

**CITY OF SIGNAL HILL,  
CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**PREPARED BY:  
DEPARTMENT OF FINANCE**

**MAIDA ALCANTARA  
DIRECTOR OF FINANCE**



CITY OF SIGNAL HILL

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## CITY OF SIGNAL HILL

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2175 Cherry Avenue • Signal Hill, California 90755-3799

January 26, 2012

Honorable Mayor and Members of the City Council  
City of Signal Hill  
Signal Hill, California

We proudly present to you the Comprehensive Annual Financial Report (CAFR) of the City of Signal Hill (the City) for the fiscal year ended June 30, 2011. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association (GFOA).

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. It was prepared by the Finance Department with the assistance of the City's independent auditors, White Nelson Diehl Evans, LLP, in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data presented conforms to government accounting and financial reporting standards and is accurate in all material aspects; it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain a good understanding of the City's financial affairs have been included.

White Nelson Diehl Evans, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Signal Hill's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) require that management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City of Signal Hill's Management's discussion and Analysis (MD&A) immediately follows the independent auditor's report. Management's discussion and Analysis (MD&A) complement this letter of transmittal and should be read in conjunction with it

### **Profile of the Government**

The City of Signal Hill was incorporated in 1924 as a General Law City. On November 7, 2000, in a special election, the residents of Signal Hill approved a new City Charter and the City effectively made the change from a General Law City to a Charter City under the California Constitution.

The City of Signal Hill, encompassing 2.25 square miles, is located in the southwestern coastal area of Los Angeles County and has a population of 11,072. It is 25 miles south of downtown Los Angeles, 8 miles northeast of the Port of Los Angeles and 5 miles northeast of the seaport terminal of Long Beach. The neighboring communities include Long Beach, Lakewood, Cypress and Carson.

Signal Hill, completely surrounded by the City of Long Beach, had been located in unincorporated territory. In 1924, in order to avoid Long Beach's per-barrel tax on oil, Signal Hill's founding fathers voted for incorporation. Oil production continued to be Signal Hill's mainstay until declining oil prices reduced production in the 1970's. In 1974 the Signal Hill Redevelopment Agency was formed and the city focused on economic development and diversity from oil. Today, Signal Hill is a well-balanced, financially sound and economically diverse community.

The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. Policy-making and legislative authority are vested in a governing City Council consisting of a Mayor and four other members, all elected on a non-partisan basis. Council members serve four-year terms, with two members elected every two years. The City budgets for a staff of approximately 107 full-time employees.

The City provides a full range of services including police, street maintenance, park maintenance, public improvements, planning and zoning, utilities (water), recreational activities and library services. The County of Los Angeles provides fire protection services and the Los Angeles County Sanitation District maintains and upgrades the sewer system.

The Comprehensive Annual Financial Report includes the financial activities of the City of Signal Hill, the primary government, and its component units, which are the City of Signal Hill Redevelopment Agency, and the Signal Hill Public Financing Authority. The operations of these units are included within the Basic Financial Statements of the City.

The Signal Hill Redevelopment Agency was established on May 7, 1974 pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The Agency's governing board is the Signal Hill City Council. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the City of Signal Hill. The funds of the Agency have been included in the governmental activities in the financial statements.

The recent December 29, 2011 California Supreme Court decision to uphold AB 1 X 26 dissolves the Signal Hill Redevelopment Agency on February 1, 2012. The City of Signal Hill has opted to become the Successor Agency for the Signal Hill Redevelopment Agency with the responsibility to dissolve the Agency's operations. The City also elected to retain the housing assets and functions of the dissolved agency and transfer such housing assets and functions to the Signal Hill Housing Authority. Please see Note 15 of the Notes to the Basic Financial Statements.

The Signal Hill Public Financing Authority is a joint powers authority formed under the Joint Exercise of Powers Law of the State of California, Section 6502 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act") between the City and the Agency on October 15, 1996 for the purpose of establishing a vehicle which may reduce local borrowing costs and promote the greater use of existing and new financial instruments and mechanisms. The Authority's Board of Directors is the Signal Hill City Council.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Signal Hill's financial planning and control. The budget is prepared by fund, function (e.g. public safety, and department (e.g. police). The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The budget policy of the City requires that: (1) a balanced budget be prepared where resources equal appropriations for all funds of the City in conformance with State constitutional limits; (2) adoption of the budget by Council resolution to take place prior to the beginning of the fiscal year in which it is to take effect; (3) the level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) be established at the program level; (4) adjustment to the adopted budget be made only with the proper approvals; (5) encumbrances of appropriations as a budgetary control technique be utilized. Activities of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund are included in the annual appropriated budget.

### **Local economy**

The City's economy is dominated primarily by auto and retail sales. Sales Tax in the City accounts for 60% of all General Fund revenues. Since Fiscal Year 2007-08, total loss in sales tax reached \$3.2 million, equivalent to 18% of the entire General Fund Expenditures budget. Although experts believe that the recession technically ended in June, 2009, there remains a weak recovery and many uncertainties. The slow rebound in sales tax revenues is conservatively projected to a 5% growth for the fiscal year 2011-12 budget. Early projections from our sales tax consultant show a higher growth rate. Unemployment remains high. Unemployment rate for Signal Hill at June 30, 2011 remains at 9.8%; it reached 10.7% at July 31, 2010. The City budget is adversely affected by unemployment because it reduces consumer spending as seen in the overall \$3.2 million drop in sales tax over the past three years. Similarly, property tax revenue which generally shows an annual 2% positive growth remains flat due to the continuing downward pressure on property values and the number of sale transactions.

In response to the recession, the City Council implemented a cost reduction strategy to address loss of revenues in early Fiscal year 2008-09. The strategy is to reduce department operating budgets by 2% to 3% per year for a period of 3 years. As of June 30, 2011, a total 6.7% or \$1.2 million in budget savings has been achieved. Budget cutbacks, step freezes, employees' contributions toward retirement benefits, and a hiring freeze are now in place.

On December 29, 2011, the California Supreme Court announced that the "Dissolution Act" (AB 1X 26) constitutional and the "Alternative Redevelopment Program Act" (AB 1X 27) unconstitutional. This decision means that all RDAs will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act. Effective on February 1, 2012, all RDAs will be dissolved and their successor agencies will begin to function.

At this point, the City is reviewing this milestone decision and will complete all requirements necessary to be in full compliance.

### **Major Initiatives and Accomplishments**

The City's Redevelopment Agency approved further expansion of the Auto Center in February, 2008 and is in the process of completing Phase III of the property acquisition program. The program added approximately 15 acres to the Auto Center. Currently, the Redevelopment Plan area consists of 840 acres of active and formerly active oil fields. There are currently 600 active wells and 180 inactive/reserve wells. There are approximately 2,000 abandoned wells in a very dense and small area. The Agency has been very active in identifying and testing for leaking oil wells and in the re-abandonment of oil wells. Since 1989, the Agency has invested \$15 million in environmental remediation including oil well re-abandonments, soil remediation and clean up, installation and operation of vapor recovery systems, pipeline removal, demolition and clearance of contaminated properties, streets and utilities. The continuation and completion of these projects are now on hold.

The Public Works Department was responsible for the planning, implementation, and management of a \$14 million capital improvement program for fiscal year 2010-11. Over \$4 million of the capital program funding was allocated for street and transportation related projects with all of these funds being received through grants and dedicated transportation funds. No City General fund monies were used. Also, a total of \$10 million was allocated from the fiscal year capital program budget for construction of the new Signal Hill Police facility and Emergency Operations Center which began in November, 2010. The financing of this project comes from the 2009 Tax Allocation Bond proceeds.

The Community Services Department continues to see increases in usage throughout all of its programs and facilities. Attendance at city wide special events increased by approximately 9% over the course of the year. Revenue for facility and field rentals increased by nearly 50% from a total of \$20,000 in fiscal year 09-10 to \$29,000 in fiscal year 10-11. The bi-weekly food distribution program registration also increased again this year from 59 to 62 participants. This represents an increase of nearly 300% since fiscal year 2007. This year, the department also made the transition from offering a paid licensed childcare program to offering a free non-licensed afterschool program which allowed for participation to increase by 100%. The new program, Afterschool Recreation Club or ARC, focuses on providing activities that promote health and wellness among youth participants.

Significant development projects completed during the fiscal year include the renovation of an auto dealership at Cherry Avenue. Construction and completion are underway for a recycling and transfer station on California Avenue, a fast food drive-thru restaurant and 54 townhome-style condominiums on Pacific Coast Highway. The City also approved plans to renovate another auto dealership at Cherry Avenue.

2011 was a year of transition for the Police Department with an Interim Chief of Police leading the Department for the first half of the year while the selection process concluded with appointment of a permanent Chief of Police in June. Nonetheless, the Department management maintained focus on obtaining grant funding to supplement overall operations. Emergency Management Performance Grant funds were obtained to improve and equip the Emergency Operations Center within the new police facility under construction. Homeland Security Grant Funding was approved for the purchase of Automated License Plate Readers. Federal Department of Justice and Community Oriented Policing grant funds were utilized to fund a sworn police officer position. State Office of Traffic Safety grant funds were utilized to fund several traffic safety initiatives including DUI and seatbelt enforcement operations. Finally, the Department has engaged several online initiatives designed to improve accountability and access to public information thereby reducing the public's reliance on full-time employees to obtain such information.

### **Long Term financial planning**

Unassigned fund balance in the General Fund and the fund balance of the Economic Uncertainties Fund (50% of total general fund expenditures) fall within policy guidelines set by the City Council for budgetary and planning purposes. This percentage reflects a 23% increase from the prior year's reserve ratio of 25%. The two reserve funds would be utilized to mitigate the adverse impact of a recession, economic slowdown, or if the City loses a major sales tax provider. The City's Financial Policy recommends maintaining a combined General Fund and Economic Uncertainties Fund reserve equivalent to a minimum of six months operating expenditures.

Signal Hill continues to take advantage of the opportunities afforded it and to re-position itself to meet the new demands of economic uncertainty and further State takeaways and the dissolution of its Redevelopment Agency. Situated close to two major ports and adjacent to a university and an airport, it has enormous potential for success.

City management believes that the City has positioned itself to weather any unanticipated economic fluctuations through adequate reserve accumulation, privatization of City functions where we cannot economically compete with the private sector, enhanced and renewed focus on a proactive and aggressive economic development effort and a continued focus on our human development effort to reshape and retrain our work force to meet the changing times.

To guide strategic planning efforts in the future, the City started the process of updating its Strategic Plan. The City's first strategic plan was called Signal Hill 2000. Developed in 1991, all of its goals had been accomplished. Since then, as part of the annual budget process a five year forecast of expenditures and revenues is presented to guide decision makers for the next five to seven years. Several major adjustments to account for the dissolution of the Redevelopment Agency and its immediate impact on the General Fund will need to be addressed will be the focus of this forecast.

### **Financial Controls**

The official having direct responsibility for the financial administration of the City is the Administrative Services Officer and Director of Finance who is responsible for directing the budget, purchasing, management information systems, risk management and the fiscal operations of the City. Fiscal operations include the general accounting, financial reporting, treasury and investment functions, business permits, capital improvement project fiscal administration, payroll, accounts payable, accounts receivable and utility billing.

The Finance Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting and financial reporting data are compiled and available to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and the management of the budget by operating departments. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

The City is legally required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments if total federal grants exceed \$500,000 in a single year. The City of Signal Hill is a recipient of federal, state and county assistance and for Fiscal Year 2010-2011; and has reached the \$500,000 threshold requiring a single audit. Under the provisions of the Single Audit Act, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulation.

### **Budgetary Controls**

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### **Spending Limitation**

The City foresees no problem for several years in complying with the spending limitation under Proposition 4, the Gann Initiative, passed by the California voters in 1979. The City's accounting firm has attested to the accuracy of the computation of the spending limitations for the current period, which indicated that the City was under the calculated limit by \$33.9 million. The City is well under its spending limitation and is not expected to reach that limit in the foreseeable future.

### **Independent Audit**

The City's Municipal Code requires an annual audit by independent certified public accountants. The accounting firm of White Nelson Diehl Evans, LLP, was selected to audit the City's accounting records. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Signal Hill for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the 16<sup>th</sup> consecutive year that the City of Signal Hill has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it.

The Finance Department, wishes to extend our appreciation to the City Council, City Manager and the various other departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year. The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance department. I wish to express appreciation to all members of the department who assisted and contributed to the preparation of this report especially Joy Getz, Accounting Manager, Pearl Yu, Accountant, Sue Churchman, Senior Account Specialist and Julie Matsumoto of Government Financial Services Inc.

Respectfully submitted,



Maida Alcantara  
Administrative Services Officer and Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Signal Hill  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

CITY OF SIGNAL HILL

JUNE 30, 2011

ELECTED OFFICIALS

Larry Forester  
Mayor

Tina Hansen  
Vice Mayor

Michael Noll  
Councilmember

Ellen Ward  
Councilmember

Edward Wilson  
Councilmember

Kathleen Pacheco  
City Clerk

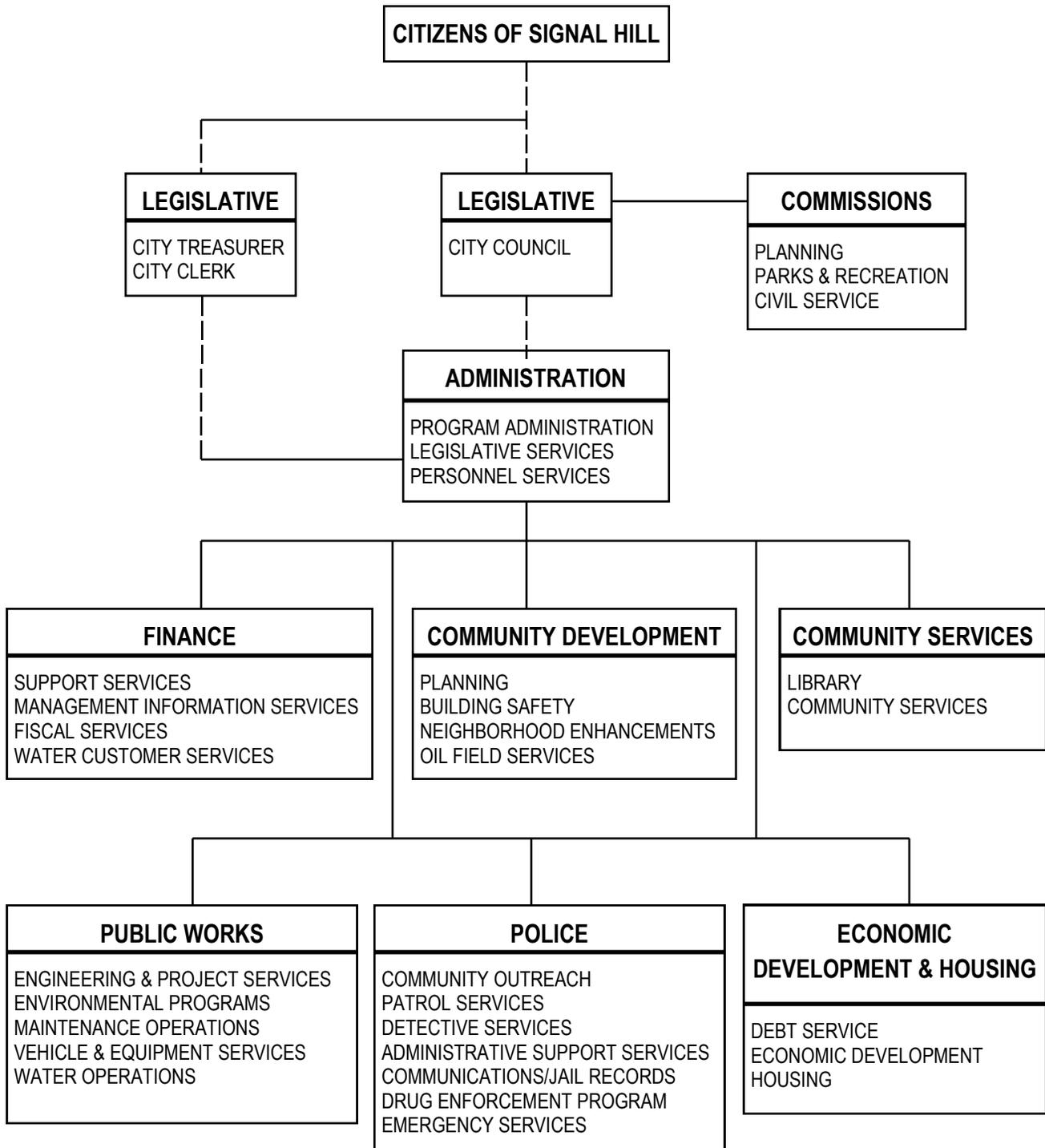
Emerson Fersch  
City Treasurer

ADMINISTRATIVE PERSONNEL

City Manager  
Deputy City Manager  
City Attorney  
Director of Community Services  
Director of Community Development  
Director of Finance  
Chief of Police  
Director of Public Works

Kenneth Farfsing  
Charlie Honeycutt  
David Aleshire  
Pilar Alcivar McCoy  
Scott Charney  
Maida Alcantara  
Michael Langston  
Stephen Myrter

# CITY OF SIGNAL HILL ORGANIZATIONAL CHART



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Signal Hill  
Signal Hill, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California, as of and for the year ended June 30, 2011, 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 Signal Hill's 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The basic financial statements have been prepared assuming that the Signal Hill Redevelopment Agency (Agency), a blended component unit of the City, will continue as a going concern. The Agency's activities are accounted for in the Affordable Housing Special Revenue Fund, the Debt Service Fund and the Community Redevelopment Capital Projects Fund, which are all considered to be major funds of the City. As explained further in Note 15, on December 29, 2011 the California Supreme Court upheld California Assembly Bill 1x 26 which provides for the dissolution of redevelopment agencies and invalidated Assembly Bill 1x 27 which allowed an alternative for redevelopment agencies to continue operations. The California Supreme Court's decisions raise substantial doubt about the ability of the Agency's Affordable Housing Special Revenue Fund, the Agency's Debt Service Fund and the Agency's Community Redevelopment Capital Projects Fund to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 1K to the basic financial statements, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2012 on our consideration of the City of Signal Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Signal Hill, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*White Nelson Dick Evans LLP*

January 26, 2012  
Irvine, California

## **CITY OF SIGNAL HILL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiscal Year Ended June 30, 2011

This discussion and analysis section of the City of Signal Hill's comprehensive annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2011. This information should be read in conjunction with the basic financial statements and the notes, which accompany the basic financial statements.

