capital Projects Funds are used to account for financial resources used for the acquisition and construction of major capital facilities.

Fiduciary Fund:

The Fiduciary Fund is an Agency Fund used to account for various assets such as developer fees and L.A. County Fire Department fees held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other governments. The City also acts as a secretary for an organization in which the money is held in the Agency Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operation. Agency funds are accounted for using the accrual basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and investments are cash on hand, demand deposits and the State of California Local Agency Investment Fund. Investments are stated at fair value (the value at which a financial instrument could be exchanged, other than in a forced or liquidation sale).