

Audit – Part I

See Part II

September 24, 2004

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

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

We have audited the 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, and have issued our report thereon dated September 24, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Agoura Hills' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Agoura Hills' 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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

This report is intended solely for the information and use of the City Council and management of the City of Agoura Hills, and the City's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moreland & Associates, Inc.

September 24, 2004

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 the City of Agoura Hills, California for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 24, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility as described by professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Agoura Hills. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Agoura Hills' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's financial statements and our report thereon does not extend beyond financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the City's annual financial report; and no matters came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or its manner of presentation, appearing in the financial statements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies of the City are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions during the year that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. We noted that the City's significant account balances are not dependent upon management's estimates.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Agoura Hills' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Agoura Hills, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Agoura Hills' financial reporting process.

Disagreements With Management

There were no disagreements with management on financial accounting, reporting or auditing matters that, if not satisfactorily resolved, that could be significant to the City's financial statements or to our auditors' report.

Consultation With Other 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 auditors' 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.

The Honorable City Council
of the City of Agoura Hills, California
September 24, 2004
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Issues Discussed With Management Prior to Retention

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 City's auditors. These discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

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

Moreland & Associates, Inc.

September 24, 2004

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

Independent Accountants' Report on Agreed-Upon Procedures
Applied to Appropriations Limit Worksheets

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet No. 6 (or other alternative computation) of the City of Agoura Hills, California for the year ended June 30, 2004. These procedures, which were agreed to by the City of Agoura Hills, California and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*), were performed solely to assist the City of Agoura Hills, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Agoura Hills' management is responsible for the Appropriations Limit worksheet No. 6 (or other alternative computation). This agreed-upon procedures engagement was performed 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 the completed worksheets No. 1 through No. 7 (or other alternative computations) and compared the 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 these procedures.

2. For the accompanying Appropriations Limit worksheet No. 6, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

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

3. We compared the current year information presented in the accompanying Appropriations Limit worksheet No. 6 to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of this procedure.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet No. 6 to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of this procedure.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet No. 6 (or other alternative computation). 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 information and 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.

Mareland + Associates, Inc.

CITY OF AGOURA HILLS
 APPROPRIATIONS LIMIT WORKSHEET #6
 FY 2003- 2004
 BUDGET

| | <u>AMOUNT</u> |
|--|---------------|
| A. LAST YEAR'S LIMIT | \$9,599,212 |
| B. ADJUSTMENT FACTORS | |
| 1. Population % | 1.57% |
| 2. Inflation % | 2.31% |
| Total Adjustment % | 3.92% |
| C. ANNUAL ADJUSTMENT | \$375,930 |
| D. OTHER ADJUSTMENTS: | |
| Assumed Responsibility - Booking Fees | - |
| Property Tax Collections (Lost Responsibility) (Transfer to Private) (Transfer to Fees) | |
| Sub-total | - |
| E. TOTAL ADJUSTMENTS | \$375,930 |
| F. CURRENT YEAR LIMIT | \$9,975,142 |

Moreland & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

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(949) 221-0025

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SAN MARCOS, CA 92069
(760) 752-3390

January 11, 2005

Ms. Georgette Holt
Finance Officer
City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301

Dear Ms. Holt:

Enclosed, as you requested, are thirty five (35) copies of the City of Agoura Hills Annual Financial Report for the year ended June 30, 2004:

Also enclosed are fifteen copies (15) of each of the following:

- Report on Internal Control and Compliance
- Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheet
- Communication to the Financial Oversight Body
- Redevelopment Agency Annual Financial Report

You have also requested a list of key personnel responsible for completion of the audit. Those staff members are as follows:

| <u>Position</u> | <u>Name</u> |
|-----------------|----------------|
| Partner | Chuck Acocello |
| Manager | Nipa Shah |
| Senior | Eric Hart |

Thank you for your assistance in completing the audit. If you have any questions, or require more information, please contact me.

Very truly yours,

MORELAND & ASSOCIATES, INC.



Charles A. Acocello, Partner

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