#### **FINANCIAL HIGHLIGHTS**

- Net assets, the amount by which total assets exceed total liabilities, equal \$62,118,389. Of this amount, a deficit of \$91,677,669 is attributable to the redevelopment agency tax allocation bonds secured by future tax increment revenues.
- The City's total net assets increased by \$778,454 over last year. Governmental activities contributed \$1,492,496 to this net increase while business-type activities contributed a decrease of \$714,042.
- At the close of the current fiscal year, the City's governmental activities reported net assets of \$40,337,534 and the City's business-type activities reported net assets of \$21,780,855.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The city's basic financial statements are presented in three parts:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements.

This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to give the reader a picture of the City from the economic resources measurement focus using the accrual basis of accounting. This broad overview is similar to the financial reporting used in private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the city include general government (finance, administration, and personnel), police, community development, public works and community services. The city's business-type activities are limited to water utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

See independent auditors' report.

## **CITY OF SIGNAL HILL**

### **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

##### **Government-wide Financial Statements (continued)**

The Statement of Net Assets presents information on all of the City of Signal Hill's assets and liabilities; the difference between the two is reported as net assets. These assets include the City's infrastructure and all assets previously included in the General Fixed Asset Account Group. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the city's overall financial health.

The Statement of Activities presents information designed to show how the city's net assets changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, which requires that revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or disbursed.

##### **Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or to meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Signal Hill, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The city's funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

##### **Governmental funds**

Governmental funds are used to account for the governmental activities reported in the government-wide financial statements. Most of the City's basic services are included in governmental funds. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental funds focus on near term revenues/financial resources and expenditures, while the government-wide financial statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the city's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide financial statements can help the reader better understand the long term impact of the city's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

See independent auditors' report.

## **CITY OF SIGNAL HILL**

### **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

##### **Government-wide Financial Statements (continued)**

###### **Proprietary funds**

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

###### **Enterprise funds**

Enterprise funds of the city are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The city has one enterprise fund for Water Utilities.

###### **Internal service funds**

Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The city uses one internal service fund to account for vehicle maintenance and repair services. The internal service fund primarily benefits the governmental activities and, therefore, the internal service fund information has been included with the governmental activities in the government-wide financial statements.

###### **Fiduciary funds**

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the city's activities. The city has one Special Deposit Agency Fund.

###### **Notes to the basic financial statements**

The notes to the basic financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

###### **Other information**

In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information. Required supplementary information is found immediately following the notes to the basic financial statements.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide Financial Statements (continued)**

**Other information (continued)**

The combining statements for other governmental funds, the individual fund schedules, the internal service fund statement and agency-type fiduciary fund schedule are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

The statement of net assets can serve as a useful indicator of the city's financial position. The City of Signal Hill's net assets at June 30, 2011 total \$62,118,389. Following is a condensed version of the government-wide statement of net assets.

**Table 1  
Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 88,278,262	\$ 97,497,145	\$ 6,100,761	\$ 6,592,449	\$ 94,379,023	\$ 104,089,594
Capital assets, net	64,227,921	47,611,727	23,643,613	24,292,334	87,871,534	71,904,061
<b>Total Assets</b>	<b>152,506,183</b>	<b>145,108,872</b>	<b>29,744,374</b>	<b>30,884,783</b>	<b>182,250,557</b>	<b>175,993,655</b>
<b>Liabilities:</b>						
Current liabilities	13,983,929	12,494,537	645,256	696,670	14,629,185	13,191,207
Long-term liabilities	98,184,720	93,769,297	7,318,263	7,693,216	105,502,983	101,462,513
<b>Total Liabilities</b>	<b>112,168,649</b>	<b>106,263,834</b>	<b>7,963,519</b>	<b>8,389,886</b>	<b>120,132,168</b>	<b>114,653,720</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	59,680,285	47,611,727	17,076,133	17,340,457	76,756,418	64,952,184
Restricted	47,378,271	56,423,112	679,065	670,178	48,057,336	57,093,290
Unrestricted	(66,721,022)	(65,189,801)	4,025,657	4,484,262	(62,695,365)	(60,705,539)
<b>Total Net Assets</b>	<b>\$ 40,337,534</b>	<b>\$ 38,845,038</b>	<b>\$ 21,780,855</b>	<b>\$ 22,494,897</b>	<b>\$ 62,118,389</b>	<b>\$ 61,339,935</b>

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2011

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

##### Net Assets (continued)

The largest portion of the City's net assets is attributable to the investment in capital assets, net of related debt. The majority of the liabilities are attributable to the City of Signal Hill Community Redevelopment Agency (Agency). The Agency uses the debt proceeds to finance its redevelopment projects which include land, housing, street improvements, economic development, and park improvements. Once public facility redevelopment projects are completed by the Agency, the responsibility for their continued maintenance and operation are transferred to the City of Signal Hill. Although completed public facilities and Joint Agency-Private Partnership projects are transferred to the City of Signal Hill and private developers, the debt remains with the Agency.

##### Changes in net assets

In the fiscal year ended June 30, 2011, the City of Signal Hill's net assets increased \$778,454 to \$62,118,389. The changes in net assets table illustrates the increase or decrease in net assets of the city resulting from its operating activities. The year's change was attributable to an increase of \$1,492,496 from governmental activities offset by a decrease of \$714,042 from business-type activities.

The City's total revenues were \$35.1 million. A significant portion of the City's revenue came from local property tax, accounting for 42.1% of total revenues, sales and use tax accounted for 28.3%, and 17.0% was received for charges for services.

The total cost of all City programs and services during fiscal year ended June 30, 2011 was \$34.4 million. Community development expenditures accounted for 25.8% of the total expenditures, 21.9% of expenditures were for police services, interest expense contributed 13.9%, public works accounted for 13.0%, general government 8.1%, and 12.1% was expended for business-type activities.

The difference between the City's total revenues and expenses, \$778,454, represents the increase in total net assets for 2011.

Following is a condensed version of the city's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separately from the business-type activities.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Changes in net assets (continued)**

**Table 2  
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,583,104	\$ 2,284,440	\$ 3,383,486	\$ 3,630,172	\$ 5,966,590	\$ 5,914,612
Operating grants and contributions	1,447,884	1,703,063	-	-	1,447,884	1,703,063
Capital grants and contributions	440,487	1,376,434	-	-	440,487	1,376,434
General revenues:						
Property taxes	14,800,968	15,167,567	-	-	14,800,968	15,167,567
Sales taxes	9,946,353	9,460,047	-	-	9,946,353	9,460,047
Other taxes	1,735,118	1,605,369	-	-	1,735,118	1,605,369
Investment income	649,373	1,266,962	65,671	130,551	715,044	1,397,513
Unrestricted grants and contributions	71,464	27,134	-	-	71,464	27,134
Miscellaneous	6,081	(16,749)	-	-	6,081	(16,749)
Total revenues	<u>31,680,832</u>	<u>32,874,267</u>	<u>3,449,157</u>	<u>3,760,723</u>	<u>35,129,989</u>	<u>36,634,990</u>
Expenses:						
General government	2,789,510	3,136,879	-	-	2,789,510	3,136,879
Community services	1,240,799	1,273,237	-	-	1,240,799	1,273,237
Police	7,520,876	6,445,688	-	-	7,520,876	6,445,688
Community development	8,863,140	11,562,849	-	-	8,863,140	11,562,849
Public works	4,462,221	4,934,688	-	-	4,462,221	4,934,688
Unallocated infrastructure depreciation	524,410	521,241	-	-	524,410	521,241
Interest on long-term liabilities	4,787,380	4,394,480	-	-	4,787,380	4,394,480
Water	-	-	4,163,199	3,832,218	4,163,199	3,832,218
Total Expenses	<u>30,188,336</u>	<u>32,269,062</u>	<u>4,163,199</u>	<u>3,832,218</u>	<u>34,351,535</u>	<u>36,101,280</u>
Change in net assets	1,492,496	605,205	(714,042)	(71,495)	778,454	533,710
Net assets - beginning, as restated	<u>38,845,038</u>	<u>38,239,833</u>	<u>22,494,897</u>	<u>22,566,392</u>	<u>61,339,935</u>	<u>60,806,225</u>
Net assets - ending	<u>\$ 40,337,534</u>	<u>\$ 38,845,038</u>	<u>\$ 21,780,855</u>	<u>\$ 22,494,897</u>	<u>\$ 62,118,389</u>	<u>\$ 61,339,935</u>

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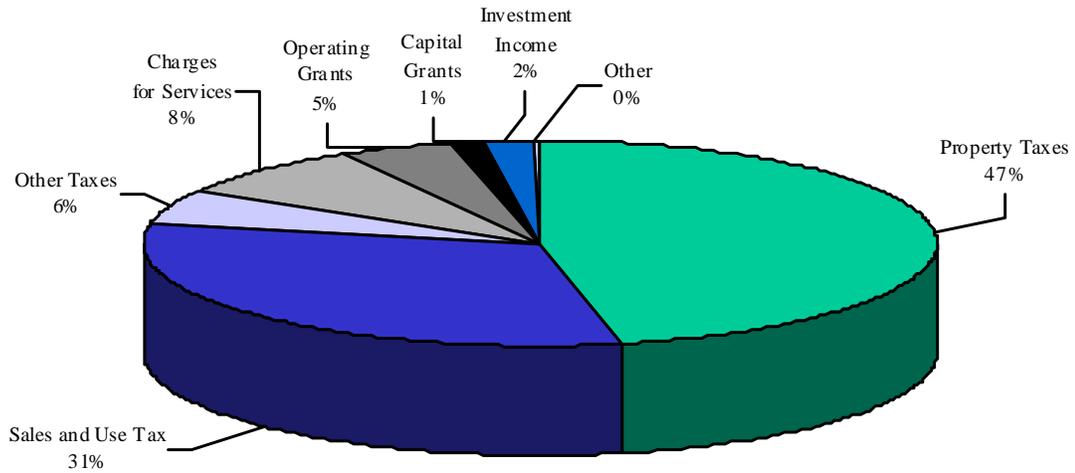
**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

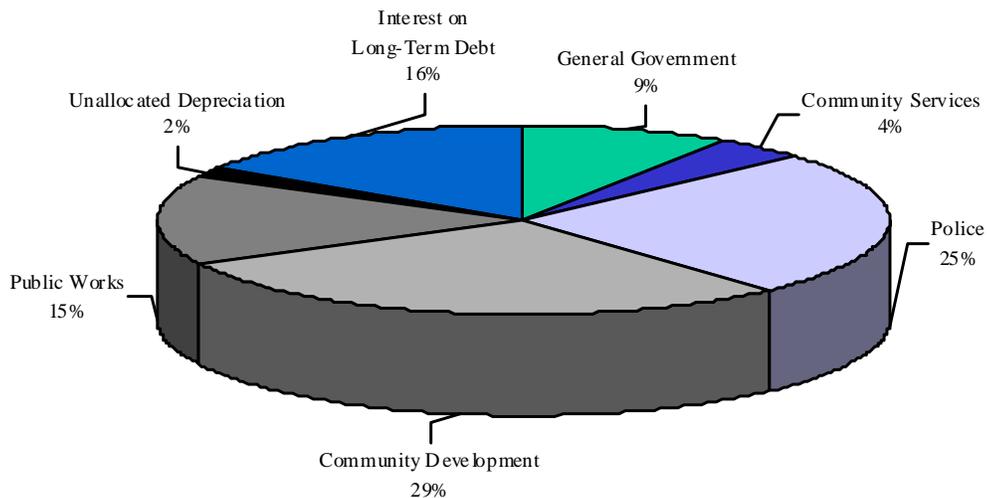
Fiscal Year Ended June 30, 2011

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenues by Source – Governmental Activities  
Fiscal Year 2011**



**Expenditures – Governmental Activities  
Fiscal Year 2011**



See independent auditors' report.

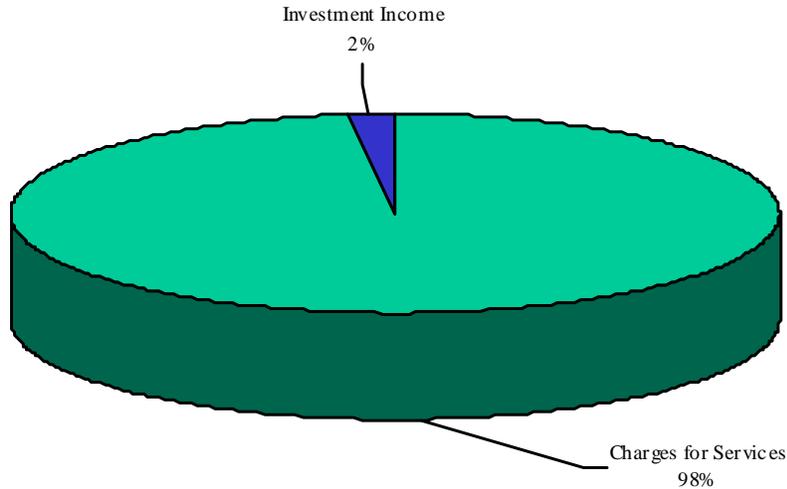
**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

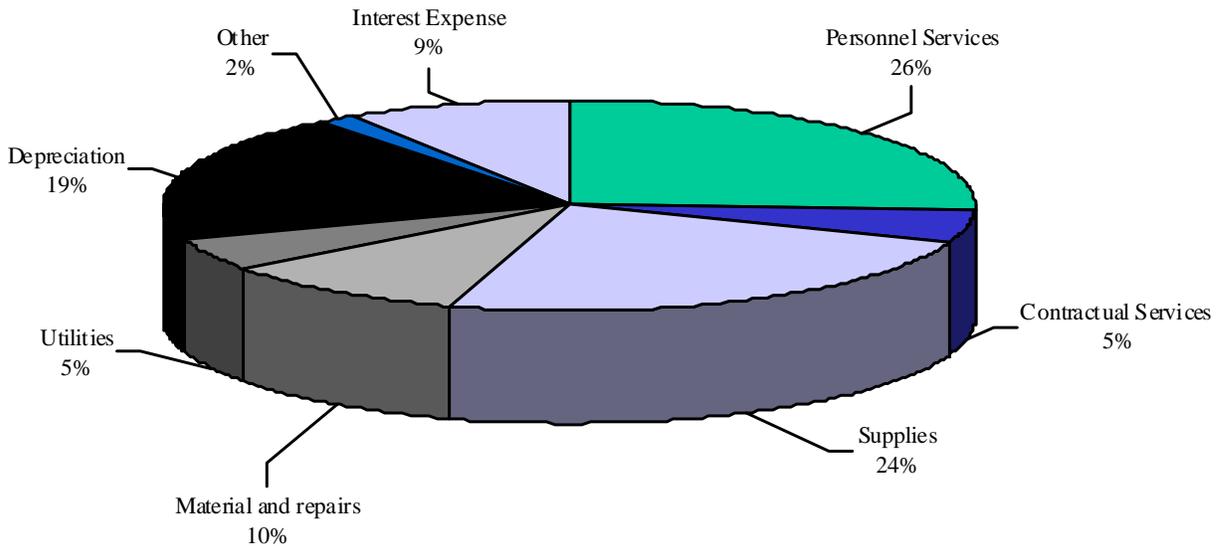
Fiscal Year Ended June 30, 2011

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenues by Sources – Business-type Activities  
Fiscal Year 2011**



**Expenses – Business-type Activities  
Fiscal Year 2011**



See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2011

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

##### Changes in net assets (continued)

**Governmental activities** contributed \$1.5 million to the increase in net assets. Governmental revenues decreased from the prior year by \$1.2 million with the largest changes in revenues coming from decreases in property taxes, investment income, and capital grants and contributions which were somewhat offset by increases in sales tax and charges for services. Property taxes declined by \$367,000 or 2.42% due to lower property values. Investment income declined \$618,000 or 48.75% due to lower interest rates earned on invested money. Capital grants and contribution revenue decreased by \$936,000 or 68.00% as a result of two onetime project specific grants received in fiscal year 2010 that total \$900,000. Sales tax revenue increased by \$486,000 or 5.14% as a result of statewide improvement in consumer spending and one time aberrations. Charges for services increased \$299,000 or 13.07% as a result of increased revenue in vehicle impound fees, recreational services and excursions, business license, and plan checking fees.

Expenses decreased by \$2.1 million primarily as a result of a decrease in community development and public works expenses which were somewhat offset by an increase in police expenses and interest payments. Community development expenses decreased by \$2.7 million or 23.35% as a result of a \$4.1 million decrease in the Redevelopment Agency's required payment to the Supplemental Education Revenue Augmentation Fund (SERAF); this decrease in the SERAF payment was offset by an increase of \$1.4 million for additional SERAF payments made in 2011. Public works expenses decreased by \$500,000 or 9.57% due to salary savings due to vacancies. Police expenses increased by \$1.1 million or 16.68% as a result of initial design and construction costs for the new Police facility; see Note 4 of the Notes to Basic Financial Statements. Interest on long-term debt increased by \$393,000 or 8.94% mainly as a result of issuing new debt in fiscal year 2010-11; see Note 5 of the Notes to Basic Financial Statements for more information.

**Business-type activities** consist solely of the Water Utilities Enterprise Fund. The financial goal of the City's business-type activities is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. Total net assets at the end of the year were \$21,780,855 as compared to \$22,494,897 at the end of the prior year. This represents a \$714,042 or 3.2% decline in net assets.

For fiscal year ended June 30, 2011, the expenses exceeded revenues, resulting in an overall decrease in business-type net assets of \$714,042. This decrease is a result of both decreased operating revenues and increased operating expenses. Operating revenues decreased by \$312,000 from the prior year as a result of the Water Conservation Program. Operating expenses increased by \$331,000 primarily because of the purchase of additional water necessitated by well closure and repairs.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2011

#### **Financial Analysis of the City's Major Funds**

The City's major governmental funds for the fiscal year ended June 30, 2011 were the General Fund, Affordable Housing Special Revenue Fund, Housing Authority Special Revenue Fund, Debt Service Fund, Capital Improvement Capital Projects Fund, and Community Redevelopment Capital Projects Fund.

#### **General Fund**

The General Fund fund balance increased by \$2.4 million in fiscal year 2010-11 as compared to a \$2.9 million decrease in fiscal year 2009-10. Reasons for the increase are a \$3.1 million increase in operating revenues resulting from increases in investment income, sales tax revenue, and property tax revenue; overall cost reductions of \$344,000 in operating expenditures; and an increase of net transfers in of \$1.9 million.

Investment income increased by \$1.4 million as a result of a catch of interest payment due from the Community Redevelopment Agency on an advance; see Note 6A for additional information on the advance. Sales tax revenue increased by \$914,000 and property tax revenue increased by \$400,000. As a result of overall cost-cutting measures, the General Fund operating expenditures were able to be reduced by \$344,000 over the prior year. Transfers increased mainly as a result of reimbursement of redevelopment project costs incurred by the General Fund related to the construction of the new police facility.

#### **Affordable Housing Special Revenue Fund**

The fund balance decreased by \$3.1 million in fiscal year 2010-11 as opposed to an increase of \$1.4 million in fiscal year 2009-10. The decrease in fund balance is mainly due to a \$4.0 million transfer of assets to the Housing Authority Special Revenue Fund.

#### **Housing Authority Special Revenue Fund**

The Fund Balance increased by \$4.0 million as a result of a \$4.0 million transfer of assets from the Affordable Housing Special Revenue Fund.

#### **Debt Service Fund**

The Debt Service Fund fund balance decreased by \$2.1 million. Property tax revenues of \$10.7 million did not fully support the debt service requirements of \$11.3 million; additionally, the redevelopment agency's required payment to the Supplemental Education Revenue Augmentation Fund (SERAF) of \$1.1 million resulted in expenditures exceeding revenue for the fiscal year. See the Notes to Basic Financial Statements Note 5 for more information on the debt service requirements and Note 15 for more information on the SERAF contribution.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2011

#### **Financial Analysis of the City's Major Funds (Continued)**

##### **Capital Improvement Capital Project Fund**

Capital expenditures within the Capital Improvement Capital Projects Fund totaled \$1.665 million for the fiscal year, which approximated the prior expenditure of \$1.672 million. The major projects worked on in fiscal year 2010-11 were major street improvement projects including the Cherry Avenue Widening and Resurfacing, the new Police Facility and Park improvements.

##### **Community Redevelopment Capital Project Fund**

The fund balance of the Community Redevelopment Capital Projects Fund decreased by \$11.3 million. The reason for the fund balance reduction is a \$19.7 million capital outlay expenditure for the final phase of the property acquisition program and the building of the Police facility. This expenditure is offset by \$9.5 million as a result of issuing \$8,835,000 of 2011 Tax Allocation Parity Bonds. See Note 5 for more information on this debt issuance.

##### **General Fund Budgetary Highlights**

The General Fund receives the most public attention since it is where local tax revenues are accounted for and where the most popular municipal services such as police and public works are funded.

Year-to-date revenues, including transfers in, totaled \$18.5 million. Total General Fund revenues and transfers in were higher than their adjusted budget amounts by \$1.8 million. Sales and use tax was the largest revenue source with \$9.7 million in realized revenues. This amount was \$443,000 higher than the adjusted budget. Sales tax revenue increased by \$914,000 or 10.36% over the fiscal year 2009-10 amount as a result of one time aberrations, increased consumer spending and an increase in sales tax in lieu.

Property taxes of \$1.4 million were \$116,000 lower than the adjusted budget but were higher than the prior year by \$400,000.

Interest earnings totaled \$1.65 million and although the revenue increased by \$1.4 million over the previous fiscal year, it was under the adjusted budget by \$181,000. The increase of \$1.4 million was a result of a higher interest payment received from the Community Redevelopment Agency on an advance; see Note 6A for additional information on the advance.

General Fund expenditures totaled \$15.8 million. Expenditures were projected at \$17.3 million during the budget process and were later revised to \$17.8 million. The expenditure under run from the final budget totaled \$2.0 million, or 11.4% under the revised projection. Historically, the City's expenditures will run 3% below the final budget projection. Every General Fund expenditure category, except capital outlay, came in under budget for fiscal year 2010-11. Capital outlay exceeded the budget by only \$772. Some of the under run in the budget was caused by vacant positions within the city. The majority of the under run occurred within the police and public works categories and was a result of the City's emphasis on cost-control during these difficult economic times.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$87,871,534, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in process.

**Table 3  
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 39,424,045	\$ 27,684,367	\$ 4,427,416	\$ 4,427,416	\$ 43,851,461	\$ 32,111,783
Water rights	-	-	608,493	638,874	608,493	638,874
Construction in progress	9,825,434	4,330,457	89,733	33,586	9,915,167	4,364,043
Buildings & equipment	4,881,356	4,975,407	18,517,971	19,192,458	23,399,327	24,167,865
Infrastructure	10,097,086	10,621,496	-	-	10,097,086	10,621,496
<b>Total assets</b>	<b>\$ 64,227,921</b>	<b>\$ 47,611,727</b>	<b>\$ 23,643,613</b>	<b>\$ 24,292,334</b>	<b>\$ 87,871,534</b>	<b>\$ 71,904,061</b>

During 2010-11, the main additions to governmental capital assets were the construction in progress for the new Police Facility and land of \$11.8 million acquired for future development projects. There were no significant additions to capital assets for the water fund. For additional information see Note 4 of the Notes to Basic Financial Statements.

**Debt Administration**

**Table 4  
Debt Administration**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 91,677,669	\$ 86,669,985	\$ -	\$ -	\$ 91,677,669	\$ 86,669,985
Notes payable	4,402,162	3,865,847	-	-	4,402,162	3,865,847
Loans payable	1,000,000	2,000,000	151,190	226,785	1,151,190	2,226,785
Certificates of Participation	-	-	-	-	-	-
Water revenue bonds	-	-	7,095,355	7,395,270	7,095,355	7,395,270
Compensated absences	1,104,889	1,233,465	71,718	71,161	1,176,607	1,304,626
<b>Total assets</b>	<b>\$ 98,184,720</b>	<b>\$ 93,769,297</b>	<b>\$ 7,318,263</b>	<b>\$ 7,693,216</b>	<b>\$ 105,502,983</b>	<b>\$ 101,462,513</b>

See independent auditors' report.

## **CITY OF SIGNAL HILL**

### **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

#### **DEBT ADMINISTRATION (CONTINUED)**

At year-end, the Agency had eight issues of bonded indebtedness outstanding in its governmental funds totaling \$91.68 million. The 2011 bond issue is not rated, and all other issues were rated A by Standard and Poors based on the Agency's underlying credit rating. The bonds with Moody's ratings are the 2001, 2003A, 2003C, 2003D, and 2007. They are rated Baa2 by Moody's based on the rating of the bond insurer, National Public Finance Guarantee, there is no underlying Moody's rating on these bonds. The City's Redevelopment Agency has not entered into any tax sharing agreements with other governmental agencies/districts concerning its Redevelopment Projects; however, the Redevelopment Agency is required to make statutory pass through payments.

The City has one issue of bonded indebtedness outstanding in its business-type fund with \$7.1 million outstanding at year-end. This bond issue is rated A+ by Standard and Poors. The Moody's rating of Baa2 is based on the insurer's (National) rating, there is no Moody's underlying rating. The City's Water Utility Debt Service Coverage for the Water Revenue Bonds is 83.1%. This ratio is calculated by subtracting expenses (less depreciation) from revenues (including interest earnings and developer fees which are recorded in the Water Development special revenue fund) and then dividing the result by the annual debt service (principal and interest). The City is required by the bond covenants to maintain a coverage ratio of at least 125%. The decrease in the bond coverage ratio was due to unexpected well repairs which resulted in increased water purchased. Water revenues decreased due to a very successful water conservation program that decreased water sales. The City is required to set rates and charges that will produce Net Revenues at least equal to 1.25% the debt service, since the ratio of actual Net Revenues to debt service did not meet this requirement in fiscal year 2010-11, the city is required to perform a rate study (which is underway) to determine if a rate increase is necessary to meet this requirement going forward.

For additional information see Note 5 of the Notes to Basic Financial Statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

With the recent Supreme Court's decision on AB 1 X 26, the City faces new challenges and major changes and effects on its operations. There is so much unknown at this point in time. The City has always been very conservative in its budgeting projections and cost containment is a practice that the City is proud of. We have survived the recent recession and economic crises without having to result in layoffs or cutbacks to city services. The slow recovery keeps us grounded and considering that the loss of our redevelopment agency would have devastating effects and business can no longer remain to be "as usual".

The previous, current, and future raids of the City's finances jeopardize the services that the City provides to its residents. Response to these fiscal crises requires the City not only to continue to be fiscally prudent and to manage its resources and operations diligently but also to develop other potential new revenues. There are several development projects in the City that are expected to be completed soon. Again, these new businesses will add a more diverse distribution of revenue source easing up the concentration of over 35% of sales tax revenues on auto sales.

See independent auditors' report.

## **CITY OF SIGNAL HILL**

### **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2011

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

The City's contingency reserves of the General Fund and Economic Uncertainties Fund at the beginning of the year has improved from approximately 25% of General Fund expenditures in Fiscal Year 2010-11 to its current approximate of 50% for Fiscal Year budget 2010-11. As a reflection of the City's commitment to provide the highest level of services to the community within the City's financial constraints and prudent management, the Economic Uncertainties Fund was set up as early as 1996 with an initial contribution of \$600,000 to the current \$2.2 million balance at the beginning of the Fiscal Year 2011-12 budget year. Other reserve funds include funding for the City's Other Post Employment Benefits for future obligations as result of the Governmental Accounting Standard Board's Pronouncement Number 45, a PERS reserve fund for future rate hikes, and several project specific funds.

The new budget includes funding for capital projects totaling \$27.8 million with over 32% funded by grants. The major project will be the completion of the new police facility funded by the Signal Hill Redevelopment Agency up to \$15 million. The Capital Improvement Reserve Fund's portion of all the capital projects is \$414,000 and \$110,000 for the General Fund share.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Signal Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at the City of Signal Hill, 2175 Cherry Avenue, Signal Hill, CA 90755-3799.

See independent auditors' report.

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments	\$ 52,604,838	\$ 4,736,338	\$ 57,341,176
Receivables:			
Accounts	3,375,302	496,502	3,871,804
Accrued interest	265,475	22,537	288,012
Loans	14,172	-	14,172
Due from other governments	1,656,877	-	1,656,877
Internal balances	12,795	(12,795)	-
Inventory	37,311	-	37,311
Deposits	538,899	-	538,899
Deferred charges	2,123,220	179,114	2,302,334
Net OPEB asset	148,978	-	148,978
Land and improvements held for resale, net	16,978,215	-	16,978,215
Restricted assets:			
Cash and investments	10,522,180	679,065	11,201,245
Capital assets:			
Land	39,424,045	4,427,416	43,851,461
Construction in progress	9,825,434	89,733	9,915,167
Infrastructure, net	10,097,086	-	10,097,086
Water rights, net	-	608,493	608,493
Source of supply, net	-	10,405,630	10,405,630
Pumping plant, net	-	5,889,895	5,889,895
Transmission/distribution, net	-	783,934	783,934
Structures and improvements, net	3,582,176	838,894	4,421,070
Vehicles, equipment and furniture, net	1,299,180	599,618	1,898,798
<b>TOTAL ASSETS</b>	<b>152,506,183</b>	<b>29,744,374</b>	<b>182,250,557</b>
<b>LIABILITIES:</b>			
Accounts payable	2,609,580	220,384	2,829,964
Accrued liabilities	1,416,767	30,376	1,447,143
Accrued interest payable	1,628,502	54,838	1,683,340
Owner participation agreement payable	882,177	-	882,177
Refundable deposits	6,092,198	339,658	6,431,856
Unearned revenue	1,354,705	-	1,354,705
Noncurrent liabilities:			
Due within one year	5,270,713	429,197	5,699,910
Due in more than one year	92,914,007	6,889,066	99,803,073
<b>TOTAL LIABILITIES</b>	<b>112,168,649</b>	<b>7,963,519</b>	<b>120,132,168</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	59,680,285	17,076,133	76,756,418
Restricted for:			
Capital improvements	2,291,999	-	2,291,999
Redevelopment	29,421,754	-	29,421,754
Development impact	4,859,253	-	4,859,253
Transportation	752,035	-	752,035
Public protection	579,309	-	579,309
Low and moderate income housing	9,473,921	-	9,473,921
Debt service	-	679,065	679,065
Unrestricted	(66,721,022)	4,025,657	(62,695,365)
<b>TOTAL NET ASSETS</b>	<b>\$ 40,337,534</b>	<b>\$ 21,780,855</b>	<b>\$ 62,118,389</b>

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 2,789,510	\$ 167,747	\$ -	\$ -
Community services	1,240,799	234,329	-	124,430
Police	7,520,876	607,374	311,397	-
Community development	8,863,140	676,633	79,908	140,907
Public works	4,462,221	897,021	1,056,579	175,150
Unallocated infrastructure depreciation	524,410	-	-	-
Interest on long-term liabilities	4,787,380	-	-	-
<b>Total governmental activities</b>	<b>30,188,336</b>	<b>2,583,104</b>	<b>1,447,884</b>	<b>440,487</b>
<b>Business-type activity:</b>				
Water	4,163,199	3,383,486	-	-
<b>Total</b>	<b>\$ 34,351,535</b>	<b>\$ 5,966,590</b>	<b>\$ 1,447,884</b>	<b>\$ 440,487</b>

General revenues:

Taxes:

Property

Sales and use

Franchise

Motor vehicle

Other taxes

Investment income

Unrestricted grants and contributions

Gain on disposal of assets

Total general revenues

Change in net assets

Net assets at beginning of year, as restated (Note 4)

Net assets at end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (2,621,763)	\$ -	\$ (2,621,763)
(882,040)	-	(882,040)
(6,602,105)	-	(6,602,105)
(7,965,692)	-	(7,965,692)
(2,333,471)	-	(2,333,471)
(524,410)	-	(524,410)
(4,787,380)	-	(4,787,380)
<u>(25,716,861)</u>	<u>-</u>	<u>(25,716,861)</u>
-	(779,713)	(779,713)
<u>(25,716,861)</u>	<u>(779,713)</u>	<u>(26,496,574)</u>
14,800,968	-	14,800,968
9,946,353	-	9,946,353
532,612	-	532,612
57,975	-	57,975
1,144,531	-	1,144,531
649,373	65,671	715,044
71,464	-	71,464
6,081	-	6,081
<u>27,209,357</u>	<u>65,671</u>	<u>27,275,028</u>
1,492,496	(714,042)	778,454
<u>38,845,038</u>	<u>22,494,897</u>	<u>61,339,935</u>
<u>\$ 40,337,534</u>	<u>\$ 21,780,855</u>	<u>\$ 62,118,389</u>

CITY OF SIGNAL HILL

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2011

	General	Special Revenue Funds	
		Affordable Housing Fund	Housing Authority Fund
<b>ASSETS</b>			
Cash and investments	\$ 17,269,059	\$ 4,331,415	\$ 15,352
Restricted cash and investments	-	-	-
Accounts receivable	1,956,956	226,476	-
Accrued interest receivable	65,707	24,245	9
Due from other funds	469,439	-	-
Due from other governments	949,426	-	-
Advances to other funds	11,950,835	1,148,474	-
Deposits	538,899	-	-
Loans receivable	-	-	-
Land and improvements held for resale, net	-	-	4,007,693
<b>TOTAL ASSETS</b>	<b>\$ 33,200,321</b>	<b>\$ 5,730,610</b>	<b>\$ 4,023,054</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 476,326	\$ 23,317	\$ -
Accrued liabilities	1,374,229	9,495	-
Deferred revenue	4,335,103	-	-
Due to other funds	-	-	-
Owner participation agreement payable	-	-	-
Refundable deposits	88,198	-	-
Advances from other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>6,273,856</b>	<b>32,812</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT):</b>			
Nonspendable	10,538,899	1,148,474	4,007,693
Restricted	-	4,549,324	15,361
Committed	10,220,158	-	-
Unassigned	6,167,408	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>26,926,465</b>	<b>5,697,798</b>	<b>4,023,054</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,200,321</b>	<b>\$ 5,730,610</b>	<b>\$ 4,023,054</b>

See independent auditors' report and notes to basic financial statements.

Debt Service Fund	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	Capital Improvement	Community Redevelopment		
\$ 9,034,325	\$ -	\$ 13,105,242	\$ 7,633,251	\$ 51,388,644
-	-	10,522,180	-	10,522,180
937,748	143,710	9,027	101,385	3,375,302
34,072	-	96,369	39,708	260,110
-	-	-	-	469,439
-	642,938	-	64,513	1,656,877
-	-	-	-	13,099,309
-	-	-	-	538,899
-	-	-	14,172	14,172
-	-	12,970,522	-	16,978,215
<u>\$ 10,006,145</u>	<u>\$ 786,648</u>	<u>\$ 36,703,340</u>	<u>\$ 7,853,029</u>	<u>\$ 98,303,147</u>
\$ 656,906	\$ 91,669	\$ 1,258,383	\$ 40,413	\$ 2,547,014
-	-	18,191	9,102	1,411,017
-	996,631	1,012	83,347	5,416,093
-	341,907	-	127,532	469,439
882,177	-	-	-	882,177
-	-	6,004,000	-	6,092,198
13,013,997	-	-	85,312	13,099,309
<u>14,553,080</u>	<u>1,430,207</u>	<u>7,281,586</u>	<u>345,706</u>	<u>29,917,247</u>
-	-	12,970,522	-	28,665,588
-	-	16,451,232	7,588,007	28,603,924
-	-	-	-	10,220,158
(4,546,935)	(643,559)	-	(80,684)	896,230
<u>(4,546,935)</u>	<u>(643,559)</u>	<u>29,421,754</u>	<u>7,507,323</u>	<u>68,385,900</u>
<u>\$ 10,006,145</u>	<u>\$ 786,648</u>	<u>\$ 36,703,340</u>	<u>\$ 7,853,029</u>	<u>\$ 98,303,147</u>

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CITY OF SIGNAL HILL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balances - total governmental funds		\$ 68,385,900
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$ 39,424,045	
Construction in progress	9,825,434	
Infrastructure, net of \$12,990,956 accumulated depreciation	10,097,086	
Structures and improvements, net of \$6,834,068 accumulated depreciation	3,517,160	
Vehicles, equipment and furniture, net of \$1,507,856 accumulated depreciation	659,569	
Total capital assets used in governmental activities	<u>63,523,294</u>	63,523,294
<p>Certain receivables will be collected after year-end, but are not available soon enough to pay for current-period expenditures, and therefore are offset by deferred revenue in the funds. Those receivables at June 30, 2011 totaled:</p>		
		4,061,388
<p>The net OPEB asset is not an available current financial resource and therefore, it is not reported in the governmental funds.</p>		
		148,978
<p>Internal Service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>		
		1,903,834
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Related deferred charges are not recorded as assets under the modified accrual basis of accounting. Interest on long-term debt is not accrued in governmental funds. Balances at June 30, 2011 are:</p>		
Accrued interest on long-term debt		(1,628,502)
Tax allocation bonds	\$ (92,545,000)	
Deferred charges on refunding (amortized as interest expense)	351,450	
Deferred charges for issuance costs (amortized over life of debt)	2,123,220	
Issuance discounts (amortized as interest expense)	515,881	
Notes payable	(4,402,162)	
Loan payable	(1,000,000)	
Compensated absences	(1,100,747)	
Total long-term liabilities	<u>(96,057,358)</u>	(96,057,358)
Net assets of governmental activities		<u>\$ 40,337,534</u>

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	General	Special Revenue Funds	
		Affordable Housing Fund	Housing Authority Fund
<b>REVENUES:</b>			
Property taxes	\$ 1,416,620	\$ 2,676,592	\$ -
Sales and use tax	9,736,361	-	-
Other taxes	1,755,594	-	-
Licenses and permits	330,921	-	-
Intergovernmental revenues	120,451	-	-
Charges for services	866,725	-	-
Fines and forfeitures	384,825	-	-
Investment income	1,653,324	64,781	25
Developer fees	-	-	-
Other revenue	238,951	83,921	17,620
<b>TOTAL REVENUES</b>	<u>16,503,772</u>	<u>2,825,294</u>	<u>17,645</u>
<b>EXPENDITURES:</b>			
Current:			
General government	3,037,634	-	-
Community services	1,210,517	-	-
Police	7,105,438	-	-
Community development	804,275	374,498	-
Public works	3,586,527	-	-
Capital outlay	19,272	76,108	3,800
Debt service:			
Owner participation agreement	-	-	-
Principal retirement	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Fiscal agent fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>15,763,663</u>	<u>450,606</u>	<u>3,800</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>740,109</u>	<u>2,374,688</u>	<u>13,845</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,952,765	50,000	4,009,209
Transfers out	(292,034)	(5,550,630)	-
Debt issued	-	-	-
Bond discount	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,660,731</u>	<u>(5,500,630)</u>	<u>4,009,209</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,400,840	(3,125,942)	4,023,054
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR</b>	<u>24,525,625</u>	<u>8,823,740</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b>	<u>\$ 26,926,465</u>	<u>\$ 5,697,798</u>	<u>\$ 4,023,054</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Fund	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	Capital Improvement	Community Redevelopment		
\$ 10,706,366	\$ -	\$ -	\$ -	\$ 14,799,578
-	-	-	-	9,736,361
-	-	-	531,325	2,286,919
-	-	-	-	330,921
-	125,986	-	617,490	863,927
-	-	-	3,861	870,586
-	-	-	-	384,825
(6,729)	-	382,559	110,784	2,204,744
-	-	-	127,693	127,693
-	-	575,092	-	915,584
<u>10,699,637</u>	<u>125,986</u>	<u>957,651</u>	<u>1,391,153</u>	<u>32,521,138</u>
-	-	-	13,704	3,051,338
-	-	-	28,977	1,239,494
-	-	-	336,079	7,441,517
2,226,313	-	1,080,804	173,402	4,659,292
-	-	-	50,688	3,637,215
-	1,665,201	19,650,824	41,925	21,457,130
882,177	-	-	-	882,177
4,756,779	-	286,906	-	5,043,685
5,681,812	-	13,293	-	5,695,105
-	-	199,867	-	199,867
19,580	-	-	-	19,580
<u>13,566,661</u>	<u>1,665,201</u>	<u>21,231,694</u>	<u>644,775</u>	<u>53,326,400</u>
<u>(2,867,024)</u>	<u>(1,539,215)</u>	<u>(20,274,043)</u>	<u>746,378</u>	<u>(20,805,262)</u>
1,541,421	895,656	713,140	81,197	9,243,388
(763,140)	-	(1,280,360)	(1,367,224)	(9,253,388)
-	-	9,685,000	-	9,685,000
-	-	(181,895)	-	(181,895)
<u>778,281</u>	<u>895,656</u>	<u>8,935,885</u>	<u>(1,286,027)</u>	<u>9,493,105</u>
(2,088,743)	(643,559)	(11,338,158)	(539,649)	(11,312,157)
(2,458,192)	-	40,759,912	8,046,972	79,698,057
<u>\$ (4,546,935)</u>	<u>\$ (643,559)</u>	<u>\$ 29,421,754</u>	<u>\$ 7,507,323</u>	<u>\$ 68,385,900</u>

CITY OF SIGNAL HILL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Net change in fund balances - total governmental funds		\$(11,312,157)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays (\$17,445,589) exceeded depreciation (\$759,438) in the current period:</p>		
	16,686,151	
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items are as follows:</p>		
Principal payments	\$ 5,043,685	
Issuance of bonds	(8,835,000)	
Issuance of note	(850,000)	
Bond issuance costs	199,867	
Bond discount	181,895	
Amortization of issuance costs	(149,793)	
Amortization of deferred amount on refunding	(57,446)	
Amortization of bond discounts	(27,133)	
	<u>(4,493,925)</u>	
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net change in accrued interest	\$ 12,510	
Net change in net OPEB asset	148,978	
Net change in compensated absences	130,026	
	<u>291,514</u>	
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Conversely, collection of these revenues are reported in the governmental funds, but not in the Statement of Activities since they have been recognized in previous years.</p>		
	287,576	
<p>Internal service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The net revenue of the internal service fund is reported with governmental activities.</p>		
	<u>33,337</u>	
Change in net assets of governmental activities		<u><u>\$ 1,492,496</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activity	Governmental Activity
ASSETS	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 4,736,338	\$ 1,216,194
Restricted cash and investments	679,065	-
Accounts receivable	496,502	-
Accrued interest receivable	22,537	5,365
Inventory	-	37,311
<b>TOTAL CURRENT ASSETS</b>	<b>5,934,442</b>	<b>1,258,870</b>
<b>NONCURRENT ASSETS:</b>		
Deferred charges	179,114	-
Capital assets:		
Land	4,427,416	-
Construction in progress	89,733	-
Depreciable assets, net of accumulated depreciation	19,126,464	704,627
<b>TOTAL NONCURRENT ASSETS</b>	<b>23,822,727</b>	<b>704,627</b>
<b>TOTAL ASSETS</b>	<b>29,757,169</b>	<b>1,963,497</b>
LIABILITIES		
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	220,384	62,566
Accrued liabilities	30,376	5,750
Accrued interest payable	54,838	-
Refundable deposits	339,658	-
Current portion of long-term liabilities	429,197	4,142
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,074,453</b>	<b>72,458</b>
<b>LONG-TERM LIABILITIES:</b>		
Loan payable	75,595	-
Certificates payable	6,760,355	-
Compensated absences	53,116	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>6,889,066</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>7,963,519</b>	<b>72,458</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	17,076,133	704,627
Restricted for debt service	679,065	-
Unrestricted	4,038,452	1,186,412
<b>TOTAL NET ASSETS</b>	<b>21,793,650</b>	<b>\$ 1,891,039</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(12,795)	
Net assets of business-type activity	<b>\$ 21,780,855</b>	

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS

For the year ended June 30, 2011

	<u>Business-type Activity</u>	<u>Governmental Activity</u>
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 3,383,486	\$ 566,809
OPERATING EXPENSES:		
Personnel services	1,075,505	193,040
Contractual services	213,174	5,459
Supplies	990,283	3,270
Material and repairs	411,302	82,993
Utilities	217,910	2,932
Depreciation/amortization	814,301	243,725
Other	68,228	32,952
TOTAL OPERATING EXPENSES	<u>3,790,703</u>	<u>564,371</u>
OPERATING INCOME (LOSS)	<u>(407,217)</u>	<u>2,438</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	65,671	15,204
Interest expense	(370,132)	-
Fiscal agent fees	(2,750)	-
Gain on sale of assets	-	6,081
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(307,211)</u>	<u>21,285</u>
INCOME (LOSS) BEFORE TRANSFERS	(714,428)	23,723
TRANSFERS IN	-	10,000
CHANGE IN NET ASSETS	(714,428)	33,723
TOTAL NET ASSETS AT BEGINNING OF YEAR		<u>1,857,316</u>
TOTAL NET ASSETS AT END OF YEAR		<u>\$ 1,891,039</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>386</u>	
Change in net assets of business-type activity	<u>\$ (714,042)</u>	

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2011

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,400,348	\$ -
Receipts from interfund services provided	-	576,229
Payments to suppliers	(1,959,730)	(108,873)
Payments to employees	(1,071,673)	(190,097)
	<b>368,945</b>	<b>277,259</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash received from other funds	-	10,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from disposition of capital assets	592	16,944
Acquisition of property, plant and equipment	(166,172)	(184,631)
Principal paid	(400,595)	-
Interest paid	(335,527)	-
Fiscal agent fees	(2,750)	-
	<b>(904,452)</b>	<b>(167,687)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	72,974	15,841
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(462,533)</b>	<b>135,413</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>5,877,936</b>	<b>1,080,781</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 5,415,403</b>	<b>\$ 1,216,194</b>

See independent auditors' report and notes to basic financial statements.

(Continued)

CITY OF SIGNAL HILL  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 (CONTINUED)

For the year ended June 30, 2011

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (407,217)	\$ 2,438
Depreciation/amortization	814,301	243,725
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	10,557	9,420
(Increase) decrease in inventory	-	(10,701)
Increase (decrease) in accounts payable	(58,833)	29,434
Increase (decrease) in accrued liabilities	3,275	1,493
Increase (decrease) in refundable deposits	6,305	-
Increase (decrease) in compensated absences	557	1,450
	<u>557</u>	<u>1,450</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 368,945</b>	<b>\$ 277,259</b>

See independent auditors' report and notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND

June 30, 2011

	<u>Special Deposit Agency Fund</u>
ASSETS:	
Cash and investments	<u>\$ 671,801</u>
LIABILITIES:	
Refundable deposits	<u>\$ 671,801</u>

See independent auditor's report and notes to basic financial statements.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity:

The reporting entity "City of Signal Hill" includes the accounts of the City of Signal Hill, the Signal Hill Redevelopment Agency (the Agency), the Signal Hill Public Financing Authority (the Financing Authority), and the Signal Hill Housing Authority (the Housing Authority).

The City of Signal Hill was incorporated in 1924 under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. On November 7, 2000, the Charter of the City of Signal Hill was adopted by a vote of the people. As a result, the City will enjoy all rights and privileges pertaining to "Charter Law" cities.

The Signal Hill Redevelopment Agency was established in 1974 pursuant to provisions of the California Health and Safety Code. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities.

The Signal Hill Public Financing Authority was formed October 15, 1996, as a joint power of authority between the City and the Agency for the purpose of providing financing and funding of public capital improvements.

The Signal Hill Housing Authority was formed December 12, 2000 pursuant to provisions of the California Health and Safety Code. The primary purpose of the Housing Authority is to provide suitable, safe and sanitary housing opportunities for the City's residents.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of Signal Hill is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Agency, Financing Authority and Housing Authority have been accounted for as "blended" component units of the City. Despite being legally separate, the Agency, Financing Authority and Housing Authority are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of the Agency, Financing Authority and Housing Authority are reported within the funds of the City.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

The following criteria were used in determining that the Agency, Financing Authority and Housing Authority were “blended” component units.

The members of the City Council also act as the governing body of the Agency, Financing Authority and Housing Authority.

The Agency, Financing Authority and Housing Authority are managed by employees of the City. A portion of the City’s salary and overhead expenses is billed to the Agency each year.

The City, Agency, Financing Authority and Housing Authority are financially interdependent.

The financial statements of the Agency can be obtained from the City of Signal Hill’s Finance Department located at City Hall. The Financing Authority and Housing Authority do not issue separate 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 changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 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) 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

See independent auditors’ report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Under the economic resources measurement focus, all assets and liabilities (current and long-term) are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year, which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and of the government's internal service funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, generally only current assets and current liabilities are reported in the governmental funds. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures only when payment is due.

The fiduciary fund financial statement is reported using no measurement focus and the accrual basis of accounting.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Property taxes, taxpayer-assessed taxes, such as sales taxes, gas taxes, transient occupancy taxes and oil production taxes, 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 accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other receipts allocated by law or contractual agreement to other funds are accounted for in this fund. Expenditures of this fund include general operating costs not paid through other funds.

The Affordable Housing Special Revenue Fund is used to account for the 20% set-aside of tax increment revenues to be used for development of low and moderate income housing within the Agency's project area.

The Housing Authority Special Revenue Fund is used to account for the activity of the Signal Hill Housing Authority.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term liability principal, interest and related costs.

The Capital Improvement Capital Projects Fund is used to account for major capital improvement projects not accounted for in other funds.

The Community Redevelopment Capital Projects Fund is used to account for the financial activity of the Signal Hill Redevelopment Project. This activity includes administrative, overhead and capital project costs necessary for, or incidental to, implementing the redevelopment plan.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The City reports the following major enterprise fund:

The Water Fund is used to account for financial activity relative to the purchase, production, storage and distribution of water used by the community, as well as the maintenance, repair and replacement of related equipment and pipeline. Revenues consist primarily of water sales.

Additionally, the City reports the following fund types:

The Internal Service Fund is used to account for the furnishing of vehicle and equipment services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such vehicles and equipment are used or services rendered.

The Agency Fund is used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for special deposits resulting from new development and joint governmental projects in this fund type.

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

D. Cash and Cash Equivalents:

The Water Enterprise Fund and Vehicle and Equipment Internal Service Fund participate in the pooling of City-wide cash and investments. Amounts from the pool are available to these funds on demand. Therefore, the cash and investments (restricted and unrestricted) reported in the Water Enterprise Fund and Vehicle and Equipment Internal Services Fund are considered to be cash and cash equivalents for purposes of the statement of cash flows.

E. Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof).

F. Restricted Assets:

Cash and investments totaling \$10,522,180 are restricted in the Community Redevelopment Capital Projects Fund in accordance with bond indentures. Cash and investments totaling \$679,065 are restricted in the Water Enterprise Fund in accordance with bond indentures.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Capital Assets:

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, trails, traffic signals and sewer lines. Capital assets are defined by the City as assets, with an initial cost of more than \$5,000 and a useful life that is greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Structures and improvements - Water Enterprise	20 - 50 years
Structures and improvements - other than Water Enterprise	5 - 40 years
Water rights	40 years
Equipment and furniture	3 - 20 years
Vehicles and major equipment	3 - 15 years
Infrastructure	40 - 90 years

H. Inventory:

Inventory is valued at cost using the first-in/first-out (FIFO) method. Costs of these inventories are recorded as expenditures when consumed. Inventory in the Vehicle and Equipment Internal Service Fund consists of gasoline and tires held for use in city vehicles.

I. Deferred Charges:

Deferred bond issue costs related to governmental activities and the business-type activity were \$2,123,220 and \$179,114, respectively, net of accumulated amortization, as of June 30, 2011. The costs are amortized on a straight-line basis through 2027, respectively. Amortization expense totaled \$149,793 and \$11,681, respectively, for the year ended June 30, 2011.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Employee Compensated Absences:

Compensated absences are reported in governmental funds as a liability, only if they have matured. The balance of unpaid vacation and compensatory time at year end is recorded as a long-term liability of the governmental activities, as these amounts will be liquidated from future resources rather than expendable available financial resources. Compensated absences are primarily liquidated in the General Fund.

Unpaid compensated absences in proprietary fund types are recorded as a liability in those funds as vested benefits to the employees accrue.

The City does not reimburse for unused sick pay upon an employee's termination. The City does, however, pay a percentage (based on the applicable employee group agreement) or 60 days, whichever is less, of accumulated sick pay upon an employee's retirement, for employees who have worked for the City for a minimum of 5 years and are age 50 or older upon retirement. The balance of unused sick pay at year end for those employees, who meet minimum eligibility requirements, is recorded as a long-term liability, as these amounts will be liquidated from future resources rather than expendable available resources.

K. Fund Balances:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Fund Balances (Continued):

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

L. Property Taxes:

Property taxes are an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1, which become delinquent on December 10 and April 10, respectively. The County of Los Angeles bills and collects property taxes for the City. Remittance of property taxes to the City is accounted for in the City's General Fund.

M. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program claims payable, which includes an estimate for incurred but not reported claims (IBNR).

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Claims and Judgments (Continued):

Under the City's self-insurance program, deposits to the Joint Powers Authority (Note 13) are recorded as insurance expenditures in the period to which they relate in the General Fund. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as deposits since they will be used to offset future deposit requirements. Included in deposits as of June 30, 2011 are refunds totaling \$538,899 related to the workers' compensation coverage program. Adverse claims experience in prior years results in the payment of additional deposits which are recorded as insurance expenditures when incurred. Included in accrued liabilities as of June 30, 2011 is the cumulative retrospective deposit payable of \$925,626 for the general and automobile liability coverage program.

N. Invested in Capital Assets, Net of Related Debt:

At June 30, 2011, the net asset component, invested in capital assets, net of related debt, was determined as follows:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Capital assets, net of accumulated depreciation	\$ 64,227,921	\$ 23,643,613
Less:		
Bonds, net	(28,340,204)	(7,095,355)
Loan payable	-	(151,190)
Add back:		
Unspent bonds proceeds	<u>23,792,568</u>	<u>679,065</u>
Total	<u>\$ 59,680,285</u>	<u>\$ 17,076,133</u>

The capital-related debt of governmental activities is the 2009 and 2011 tax allocation parity bonds. The proceeds of these bonds will be used to construct a new police station and a city library, respectively. The debt refunded by the 2001, 2003 Series A, 2003 Series C and 2007 tax allocation bonds, the 2003 Series B, 2003 Series D, 2006 tax allocation bonds, the notes payable and loans payable are not related to any capital assets of the governmental activities. Proceeds from the bonds (other than the 2009 and 2011 Series), note and loans were used in redevelopment and housing activities which may have involved acquisition of property or construction and improvement of capital assets. However, all such assets have been either transferred to developers and business owners as part of disposition and development agreements or are included in land and improvements held for resale which is an account that is not considered to be part of the City's capital assets.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectibility of its receivables (e.g. accounts receivable, intergovernmental receivables, loans receivable, amounts due from other funds and amounts advanced to other funds), the depreciation of its capital assets and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2011 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	\$ 57,341,176	\$ 671,801	\$ 58,012,977
Restricted cash and investments	<u>11,201,245</u>	<u>-</u>	<u>11,201,245</u>
Total Cash and Investments	<u>\$ 68,542,421</u>	<u>\$ 671,801</u>	<u>\$ 69,214,222</u>

Cash and investments at June 30, 2011 consisted of the following:

Cash on hand	\$ 3,770
Deposits with financial institutions	2,320,956
Deposits with financial institutions held by bond trustee	8,458,360
Investments	<u>58,431,136</u>
Total Cash and Investments	<u>\$ 69,214,222</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the City's Investment Policy:

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	None	None
United States Government Sponsored			
Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	10%
Time Certificate of Deposits	1 year	30%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Mutual Funds	N/A	20%	10%
County Pooled Funds	N/A	None	None

N/A - Not Applicable

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Agency Securities, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Bankers Acceptance which are limited to one year.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 25,117,593	\$ -	\$ -	\$ 25,117,593
United States Government Sponsored				
Agency Securities:				
FHLMC	1,476,191	2,108,420	499,985	4,084,596
FHLB	9,508,400	-	-	9,508,400
FFCB	2,040,132	-	-	2,040,132
Corporate Notes	-	6,946,932	2,127,545	9,074,477
Mutual Funds	5,127,766	-	-	5,127,766
Negotiable Certificates of Deposit	735,287	-	-	735,287
Held by Bond Trustee:				
Local Agency Investment Fund	7,227	-	-	7,227
Local Agency Bonds	-	644,823	987,169	1,631,992
United States Treasury Obligations	4,012	-	-	4,012
United States Government Sponsored				
Agency Securities:				
FNMA	-	-	1,099,654	1,099,654
	<u>\$ 44,016,608</u>	<u>\$ 9,700,175</u>	<u>\$ 4,714,353</u>	<u>\$ 58,431,136</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating as required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year end for each investment type:

Investment Type	Total as of June 30, 2011	Minimum Legal Rating	AAA	Other Ratings	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 25,117,593	N/A	\$ -	\$ -	\$ 25,117,593	\$ -
United States Government Sponsored Enterprise Securities:						
FHLMC	4,084,596	N/A	4,084,596	-	-	-
FHLB	9,508,400	N/A	9,508,400	-	-	-
FFCB	2,040,132	N/A	2,040,132	-	-	-
Corporate Notes	9,074,477	A	528,415	8,546,062	-	-
Mutual Funds	5,127,766	Multiple**	5,127,766	-	-	-
Negotiable Certificates of Deposit	735,287	N/A	-	-	-	735,287
Held by Bond Trustee:						
Local Agency Investment Fund	7,227	N/A	-	-	7,227	-
Local Agency Bonds	1,631,992	N/A	-	1,631,992	-	-
United States Treasury Obligations	4,012	N/A	-	-	-	4,012
United States Government Sponsored Agency Securities:						
FNMA	<u>1,099,654</u>	AAA	<u>1,099,654</u>	-	-	-
Total	<u>\$ 58,431,136</u>		<u>\$ 22,388,963</u>	<u>\$ 10,178,054</u>	<u>\$ 25,124,820</u>	<u>\$ 739,299</u>

\*\* Multiple - must receive the highest ranking by not less than two nationally recognized statistical rating agencies or retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million.

N/A - Not Applicable

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Other ratings on Corporate Notes, Mutual Funds, and Local Agency Bonds are as follows:

Investment Type	Total as of			
	June 30, 2011	AA+	A	A-
Corporate Notes	\$ 8,546,062	\$ 8,546,062	\$ -	\$ -
Held by Bond Trustee:				
Local Agency Bonds	1,631,992	528,630	987,169	116,193
	<u>\$ 10,178,054</u>	<u>\$ 9,074,692</u>	<u>\$ 987,169</u>	<u>\$ 116,193</u>

Subsequent to June 30, 2011, Standard and Poor's reduced the rating of the Federal National Mortgage Association debt securities from AAA to AA+.

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 4,084,596
Federal Home Loan Bank	United States Government Sponsored Agency Securities	9,508,400
JP Morgan Core Bond Fund	Mutual Fund	5,127,766

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2011, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation and the remaining balances were collateralized under California Law. The FNMA medium-term note and the local agency bonds held by bond trustee are uninsured, unregistered and not held in the City's name.

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. NOTE RECEIVABLE:

In November, 2009, the Agency entered into an Owner Participation Agreement (OPA) with A & P Property Investments, LLC whereby the Agency is to loan the Owner money for the assistance with the operations of the Owner's auto dealership. In accordance with the agreement, the amounts disbursed shall accrue interest at the rate of 6.25% per year and the loan is deferred for two years prior to beginning repayment. The principal and accrued interest are receivable in annual installments of \$63,746. The note receivable was collected in full during the fiscal year ended June 30, 2011.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	Balance at July 1, 2010 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 27,684,367	\$ 11,739,678	\$ -	\$ 39,424,045
Construction in progress (1)	<u>4,330,457</u>	<u>5,705,911</u>	<u>(210,934)</u>	<u>9,825,434</u>
Total capital assets, not being depreciated	<u>32,014,824</u>	<u>17,445,589</u>	<u>(210,934)</u>	<u>49,249,479</u>
Capital assets, being depreciated:				
Structures and improvements	10,386,657	210,934	-	10,597,591
Equipment and furniture	2,235,126	-	-	2,235,126
Vehicles and major equipment	2,219,768	184,632	(205,397)	2,199,003
Infrastructure	<u>23,088,042</u>	<u>-</u>	<u>-</u>	<u>23,088,042</u>
Total capital assets, being depreciated	<u>37,929,593</u>	<u>395,566</u>	<u>(205,397)</u>	<u>38,119,762</u>
Less accumulated depreciation for:				
Structure and improvements	(6,872,999)	(142,416)	-	(7,015,415)
Equipment and furniture	(1,469,524)	(101,718)	-	(1,571,242)
Vehicles and major equipment	(1,523,621)	(234,621)	194,535	(1,563,707)
Infrastructure	<u>(12,466,546)</u>	<u>(524,410)</u>	<u>-</u>	<u>(12,990,956)</u>
Total accumulated depreciation	<u>(22,332,690)</u>	<u>(1,003,165)</u>	<u>194,535</u>	<u>(23,141,320)</u>
Total capital assets, being depreciated, net	<u>15,596,903</u>	<u>(607,599)</u>	<u>(10,862)</u>	<u>14,978,442</u>
Total governmental activities capital, net	<u>\$ 47,611,727</u>	<u>\$ 16,837,990</u>	<u>\$ (221,796)</u>	<u>\$ 64,227,921</u>

(1) The beginning balance of construction in progress has been increased by \$1,280,360 for planning and design costs associated with the construction of the City's new police facility that were not capitalized in prior years. As a result, beginning net assets of the governmental activities has been restated from \$37,564,678 to \$38,845,038.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

4. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated				
Land	\$ 4,427,416	\$ -	\$ -	\$ 4,427,416
Construction in progress	33,586	56,147	-	89,733
Total capital assets, not being depreciated	<u>4,461,002</u>	<u>56,147</u>	<u>-</u>	<u>4,517,149</u>
Capital assets, being depreciated:				
Water rights	1,215,186	-	-	1,215,186
Reservoirs and tanks	12,154,473	-	-	12,154,473
Wells	1,917,963	-	-	1,917,963
Mains	9,897,973	-	-	9,897,973
Pumps	1,137,722	75,939	-	1,213,661
Fire hydrants	688,263	-	(1,192)	687,071
Meters	510,346	-	-	510,346
Services	1,449,220	-	-	1,449,220
Structures	1,211,958	34,086	-	1,246,044
Equipment and furniture	1,161,456	-	(1,644)	1,159,812
Total capital assets, being depreciated	<u>31,344,560</u>	<u>110,025</u>	<u>(2,836)</u>	<u>31,451,749</u>
Less accumulated depreciation/ amortization for:				
Water rights	(576,313)	(30,380)	-	(606,693)
Reservoirs and tanks	(2,700,999)	(275,921)	-	(2,976,920)
Wells	(643,929)	(45,957)	-	(689,886)
Mains	(4,474,710)	(195,491)	-	(4,670,201)
Pumps	(598,897)	(105,833)	-	(704,730)
Fire hydrants	(557,567)	(14,507)	600	(571,474)
Meters	(447,096)	(25,655)	-	(472,751)
Services	(637,595)	(27,691)	-	(665,286)
Structures	(378,436)	(28,714)	-	(407,150)
Equipment and furniture	(497,686)	(64,152)	1,644	(560,194)
Total accumulated depreciation	<u>(11,513,228)</u>	<u>(814,301)</u>	<u>2,244</u>	<u>(12,325,285)</u>
Total capital assets, being depreciated, net	<u>19,831,332</u>	<u>(704,276)</u>	<u>(592)</u>	<u>19,126,464</u>
Total business-type activity capital assets, net	<u>\$ 24,292,334</u>	<u>\$ (648,129)</u>	<u>\$ (592)</u>	<u>\$ 23,643,613</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

4. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

Depreciation/amortization expense was charged to City functions/programs as follows:

Governmental activities:	
General government	\$ 3,722
Community services	1,346
Police	80,626
Public works	149,336
Internal service fund depreciation charged to programs	<u>243,725</u>
Allocated depreciation	478,755
Unallocated infrastructure depreciation	<u>524,410</u>
Total depreciation expense - governmental activities	<u>\$ 1,003,165</u>
Business-type activity:	
Water	<u>\$ 814,301</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance at July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2011</u>	Due Within One <u>Year</u>
Bonds payable:					
2001 TABs	\$ 9,860,000	\$ -	\$ (555,000)	\$ 9,305,000	\$ 575,000
2003 TABs Series A	16,175,000	-	(1,875,000)	14,300,000	1,945,000
2003 TABs Series C	10,595,000	-	(80,000)	10,515,000	80,000
2003 TABs Series D	2,490,000	-	(140,000)	2,350,000	145,000
2006 TABs	12,955,000	-	(215,000)	12,740,000	225,000
2007 Refunding TABs	14,710,000	-	(100,000)	14,610,000	105,000
2009 Tax Allocation					
Parity Bonds	20,655,000	-	(765,000)	19,890,000	660,000
2011 Tax Allocation					
Parity Bonds	-	8,835,000	-	8,835,000	-
Less deferred amounts:					
For issuance discounts	(361,119)	(181,895)	27,133	(515,881)	-
On refunding	<u>(408,896)</u>	<u>-</u>	<u>57,446</u>	<u>(351,450)</u>	<u>-</u>
Total bonds payable	86,669,985	8,653,105	(3,645,421)	91,677,669	3,735,000
Notes payable	3,865,847	850,000	(313,685)	4,402,162	249,848
Loans payable	2,000,000	-	(1,000,000)	1,000,000	1,000,000
Compensated absences	<u>1,233,465</u>	<u>486,324</u>	<u>(614,900)</u>	<u>1,104,889</u>	<u>285,865</u>
Total governmental activities	<u>\$ 93,769,297</u>	<u>\$ 9,989,429</u>	<u>\$ (5,574,006)</u>	<u>\$ 98,184,720</u>	<u>\$ 5,270,713</u>
Business-type activity:					
2006 Water revenue					
refunding bonds	\$ 7,805,000	\$ -	\$ (325,000)	\$ 7,480,000	\$ 335,000
Less deferred amounts:					
For issuance discount	(8,475)	-	518	(7,957)	-
On refunding	<u>(401,255)</u>	<u>-</u>	<u>24,567</u>	<u>(376,688)</u>	<u>-</u>
Total refunding bonds payable	7,395,270	-	(299,915)	7,095,355	335,000
Loan payable	226,785	-	(75,595)	151,190	75,595
Compensated absences	<u>71,161</u>	<u>29,989</u>	<u>(29,432)</u>	<u>71,718</u>	<u>18,602</u>
Total business-type activity	<u>\$ 7,693,216</u>	<u>\$ 29,989</u>	<u>\$ (404,942)</u>	<u>\$ 7,318,263</u>	<u>\$ 429,197</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

A. 2001 Tax Allocation Bonds:

On December 4, 2001, the Agency issued the Signal Hill Redevelopment Project No. 1 2001 Tax Allocation Bonds (the “2001 Bonds”) in the amount of \$13,880,000. The proceeds of the bonds were used to advance refund the Signal Hill Redevelopment Project No. 1 1994 Tax Allocation Bonds (the “1994 Bonds”) and to provide funds for certain redevelopment activities. The bonds were issued at a net discount of \$11,035. As a result of the advance refunding, the 1994 Bonds are considered to be defeased and the liability for these bonds have been removed from the long-term liabilities. The defeased 1994 Bonds have been retired.

Principal amounts on \$13,880,000 of serial bonds mature annually each October 1 through 2023, and bear interest semiannually on April 1 and October 1 at rates ranging from 2.00% to 4.625%. Bonds maturing on or after October 1, 2013 are subject to optional redemption on any date on or after October 1, 2012 at a price equal to the principal amount plus accrued interest to the date of redemption, without premium.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National’s current ratings by Moody’s Investors Services and Standard & Poor’s are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 575,000	\$ 388,085	\$ 963,085
2013	595,000	366,291	961,291
2014	615,000	343,143	958,143
2015	635,000	318,450	953,450
2016	660,000	292,220	952,220
2017 - 2021	3,675,000	1,007,755	4,682,755
2022 - 2024	<u>2,550,000</u>	<u>179,260</u>	<u>2,729,260</u>
Totals	<u>\$ 9,305,000</u>	<u>\$ 2,895,204</u>	<u>\$ 12,200,204</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

B. 2003 Tax Allocation Bonds - Series A:

On August 28, 2003, the Agency issued the Signal Hill Redevelopment Project No. 1 2003 Tax Allocation Parity Refunding Bonds, Series A (2003 A Bonds) in the amount of \$23,080,000. The 2003 A Bonds were issued at a discount of \$4,924. This discount is being amortized on a straight-line basis as interest expense (\$245 per year) through 2024. Proceeds of the 2003 A Bonds together with an additional \$1,884,899 provided by the Agency were used to defease \$9,720,000 of the 1993 Series A Bonds and \$13,465,000 of the 1993 Series B Bonds and pay the expenses of the bond issuance. These defeased bonds have been retired.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$532,056. This difference, reported as a deduction from bonds payable, is being amortized on a straight-line basis as interest expense on the statement of activities through the year 2016.

Principal amounts on the 2003 A Bonds mature annually each October 1 through 2023, and bear interest semiannually on April 1 and October 1 at rates ranging from 2.0% to 5.25%. The 2003 A Bonds maturing on or after October 1, 2014 are subject to optional redemption, without premium commencing October 1, 2013.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,945,000	\$ 563,386	\$ 2,508,386
2013	2,285,000	482,646	2,767,646
2014	2,380,000	390,774	2,770,774
2015	2,500,000	290,768	2,790,768
2016	2,650,000	179,549	2,829,549
2017 - 2021	1,490,000	440,309	1,930,309
2021 - 2024	<u>1,050,000</u>	<u>80,040</u>	<u>1,130,040</u>
Totals	<u>\$ 14,300,000</u>	<u>\$ 2,427,472</u>	<u>\$ 16,727,472</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

C. 2003 Tax Allocation Bonds - Series C:

On December 11, 2003, the Agency issued the Signal Hill Redevelopment Project No. 1 2003 Tax Allocation Parity Refunding Bonds, Series C (2003 C Bonds) in the amount of \$11,130,000. The 2003 C Bonds were issued at a discount of \$129,814. This discount is being amortized on a straight-line basis as interest expense (\$6,545 per year) through 2024. Proceeds of the 2003 C Bonds were used to refinance \$10,215,000 of the 1993 Series A term bonds due October 1, 2023 and pay the expenses of the bond issuance.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$246,328. This difference, reported as a deduction from bonds payable, is being amortized on a straight-line basis as interest expense on the statement of activities through the year 2024.

Principal amounts on the 2003 C Bonds mature annually each October 1 through 2023, and bear interest semiannually on April 1 and October 1 at rates ranging from 1.10% to 4.625%. The 2003 C Bonds maturing on or after October 1, 2014 are subject to optional redemption commencing October 1, 2013 without premium.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 80,000	\$ 445,985	\$ 525,985
2013	85,000	443,218	528,218
2014	90,000	440,110	530,110
2015	90,000	436,825	526,825
2016	95,000	433,355	528,355
2017 - 2021	5,895,000	1,576,394	7,471,394
2022 - 2024	<u>4,180,000</u>	<u>286,944</u>	<u>4,466,944</u>
Totals	<u>\$ 10,515,000</u>	<u>\$ 4,062,831</u>	<u>\$ 14,577,831</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

D. 2003 Tax Allocation Bonds - Series D:

On December 11, 2003, the Agency issued the Signal Hill Redevelopment Project No. 1 2003 Taxable Tax Allocation Parity Bonds, Series D (2003 D Bonds) in the amount of \$3,225,000. Proceeds of the 2003 D Bonds were used to provide funds for certain housing activities of the Agency and pay for the expenses of the bond issuance.

\$1,245,000 of 2003 D term bonds mature October 1, 2013 and bear interest semiannually at a rate of 4.93%. \$1,980,000 of 2003 D term bonds mature October 1, 2024 and bear interest at a rate of 5.98%. The 2003 D Bonds are subject to mandatory redemption without premium commencing October 1, 2004 with respect to the term bonds maturing October 1, 2024. In addition, the 2003 D Bonds maturing October 1, 2024 are subject to optional redemption commencing October 1, 2013 without premium.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 145,000	\$ 133,071	\$ 278,071
2013	110,000	126,785	236,785
2014	115,000	121,239	236,239
2015	115,000	114,966	229,966
2016	115,000	108,089	223,089
2017 - 2021	360,000	471,522	831,522
2022 - 2025	<u>1,390,000</u>	<u>259,233</u>	<u>1,649,233</u>
Totals	<u>\$ 2,350,000</u>	<u>\$ 1,334,905</u>	<u>\$ 3,684,905</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

E. 2006 Tax Allocation Bonds:

On September 7, 2006, the Agency issued the 2006 Taxable Tax Allocation Parity Bonds, Series A in the amount of \$13,500,000. Proceeds of the 2006 Taxable Tax Allocation Parity Bonds will be used to (i) finance redevelopment activities of the Agency within or of benefit to the Redevelopment Project, (ii) satisfy the Reserve Requirement for the Bonds and (iii) provide for the cost of issuing the Bonds.

\$1,845,000 of 2006 term bonds mature October 1, 2016 and bear interest payable semiannually at a rate of 5.581%. \$11,660,000 of 2006 D term bonds mature October 1, 2026 and bear interest payable semiannually at a rate of 5.839%. The 2006 Bonds are subject to mandatory redemption without premium commencing October 1, 2007 with respect to the term bonds maturing October 1, 2016 and October 1, 2017 with respect to the term bonds maturing October 1, 2026.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 225,000	\$ 734,824	\$ 959,824
2013	160,000	724,080	884,080
2014	165,000	715,011	880,011
2015	165,000	705,802	870,802
2016	130,000	697,570	827,570
2017 - 2021	1,300,000	3,292,017	4,592,017
2022 - 2026	7,205,000	2,536,023	9,741,023
2027	<u>3,390,000</u>	<u>98,971</u>	<u>3,488,971</u>
Totals	<u>\$ 12,740,000</u>	<u>\$ 9,504,298</u>	<u>\$ 22,244,298</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

F. 2007 Refunding Tax Allocation Bonds:

On November 15, 2007, the Agency issued the 2007 Tax Allocation Refunding Parity Bonds, Series A in the amount of \$14,970,000. The Bonds were issued to (i) refinance the Agency's outstanding 1993 Series B Tax Allocation Parity Bonds which total \$14,375,000, (ii) satisfy the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,811. This difference, reported as a deduction from bonds payable, is being amortized on a straight-line basis as interest expense on the statement of activities through the year 2024.

Principal amounts on the 2007 Refunding Tax Allocation Bonds mature annually each October 1 from 2008 through 2023, and bear interest semiannually beginning October 1, 2008 at rates ranging from 4.0% to 4.3%. The 2007 Refunding Tax Allocation Bonds maturing on or after October 1, 2018 are subject to optional redemption, without premium commencing October 1, 2017.

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are Baa2 and BBB, respectively.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 105,000	\$ 599,204	\$ 704,204
2013	110,000	594,904	704,904
2014	115,000	590,404	705,404
2015	115,000	585,804	700,804
2016	120,000	581,104	701,104
2017 - 2021	8,210,000	2,099,402	10,309,402
2022 - 2024	<u>5,835,000</u>	<u>381,279</u>	<u>6,216,279</u>
Totals	<u>\$ 14,610,000</u>	<u>\$ 5,432,101</u>	<u>\$ 20,042,101</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

G. 2009 Tax Allocation Parity Bonds:

On November 17, 2009, the Agency issued the 2009 Tax Allocation Parity Bonds in the amount of \$20,655,000. The proceeds will be used to (i) finance redevelopment activities of benefit to the Redevelopment Project, (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2009 Bonds were issued at a discount of \$228,331. This discount is being amortized on a straight-line basis as interest expenses through the year 2027.

During the year ended June 30, 2011, the Agency reimbursed the City of Signal Hill \$1,280,360 using bond proceeds for eligible planning and design costs incurred by the City related to the building of the City's new police facility.

Principal amounts on the 2009 Tax Allocation Parity Bonds mature annually each October 1 from 2010 through 2026, and bear interest semiannually beginning April 1, 2010 at rates ranging from 3.0% to 5.375%. The 2009 Tax Allocation Parity Bonds maturing on or after October 1, 2020 are subject to optional redemption, without premium commencing October 1, 2019.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 660,000	\$ 960,050	\$ 1,620,050
2013	680,000	939,950	1,619,950
2014	700,000	915,750	1,615,750
2015	725,000	887,250	1,612,250
2016	760,000	857,550	1,617,550
2017 - 2021	4,560,000	3,695,931	8,225,931
2022 - 2026	8,830,000	2,237,434	11,067,434
2027	<u>2,975,000</u>	<u>79,953</u>	<u>3,054,953</u>
Totals	<u>\$ 19,890,000</u>	<u>\$ 10,573,869</u>	<u>\$ 30,463,869</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

H. 2011 Tax Allocation Parity Bonds:

On March 25, 2011, the Agency issued the 2011 Tax Allocation Parity Bonds in the amount of \$8,835,000. The proceeds will be used to (i) finance redevelopment activities of benefit to the Redevelopment Project, (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2011 Bonds were issued at a discount of \$181,895. This discount is being amortized on a straight-line basis as interest expenses through the year 2027.

Principal amounts on the 2011 Tax Allocation Parity Bonds mature annually each October 1 from 2012 through 2026, and bear interest semiannually beginning October 1, 2011 at rates ranging from 3.25% to 7.0%. The 2011 Tax Allocation Parity Bonds maturing on or after October 1, 2021 are subject to optional redemption, without premium commencing April 1, 2021.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 541,178	\$ 541,178
2013	410,000	525,644	935,644
2014	420,000	510,581	930,581
2015	435,000	492,666	927,666
2016	455,000	471,775	926,775
2017 - 2021	2,805,000	1,928,475	4,733,475
2022 - 2026	3,540,000	892,575	4,432,575
2027	<u>770,000</u>	<u>26,950</u>	<u>796,950</u>
Totals	<u>\$ 8,835,000</u>	<u>\$ 5,389,844</u>	<u>\$ 14,224,844</u>

I. Notes Payable:

- 1) A \$5,000,000 note payable dated October 29, 1991, resulted from the acquisition of real property held for resale by the Agency. The note bears interest at 10% per annum. Interest and principal payments are due semi-annually on July 30 and January 30 in an amount equal to the sales tax revenue received or to be received by the City from all businesses and activities conducted on the property. Payments will be made for a period of 20 years (ending December 31, 2012) or until interest and principal due on the note is paid in full. In the event that payments are insufficient to fully discharge the note in 20 years, the unpaid balance of principal and interest will be forgiven. At June 30, 2011, the outstanding balance of this note was \$3,839,068.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

I. Notes Payable (Continued):

1) (Continued):

Based on current available information, estimated sales tax revenue will not be sufficient to pay principal and accrued interest. Based on this, the annual debt requirements at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 173,512	\$ 444,642	\$ 618,154
2013	<u>442,771</u>	<u>175,383</u>	<u>618,154</u>
Subtotal	616,283	620,025	1,236,308
Estimated amount to be forgiven	<u>3,222,785</u>	-	<u>3,222,785</u>
Totals	<u>\$ 3,839,068</u>	<u>\$ 620,025</u>	<u>\$ 4,459,093</u>

- 2) On December 16, 2010, the Agency issued a promissory note in the amount of \$850,000 in connection with the acquisition of land held for resale. The note bears interest at 4.5% per annum. There was a one-time principal only repayment of \$250,000 due on January 30, 2011, and quarterly interest and principal payments of \$25,100 commenced on March 15, 2011 in order to fully amortize the note by December 15, 2017. At June 30, 2011, the outstanding balance of this note was \$563,094.

The annual debt requirements of this note at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 76,336	\$ 24,063	\$ 100,399
2013	79,830	20,570	100,400
2014	83,483	16,916	100,399
2015	87,304	13,096	100,400
2016	91,299	9,100	100,399
2017 - 2018	<u>144,842</u>	<u>5,756</u>	<u>150,598</u>
Totals	<u>\$ 563,094</u>	<u>\$ 89,501</u>	<u>\$ 652,595</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

J. Loans Payable:

On March 1, 2001 the Agency received a \$1,000,000 HELP (Housing Enabled by Local Partnership) loan from the California Housing Finance Agency. The proceeds of the loan were used to acquire property for rehabilitation, and project sites for construction of multifamily rental housing. The loan bears simple interest at a rate of 3% per annum. The term of the loan is 10 years. The principal and accrued interest balances were paid in full on March 1, 2011.

On July 1, 2002, the City became eligible for a \$1,000,000 HELP (Housing Enabled by Local Partnership) loan from the California Housing Finance Agency. The proceeds of the loan are to be used to pay for design costs for construction of multifamily rental housing. The loan bears simple interest at a rate of 3% per annum. The term of the loan is 10 years. Principal of \$1,000,000 and accrued interest are due July 2, 2011. As of June 30, 2011, accrued unpaid interest totaled \$277,737. The loan was paid in full on July 2, 2011.

K. Compensated Absences:

There is no fixed payment schedule for earned but unpaid compensated absences in both the governmental and business-type activities.

L. 2006 Water Revenue Refunding Bonds:

On June 1, 2006, the City issued \$8,985,000 2006 Water Revenue Refunding Bonds to advance refund the Signal Hill Public Financing Authority's outstanding 1996 Certificates of Participation Bonds. The 2006 Bonds were issued at a discount of \$10,594, which is being amortized on a straight-line basis as interest expense through the year 2027. As a result of the advance refunding, the 1996 Certificates are considered to be defeased and the liability has been removed from the books. The defeased 1996 Certificates were retired on November 1, 2006.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$501,569. This difference, reported as a reduction from bonds payable, is being amortized on a straight-line basis as interest expense through the year 2027.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

L. 2006 Water Revenue Refunding Bonds (Continued):

The 2006 Bonds are made up of serial bonds maturing annually each November 1 through the calendar year 2022, in amounts ranging from \$290,000 to \$530,000, and term bonds maturing on November 1, 2024 and 2026. The term bonds are subject to mandatory sinking fund payments commencing November 1, 2023 and 2025, respectively. Interest is payable semiannually on May 1 and November 1. The serial bonds bear interest at rates ranging from 4.00% to 4.60% and the term bonds bear interest at 4.60% and 4.625%.

The City is required by the 2006 Bond Covenant to maintain a debt service coverage ratio of at least 125%. As of and for the year ended June 30, 2011, the ratio was 83.1%

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 335,000	\$ 322,327	\$ 657,327
2013	350,000	308,626	658,626
2014	365,000	294,326	659,326
2015	380,000	279,426	659,426
2016	395,000	263,433	658,433
2017 - 2021	2,235,000	1,041,847	3,276,847
2022 - 2026	2,785,000	478,814	3,263,814
2027	<u>635,000</u>	<u>14,684</u>	<u>649,684</u>
Totals	<u>\$ 7,480,000</u>	<u>\$ 3,003,483</u>	<u>\$ 10,483,483</u>

M. Proprietary Loan Payable:

On June 7, 2001, the City entered into a \$870,000 loan agreement with the Water Replenishment District of Southern California (WRD). The loan is unsecured with no interest accrual. Proceeds of the loan are to be used to reimburse the City for costs related to the design, construction, installation and other services required to install and operate wellhead treatment systems at city wells and to reduce the levels of manganese and iron in the ground water pumped from the wells. Payments are due in 10 equal annual installments starting on July 1, 2003.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

M. Proprietary Loan Payable (Continued):

The annual requirements to amortize outstanding indebtedness as of June 30, 2011, are as follows:

Year Ending June 30,	Principal
2012	\$ 75,595
2013	75,595
Total	<u>\$ 151,190</u>

N. Operating Lease Obligations:

(1) The Agency is leasing land used for an Auto Center under an operating lease dated June 30, 1988. The term of the lease expires November 30, 2055. The current period rental payments, which are classified as project costs, were \$223,300.

Future minimum rental payments to be made by the Agency are due as follows:

Year Ending June 30,	
2012	\$ 238,200
2013	238,200
2014	238,200
2015	238,200
2016	246,019
2017 - 2021	1,266,882
2022 - 2026	1,342,443
2027 - 2031	1,416,257
2032 - 2036	1,498,674
2037 - 2041	1,574,419
2042 - 2046	1,659,432
2047 - 2051	1,743,349
2052 - 2056	1,599,276
Total	<u>\$ 13,299,551</u>

The operating lease covers three parcels of land, which are subleased to auto dealers. For the year ended June 30, 2011, the Agency received \$248,062 in rental payments to offset the Agency's lease payments to the lessor.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

5. LONG-TERM LIABILITIES (CONTINUED):

N. Operating Lease Obligations (Continued):

(2) The Agency is leasing land for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires December 31, 2055. The current period rental payments, which are classified as project costs, were \$211,537.

Future minimum rental payments to be made by the Agency are due as follows:

Year Ending <u>June 30,</u>	
2012	\$ 213,731
2013	213,731
2014	213,731
2015	216,937
2016	220,142
2017 - 2021	1,110,615
2022 - 2026	1,143,930
2027 - 2031	1,178,249
2032 - 2036	1,213,594
2037 - 2041	1,250,001
2042 - 2046	1,287,504
2047 - 2051	1,326,131
2052 - 2055	<u>1,087,048</u>
Total minimum lease payments	<u>\$ 10,675,344</u>

The operating lease covers five parcels of land, which are subleased to auto dealers. For the year ended June 30, 2011, the Agency received \$258,312 in rental payments to offset the Agency's lease payments to lessor.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2011, is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Improvement	
	Capital Projects Fund	\$ 341,907
	Other Governmental Funds	<u>127,532</u>
		<u>\$ 469,439</u>

The interfund payable balances represent routine and temporary cash flow assistance from the General Fund until the amounts receivable from other governments are collected to reimburse eligible expenditures.

Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 11,950,835
Affordable Housing		
Special Revenue Fund	Debt Service Fund	1,063,162
	Other Governmental Funds	<u>85,312</u>
		<u>\$ 13,099,309</u>

- A. On March 18, 2008, the City made an advance of \$10,000,000 to the Agency from the General Fund to provide financial assistance for the Agency's property acquisition program related to Phase II of the Signal Hill Automotive Center. The advance bears interest at a rate of 10% compounded annually, which is added to the balance of the advance. Repayment of the advance and accrued unpaid interest is to commence no later than October 2, 2017. Currently, there is no set payment schedule. For the year ended June 30, 2011, the Agency repaid \$1,500,000 of the advance.
- B. On April 5, 2011, the Agency Board approved a 5-year loan from the Affordable Housing Special Revenue Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. No interest accrues on this loan and the loan must be repaid on or before June 30, 2016. The total loan balance at June 30, 2011 is \$1,063,162.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Advances To/From Other Funds (Continued):

C. In February 2003, the City agreed to reimburse the Agency for 50% of certain land acquisition costs associated with a low and moderate income housing project since certain parcels of land would be used to develop a City park. The Agency transferred these parcels to the City for park development in August 2003. The reimbursement amount totaled \$434,372 as of June 30, 2003. The City made an initial reimbursement payment of \$150,000 during the year ended June 30, 2004. The remainder of the reimbursement is payable in ten equal annual amounts of \$28,437 through the year ending June 30, 2014. No interest will accrue on this advance. The balance due from the City of Signal Hill as of June 30, 2011 is \$85,312.

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
General Fund	Community Redevelopment Capital Projects Fund	\$ 1,280,360
	Other Governmental Funds	672,405
Affordable Housing Special Revenue Fund	Debt Service Fund	50,000
Housing Authority Special Revenue Fund	Affordable Housing Special Revenue Fund	4,009,209
Debt Service Fund	Affordable Housing Special Revenue Fund	1,541,421
Capital Improvement Capital Projects Fund	General Fund	200,837
	Other Governmental Funds	694,819
Community Redevelopment Capital Projects Fund	Debt Service Fund	713,140
Other Governmental Funds	General Fund	81,197
Vehicle and Equipment Internal Service Fund	General Fund	10,000
		<u>\$ 9,253,388</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Interfund Transfers (Continued):

The purposes for significant interfund transfers made during the fiscal year ended June 30, 2011 were as follows:

- The transfer into the General Fund from the Community Redevelopment Capital Projects Fund was for the reimbursement of redevelopment project costs incurred by the City related to the construction of the new police facility.
- The transfers into the General Fund from Other Governmental Funds were for the close out of funds that did not meet the definition of special revenue funds for reporting purposes under GASB Statement Number 54 which was implemented during the current year (\$397,405) and for reimbursement of project costs accounted for in the General Fund (\$275,000).
- The transfer into the Affordable Housing Special Revenue Fund was for partial payment of the deferred obligation for low and moderate income housing.
- The transfer into the Housing Authority Special Revenue Fund was related to the transfer of land and improvements held for resale or lease from the Agency to the Authority pursuant to a transfer agreement dated April 5, 2011.
- The transfer into the Debt Service Fund was related to payment of debt service and a return of an over transfer of the prior year deferred obligation.
- The transfers into the Capital Improvement Capital Projects Fund were to cover costs of various projects.
- The transfers into the Community Redevelopment Capital Projects Fund were to cover costs of redevelopment projects.

7. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the year ended June 30, 2011, the following funds had deficit fund balances:

Major Fund:	
Debt Service Fund	\$ (4,546,935)
Capital Improvement Capital Projects Fund	(643,559)
Other Governmental Funds:	
DOJ Grants Special Revenue Fund	(28,557)
HCDA Grant Special Revenue Fund	(4)
Domestic Preparedness Special Revenue Fund	(3,843)
OTS Grant Special Revenue Fund	(18,399)
Measure R Special Revenue Fund	(29,881)

At this time it is uncertain how the Debt Service Fund deficit will be eliminated due to the recent changes in legislation affecting California Redevelopment Agencies (see Note 15). The deficits in the Capital Improvement Capital Projects Fund and the Other Governmental Funds will be eliminated by revenues that were deferred at year end since they did not meet the availability criteria required for recognition in the governmental funds and by transfers in from other funds.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

7. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

Expenditures Exceeding Appropriations:

For the year ended June 30, 2011, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

Major Funds:

General Fund:

General government - Support services	\$ 150,768
Capital outlay	772

Affordable Housing Special Revenue Fund:

Community development - Redevelopment	51,428
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Housing Authority Special Revenue Fund:

Capital outlay	3,800
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Debt Service Fund:

Debt service - Interest	1,719,007
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Community Redevelopment Capital Projects Fund:

Debt service – Principal retirement	286,906
Debt service - Interest	13,293
Debt service - Bond issuance costs	199,867

Other Governmental Funds:

DOJ Grants Special Revenue Fund:

Police - Patrol services	9,228
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Park Development Special Revenue Fund:

Community services - Contract services	28,977
Capital outlay	7,392

HCDA Grant Special Revenue Fund:

Community development - CDBG program	5
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Supplemental Law Enforcement Special Revenue Fund:

Police - Patrol services	443
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Domestic Preparedness Special Revenue Fund:

Police - Patrol services	137
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OTS Grant Special Revenue Fund:

Police - Patrol services	40,381
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Measure R Special Revenue Fund:

General Government - City Council	2,033
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The expenditures exceeding appropriations were funded by existing fund balances in the respective funds and, in certain cases, excess revenues received in the current year.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

8. PENSION PLAN:

Plan Description:

The City of Signal Hill participates in the Local Miscellaneous 2% at 55 and 2% at 60 Risk Pools and Local Safety 3% at 50 and 3% at 55 Risk Pools of the California Public Employee's Retirement System (PERS). The City is utilizing the Local Miscellaneous 2% at 60 Risk Pool and the Local Safety 3% at 55 Risk Pool to provide pension benefits for new employees hired after June 10, 2010. These plans are cost-sharing, multiple-employer defined benefit pension plans administered by PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

Funding Policy:

The City makes a portion or all of the contributions required of City employees on their behalf and for their account. The employee portion of the rates is set by statute and therefore remains unchanged from year to year. The rates are:

<u>Category</u>	<u>Member Rates as a Percentage of Wages</u>
Local miscellaneous members	7%
Local safety members	9%

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2010-11 were 13.588% and 7.209% for the local miscellaneous members 2% at 55 Pool and 2% at 60 Pool, respectively and 33.175% and 18.175% for the local safety members 3% at 50 Pool and 3% at 55 Pool, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS. The City's contributions to CalPERS for the past three years, which were equal to the required contribution each year, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Local Miscellaneous</u>		<u>Local Safety</u>	
	<u>2% at 55 Pool</u>	<u>2% at 60 Pool</u>	<u>3% at 50 Pool</u>	<u>3% at 55 Pool</u>
2011	\$ 547,456	\$ 10,738	\$ 925,834	\$ 1,526
2010	604,279	-	957,742	-
2009	573,443	-	899,217	-

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

a. Plan Description:

In addition to providing pension benefits, the City provides certain health care benefits for retired employees in accordance with a City Council resolution. Substantially all of the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through PERS whose premiums are based on the benefits paid during the year.

Retiree health care coverage is segregated into three tiers as follows:

Tier 1 - Employees Hired Before January 1, 2006 (1)

- Employee age 50 or over with 5 years of PERS service receive up to \$885 per month.

Tier 2 - Employees Hired On or After January 1, 2006 (1) and prior to April 7, 2010

- Employees with less than 5 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$101 monthly).
- Employees with 5-10 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee only.
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee only.
- Employees with over 16 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

a. Plan Description (Continued):

Tier 3 - Employees Hired On or After April 7, 2010

- Employees with less than 11 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$101 monthly).
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 25% of the monthly benefit applicable towards the employee only.
- Employees with 16-19 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.
- Employees with over 20 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

(1) Applies to police employees hired after January 1, 2004.

b. Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City Council, and/or the employee associations. The City is currently funding this OPEB obligation based on an actuarially-determined annual required contribution (ARC).

c. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2011 was \$655,562 and was determined as part of an actuarial valuation dated March 31, 2010.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

c. Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 655,562
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	655,562
Actual contributions made	<u>(804,540)</u>
Change in net OPEB obligation (asset)	(148,978)
Net OPEB Obligation (Asset) - beginning of year	<u>-</u>
Net OPEB Obligation (Asset) - end of year	<u>\$ (148,978)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/09	\$ 1,063,515	\$ 1,063,515	100.00 %	\$ -
6/30/10	655,562	655,562	100.00 %	-
6/30/11	655,562	804,540	122.73 %	(148,978)

d. Funded Status and Funding Progress:

As of March 1, 2010, the second and latest actuarial valuation date, the Plan was 5.52 percent funded. The actuarial accrued liability for benefits was \$9,640,527, and the actuarial value of assets was \$532,514, resulting in an unfunded accrued actuarial liability (UAAL) of \$9,108,013. The covered payroll (annual payroll of active employees covered by the plan) was \$7,810,627 and the ratio of the UAAL to the covered payroll was 116.61%.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

d. Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the March 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment return/discount rate of 7.5% per annum, projected salary increases of 3.0% per annum, a general inflation rate of 3.0% per annum, and a medical trend rate of 4.0%. A level percentage of payroll method was used to allocate amortization cost by year. A closed amortization period of 30 years was used.

10. DEFINED CONTRIBUTION PLANS:

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under PERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.5% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of plan or date of employment, whichever is later, and all contributions are fully vested. For the year ended June 30, 2011, the employees contributed \$10,294 and the City contributed \$2,159 to the Plan.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

10. DEFINED CONTRIBUTION PLANS (CONTINUED):

On May 15, 2001, the City Council authorized establishment of a 401(a) Deferred Compensation Plans for its management and middle management employees. The Plans are qualified defined contribution plans under Section 401(a) of the Internal Revenue Code. Management and middle management employees will place their City-paid contributions which total 4.0% and 3.0%, respectively, of salary into the Plans. Management employees are required to match the 4% City contribution with an 8% employee contribution, and middle management employees are required to match the 3.0% City contribution with a 6% employee contribution. For the year ended June 30, 2011, the employees contributed \$102,977 and the City contributed \$46,883 to the Plans.

City council has the authority for establishing and amending the provisions of both these plans.

11. DEFERRED COMPENSATION:

The City has made available to its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, whereby employees authorize the City to defer a portion of their salary to be deposited in individual investment accounts. Funds may be withdrawn by participants upon termination of employment or retirement. The City contributes on a 50% matching basis up to 4% of management's compensation and up to 3% of middle management's compensation. Total matching contributions made by the City totaled \$24,171 for the fiscal year ended June 30, 2011.

Amounts withheld by the City under this plan are deposited regularly with the International City Managers Association (ICMA) Fund for investment. Pursuant to changes in Internal Revenue Code Section 457, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City, and as such, are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 plan are no longer reflected in the Agency fund in which they were previously recorded. The City had minimal involvement in the administration of the 457 plan, and therefore, the plan assets and liabilities are not reported in the City's financial statements.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

12. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2011 were as follows:

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Other Governmental Funds
	General	Affordable Housing Fund	Housing Authority Fund		Capital Improvement Fund	Community Redevelopment Fund	
Nonspendable:							
Land and improvements held for resale	\$ -	\$ 4,007,693	\$ -	\$ -	\$ -	\$ 12,970,522	\$ -
Advances to other funds	10,000,000	1,148,474	-	-	-	-	-
Deposits	538,899	-	-	-	-	-	-
	<u>10,538,899</u>	<u>1,148,474</u>	<u>4,007,693</u>	<u>-</u>	<u>-</u>	<u>12,970,522</u>	<u>-</u>
Restricted for:							
Redevelopment	-	-	-	-	-	16,451,232	-
Low and Moderate income housing	-	4,549,324	15,361	-	-	-	-
Public protection	-	-	-	-	-	-	202,513
Development	-	-	-	-	-	-	4,859,253
Transportation	-	-	-	-	-	-	820,903
Pipeline removal	-	-	-	-	-	-	1,705,338
	<u>-</u>	<u>4,549,324</u>	<u>15,361</u>	<u>-</u>	<u>-</u>	<u>16,451,232</u>	<u>7,588,007</u>
Committed for Contingencies:							
Equipment replacement	181,698	-	-	-	-	-	-
Insurance premium increases	347,600	-	-	-	-	-	-
Capital improvements	988,596	-	-	-	-	-	-
Economic uncertainty	2,284,534	-	-	-	-	-	-
New police building	65,403	-	-	-	-	-	-
Library expansion	1,710,252	-	-	-	-	-	-
Park expansion	56,046	-	-	-	-	-	-
PERS rate increases	896,084	-	-	-	-	-	-
Building and land acquisition	688,855	-	-	-	-	-	-
OPEB future costs	1,673,801	-	-	-	-	-	-
Trash reduction	46,929	-	-	-	-	-	-
ABX 1 27	1,280,360	-	-	-	-	-	-
	<u>10,220,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	6,167,408	-	-	(4,546,935)	(643,559)	-	(80,684)
	<u>\$ 26,926,465</u>	<u>\$ 5,697,798</u>	<u>\$ 4,023,054</u>	<u>\$ (4,546,935)</u>	<u>\$ (643,559)</u>	<u>\$ 29,421,754</u>	<u>\$ 7,507,323</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority).

A. Description of Joint Powers Insurance Authority:

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-insurance Programs of the Insurance Authority:

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability Insurance. In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

B. Self-insurance Programs of the Insurance Authority (Continued):

General Liability Insurance (Continued). (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

C. Purchased Insurance:

Environmental Insurance. The City of Signal Hill participates in the pollution legal liability and remediation legal liability insurance which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Signal Hill. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Insurance Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance. The City of Signal Hill participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. City of Signal Hill property is currently insured according to a schedule of covered property submitted by City of Signal Hill to the Insurance Authority. The City of Signal Hill currently has all-risk property insurance protection in the amount of \$34,237,110. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City of Signal Hill purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City of Signal Hill property currently has earthquake protection in the amount of \$23,954,367. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance. The City of Signal Hill purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

D. Adequacy of Protection:

During the past three fiscal (claims) years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2010-2011.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the California Joint Powers Insurance Authority may be obtained from their administrative office located at 8081 Moody Street, La Palma, California 90623.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

14. OTHER INFORMATION:

A. Contingent Liabilities:

Litigation - Claims and suits are filed against the City in the normal course of business. Based upon information received from the City's management, the estimated liability under any such claims would be adequately covered by deposits in a pooled insurance authority and insurance coverage. Other claims not covered by insurance involving substantial land use actions and inverse condemnation claims are not expected to have an adverse economic effect on the City.

Grant Audit Contingencies - Under the terms of certain grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

B. Spring Street Corridor Joint Powers Authority:

The City and Agency entered into a joint powers agreement with the City of Long Beach and the Long Beach Redevelopment Agency on January 11, 1995. The purpose of this agreement was to create a joint power authority (Authority) pursuant to the California Government Code in order to develop and operate public facilities and improvements in the Spring Street Corridor Area.

The Authority is governed by a Board of Directors which is made up of the five members of the Signal Hill City Council, the four members of the Long Beach City Council, and the Chairman of the Long Beach Redevelopment Agency. Officers of the Authority are elected annually by the Board members.

On December 21, 1995, the joint powers agreement was amended to increase its jurisdiction by including additional areas surrounding the original Spring Street Corridor Area. The operating expenses are charged to the members on the basis of their prorata share of land in the Corridor. Financial statements can be obtained from the City of Signal Hill's Finance Department located at City Hall.

Pursuant to an Owner Participation and Implementation Agreement (OPIA) dated September 19, 1996, the Authority is required to pay a developer a formulated amount based on the sales tax generated at a site developed within the City of Signal Hill. The payments are due annually through the calendar year 2015. The source of these payments is to be provided by the Agency. The first source is available tax increment revenue which is limited based on the amount of the Agency's annual tax increment revenue less amounts required by law to be deposited in the Agency's Affordable Housing Special Revenue Fund. The second source is a loan from the City which would be made from the City's share of sales tax revenue generated from the developed site. No other sources of funds are available for payments. At June 30, 2011, there was no balance due under this agreement.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

15. COMMITMENTS AND CONTINGENCIES:

**SERAF Contingency:**

Pursuant to AB 26 4x, a 2009-10 budget trailer bill, California redevelopment agencies were required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional. The court ruled that the SERAF obligations were not unconstitutional.

The Agency's SERAF contributions for the fiscal year 2009-2010 was \$5,168,970. The Agency utilized its non-housing funds to make the payment.

The Agency's SERAF contributions for the fiscal year 2010-2011 was \$1,064,200. The Agency borrowed \$1,063,162 from the Affordable Housing Special Revenue Fund to make the payment.

**Recent Changes in Legislation Affecting California Redevelopment Agencies:**

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 1x 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each city wanting to keep its redevelopment agency active would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Signal Hill intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):**

Unless a city has determined to participate in the Voluntary Alternative Redevelopment Program under Assembly Bill 1x 27, Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1x 26.

In the event that Assembly Bill 1x 26 is upheld and the City chooses not to participate in the Voluntary Alternative Redevelopment Program under AB 1x 27, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1x 26 and 1x 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 1x 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

Because the stay provide by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlement; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill 1x 26.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):**

On August 10, 2011, City Ordinance No. 2481 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills 1x 26 and/or 1x 27 are upheld as constitutional.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 which dissolves the Signal Hill Redevelopment Agency on February 1, 2012, and struck down Assembly Bill 1x 27, which would have allowed the formation of new redevelopment agencies. By operation of Assembly Bill 1x 26, the City of Signal Hill becomes the Successor Agency, with the responsibility to dissolve the Agency's operations.

Pursuant to the provisions of Assembly Bill 1x 26, on January 17, 2012, the City in its capacity as Successor Agency adopted an Enforceable Obligation Payment Schedule (EOPS) and a Preliminary Draft Recognized Obligation Payment Schedule (PDROPS) and established a Redevelopment Obligation Retirement Fund. The EOPS and PDROPS are similar payment schedules (with the PDROPS identifying sources of payment for obligations) that outline the fiscal obligations of the City in its capacity as Successor Agency from January 1, 2012 through July 1, 2012. These schedules are necessary so that the Successor Agency will be able to receive funding from the County of Los Angeles to pay its enforceable obligations.

On January 17, 2012, the City also elected to retain the housing assets and functions of the dissolved Agency and transfer such housing assets and functions to the Signal Hill Housing Authority. Although Assembly Bill 1x 26 does not precisely define the term "housing assets and functions", the law expressly states that the housing assets do not include the funds currently in the Agency's Affordable Housing Special Revenue Fund, but it appears to include land owned by the Agency. In the Assembly Bill 1x 26 legislation, it is not clear at this time whether the Authority would receive the available resources in the Affordable Housing Special Revenue Fund. If the Authority does not receive these funds and a more permanent funding source is not determined, the Authority may choose to turn its affordable housing responsibilities and property over to the Los Angeles County Housing Authority.

On January 18, 2012, Moody's Investor Service downgraded by one notch all California tax allocation bonds rated Baa2 and above.

On January 24, 2012, Fitch placed all California bonds secured by tax increment revenue on Rating Watch Negative.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):**

In light of the recent State Supreme Court decision, California Redevelopment Association and League of California Cities representatives have vowed to work with State Legislators immediately to develop special legislation to revive redevelopment in order to protect local communities, job creation and to assist in the economic recovery. Two bills have already been introduced; however their fate is uncertain at this time. Senate Bill 659 was introduced on January 5, 2012 to move the dissolution dates to April 15<sup>th</sup>. Senate Bill 659 is to give additional time to Redevelopment agencies', their sponsoring cities, the State and other government agencies involved in the dissolution process to implement the deadlines in Assembly Bill 1x 26. Assembly Bill 654 was introduced on January 10<sup>th</sup> to allow the transfer of all property and cash assets to a city's housing authority.

The City joined litigation against Assembly Bill 1x 26 sponsored by the City of Cerritos. Although the California Supreme Court ruled that Assembly Bill 1x 26 was constitutional there are several sections of Assembly Bill 1x 26 which are legally suspect. The case was filed in Sacramento Superior Court and was placed on hold pending the Supreme Court's ruling on the main constitutional issues. The main cause of action is that Assembly Bill 1x 26 voids all loan agreements between agencies and their sponsoring cities, unless they were part of the original formation of a particular agency. The City entered into a \$10 million loan agreement with the Agency for the acquisition, environmental clean-up, well re-abandonments and consolidation of several former oil field areas. The City believes that the State's voiding of this loan is an impairment of a valid legal contract. The majority of the loan was made from the City's share of sales tax revenues, which the City believes is protected by Bradley-Burns legislation. There are five other causes of action, including violation of property tax distribution requirements, and budget and appropriation requirements found in the California Constitution. An injunction and stay has been requested that would prevent the requirements of Assembly Bill 1x 26 from being implemented while a trial is underway. The hearing on the injunction is scheduled for January 27, 2012 and the court's decision is expected on January 31, 2012.

The impacts of Assembly Bill 1x 26 are difficult to determine, since there are many uncertainties. The uncertainties include whether the Legislature will adopt clean-up legislation and redevelopment reform legislation. There is also uncertainty to whether the Governor will sign any legislative relief. The uncertainties also include existing and future litigation. There are also uncertainties created by the Successor Agency and Oversight Committee process, as well as the involvement of the County Auditor-Controller and the State Department of Finance. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2011

16. PROPOSITION 1A BORROWINGS BY THE STATE OF CALIFORNIA:

Under the provisions of Proposition 1A and as part of the 2009-2010 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in the lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$355,977. The borrowing by the State of California was recognized as a receivable/deferred revenue in the accompanying financial statements. It is reported as part of accounts receivable.

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF SIGNAL HILL

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2011

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
10/01/08	\$ -	\$ 13,356,267	\$ 13,356,267	0.00%	\$ 6,668,337	200.29%
03/01/10	532,514	9,640,527	9,108,013	5.52%	7,810,629	116.61%

See independent auditors' report.

CITY OF SIGNAL HILL  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,561,484	\$ 1,532,984	\$ 1,416,620	\$ (116,364)
Sales and use tax	9,382,000	9,293,000	9,736,361	443,361
Other taxes	3,915,500	1,770,000	1,755,594	(14,406)
Licenses and permits	254,605	346,605	330,921	(15,684)
Intergovernmental revenues	131,000	131,000	120,451	(10,549)
Charges for services	615,483	797,410	866,725	69,315
Fines and forfeitures	377,200	377,200	384,825	7,625
Investment income	1,297,000	1,834,500	1,653,324	(181,176)
Other revenue	70,180	184,180	238,951	54,771
TOTAL REVENUES	<u>17,604,452</u>	<u>16,266,879</u>	<u>16,503,772</u>	<u>236,893</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
City Council	197,120	205,229	175,000	30,229
City Treasurer	4,730	4,730	3,721	1,009
City Clerk	146,005	152,790	131,384	21,406
Program administration	384,610	384,610	275,298	109,312
Legislative services	188,070	200,561	162,434	38,127
Personnel services	252,170	293,424	236,348	57,076
Support services	1,376,920	1,370,920	1,521,688	(150,768)
Management information services	164,200	194,899	153,659	41,240
Fiscal services	527,350	503,598	378,102	125,496
TOTAL GENERAL GOVERNMENT	<u>3,241,175</u>	<u>3,310,761</u>	<u>3,037,634</u>	<u>273,127</u>
<b>COMMUNITY SERVICES:</b>				
Library programs and services	329,240	409,965	371,111	38,854
Community support and services	417,222	425,522	391,607	33,915
Recreation	563,763	549,611	447,799	101,812
TOTAL COMMUNITY SERVICES	<u>1,310,225</u>	<u>1,385,098</u>	<u>1,210,517</u>	<u>174,581</u>
<b>POLICE:</b>				
Patrol services	4,234,980	4,242,980	3,964,325	278,655
Investigative services	933,900	935,300	929,374	5,926
Support services	1,313,600	1,358,970	1,309,478	49,492
Emergency and disaster services	12,400	35,723	11,740	23,983
Community outreach	97,150	120,850	34,628	86,222
Communications	663,020	636,820	513,437	123,383
Records	438,040	444,840	342,456	102,384
TOTAL POLICE	<u>7,693,090</u>	<u>7,775,483</u>	<u>7,105,438</u>	<u>670,045</u>

See independent auditors' report and note to required supplementary information.

(Continued)

## CITY OF SIGNAL HILL

## BUDGETARY COMPARISON SCHEDULE

GENERAL FUND  
(Continued)

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	\$ 330,460	\$ 352,815	\$ 268,705	\$ 84,110
Neighborhood enhancement	168,295	164,395	129,993	34,402
Building and safety	318,695	443,195	303,325	139,870
Oil field services	150,205	139,205	102,252	36,953
TOTAL COMMUNITY DEVELOPMENT	<u>967,655</u>	<u>1,099,610</u>	<u>804,275</u>	<u>295,335</u>
PUBLIC WORKS:				
Engineering and project services	584,335	667,335	629,966	37,369
Building maintenance	583,925	602,525	494,465	108,060
Environmental programs	601,280	622,780	581,952	40,828
Park maintenance	849,295	875,295	705,837	169,458
Street maintenance operations	1,411,705	1,425,205	1,174,307	250,898
TOTAL PUBLIC WORKS	<u>4,030,540</u>	<u>4,193,140</u>	<u>3,586,527</u>	<u>606,613</u>
CAPITAL OUTLAY	<u>18,500</u>	<u>18,500</u>	<u>19,272</u>	<u>(772)</u>
TOTAL EXPENDITURES	<u>17,261,185</u>	<u>17,782,592</u>	<u>15,763,663</u>	<u>2,018,929</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>343,267</u>	<u>(1,515,713)</u>	<u>740,109</u>	<u>2,255,822</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	285,000	435,000	1,952,765	1,517,765
Transfers out	<u>(256,157)</u>	<u>(348,657)</u>	<u>(292,034)</u>	<u>56,623</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>28,843</u>	<u>86,343</u>	<u>1,660,731</u>	<u>1,574,388</u>
NET CHANGE IN FUND BALANCE	372,110	(1,429,370)	2,400,840	3,830,210
FUND BALANCE AT BEGINNING OF YEAR	<u>24,525,625</u>	<u>24,525,625</u>	<u>24,525,625</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 24,897,735</u>	<u>\$ 23,096,255</u>	<u>\$ 26,926,465</u>	<u>\$ 3,830,210</u>

See independent auditors' report and note to required supplementary information.

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

AFFORDABLE HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,575,200	\$ 2,575,200	\$ 2,676,592	\$ 101,392
Investment income	141,575	141,575	64,781	(76,794)
Other revenue	-	-	83,921	83,921
<b>TOTAL REVENUES</b>	<b>2,716,775</b>	<b>2,716,775</b>	<b>2,825,294</b>	<b>108,519</b>
EXPENDITURES:				
Community development:				
Redevelopment	323,070	323,070	374,498	(51,428)
Capital outlay	1,390,000	1,390,000	76,108	1,313,892
<b>TOTAL EXPENDITURES</b>	<b>1,713,070</b>	<b>1,713,070</b>	<b>450,606</b>	<b>1,262,464</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,003,705</b>	<b>1,003,705</b>	<b>2,374,688</b>	<b>1,370,983</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	230,000	230,000	50,000	(180,000)
Transfers out	(1,373,597)	(2,424,583)	(5,550,630)	(3,126,047)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,143,597)</b>	<b>(2,194,583)</b>	<b>(5,500,630)</b>	<b>(3,306,047)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(139,892)</b>	<b>(1,190,878)</b>	<b>(3,125,942)</b>	<b>(1,935,064)</b>
FUND BALANCE AT BEGINNING OF YEAR	8,823,740	8,823,740	8,823,740	-
FUND BALANCE AT END OF YEAR	<u>\$ 8,683,848</u>	<u>\$ 7,632,862</u>	<u>\$ 5,697,798</u>	<u>\$ (1,935,064)</u>

See independent auditors' report and note to required supplementary information.

CITY OF SIGNAL HILL  
 BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 75	\$ 75	\$ 25	\$ (50)
Other revenue	-	-	17,620	17,620
TOTAL REVENUES	75	75	17,645	17,570
EXPENDITURES:				
Capital outlay	-	-	3,800	(3,800)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	75	75	13,845	13,770
OTHER FINANCING SOURCES:				
Transfers in	-	-	4,009,209	4,009,209
NET CHANGE IN FUND BALANCE	75	75	4,023,054	4,022,979
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 4,023,054</u>	<u>\$ 4,022,979</u>

See independent auditors' report and note to required supplementary information.

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The annual budget is adopted by the City Council after the holding of a public hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- 2) Budgets for the General, Special Revenue, Debt Service and Capital Project Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. No budget was adopted for the Traffic Safety and Cable Televising Special Revenue Funds for the current year.
- 3) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
- 4) Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level (i.e. City Council, City Treasurer, City Attorney), except as approved in advance by the City Council.
- 5) Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the Governmental Fund Types during the year. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally reappropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.
- 6) The City Council approves all significant budgetary changes.
- 7) Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in following year. For the fiscal year ended June 30, 2011, based on calculations by City management, proceeds of taxes did not exceed appropriations.

See independent auditors' report.

## **OTHER MAJOR GOVERNMENTAL FUNDS**

### **DEBT SERVICE FUND**

Debt Service Fund - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

### **CAPITAL PROJECTS FUNDS**

Capital Improvement Fund - Accounts for the acquisition or construction of major capital facilities not accounted for in other funds.

Community Redevelopment Fund - Accounts for the financial activity of the Signal Hill Redevelopment Project. This activity includes administrative, overhead and capital project costs necessary for, or incidental to, implementing the redevelopment plan.

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CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 10,300,000	\$ 10,300,000	\$ 10,706,366	\$ 406,366
Investment income	190,100	190,100	(6,729)	(196,829)
<b>TOTAL REVENUES</b>	<b>10,490,100</b>	<b>10,490,100</b>	<b>10,699,637</b>	<b>209,537</b>
EXPENDITURES:				
Community development:				
Redevelopment	2,313,000	2,313,000	2,226,313	86,687
Debt service:				
Owner participation agreement	1,200,000	1,200,000	882,177	317,823
Principal retirement	6,460,000	6,460,000	4,756,779	1,703,221
Interest	3,962,805	3,962,805	5,681,812	(1,719,007)
Fiscal agent fees	20,000	20,000	19,580	420
<b>TOTAL EXPENDITURES</b>	<b>13,955,805</b>	<b>13,955,805</b>	<b>13,566,661</b>	<b>389,144</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,465,705)</b>	<b>(3,465,705)</b>	<b>(2,867,024)</b>	<b>598,681</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,361,421	2,424,583	1,541,421	(883,162)
Transfers out	(713,140)	(713,140)	(763,140)	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>648,281</b>	<b>1,711,443</b>	<b>778,281</b>	<b>(933,162)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,817,424)</b>	<b>(1,754,262)</b>	<b>(2,088,743)</b>	<b>(334,481)</b>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(2,458,192)	(2,458,192)	(2,458,192)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (5,275,616)</u>	<u>\$ (4,212,454)</u>	<u>\$ (4,546,935)</u>	<u>\$ (334,481)</u>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 6,390,000	\$ 6,390,000	\$ 125,986	\$ (6,264,014)
Other revenue	1,000,000	1,000,000	-	(1,000,000)
TOTAL REVENUES	7,390,000	7,390,000	125,986	(7,264,014)
EXPENDITURES:				
Capital outlay	8,926,480	8,983,980	1,665,201	7,318,779
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,536,480)	(1,593,980)	(1,539,215)	54,765
OTHER FINANCING SOURCES:				
Transfers in	1,536,480	2,112,780	895,656	(1,217,124)
NET CHANGE IN FUND BALANCE	-	518,800	(643,559)	(1,162,359)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ 518,800	\$ (643,559)	\$ (1,162,359)

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 388,000	\$ 388,000	\$ 382,559	\$ (5,441)
Other revenue	561,450	561,450	575,092	13,642
<b>TOTAL REVENUES</b>	<b>949,450</b>	<b>949,450</b>	<b>957,651</b>	<b>8,201</b>
<b>EXPENDITURES:</b>				
Community development:				
Redevelopment	2,150,290	2,150,290	1,080,804	1,069,486
Capital outlay	22,181,000	22,827,960	19,650,824	3,177,136
Debt service:				
Principal retirement	-	-	286,906	(286,906)
Interest	-	-	13,293	(13,293)
Bond issuance costs	-	-	199,867	(199,867)
<b>TOTAL EXPENDITURES</b>	<b>24,331,290</b>	<b>24,978,250</b>	<b>21,231,694</b>	<b>3,746,556</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,381,840)</b>	<b>(24,028,800)</b>	<b>(20,274,043)</b>	<b>3,754,757</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	713,000	713,140	713,140	-
Transfers out	-	-	(1,280,360)	(1,280,360)
Debt issued	-	-	9,685,000	9,685,000
Bond discount	-	-	(181,895)	(181,895)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>713,000</b>	<b>713,140</b>	<b>8,935,885</b>	<b>8,222,745</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(22,668,840)</b>	<b>(23,315,660)</b>	<b>(11,338,158)</b>	<b>11,977,502</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>40,759,912</b>	<b>40,759,912</b>	<b>40,759,912</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 18,091,072</b>	<b>\$ 17,444,252</b>	<b>\$ 29,421,754</b>	<b>\$ 11,977,502</b>

See independent auditors' report.

## **OTHER GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

Asset Seizure Fund - Accounts for the portion of seized monies and property returned to the City for narcotic enforcement and other police related activities, pursuant to Federal and State asset forfeitures laws.

DOJ Grants Fund - Accounts for receipts and disbursements of moneys awarded to the City by the U.S. Department of Justice for the additional hiring and rehiring of law enforcement officers.

Park Development Fund - Accounts for revenues from residential and commercial developers impact fees for park acquisition and improvement purposes.

HCDA Grant Fund - Accounts for community development block grant revenues and expenditures for rehabilitation, food distribution and capital projects.

Special Gas Tax Fund - Accounts for receipts and disbursements of monies apportioned to the City under the Streets and Highways Code of the State of California, as well as a Transportation Development Act grant for bicycle and pedestrian facilities.

Traffic Safety Fund - Accounts for revenues from fines for violation of the California Vehicle Code.

Transportation Fund - As "Proposition A" increased the sales tax in Los Angeles County by one half percent (.5%), this fund accounts for financial activity relative to the City's share of these monies. "Proposition A" revenues are to be used for public transportation purposes.

Cable Televising Fund - Accounts for franchise fees paid by cable TV operators.

Pipeline Removal Fund - Accounts for revenues from fees paid by franchisees on idle pipeline for future removal costs.

Air Quality Improvement Fund - Accounts for revenues apportioned to the City from the Southern California AQMD fees on motor vehicle registrations, used to fund programs to reduce air pollution from mobile sources.

Water Development Fund - Accounts for revenues from residential and commercial developers' impact fees for water system improvements related to new development.

Traffic Impact Fund - Accounts for revenues from residential and commercial developers' impact fees for the purpose of reducing traffic within the City related to new development.

## **OTHER GOVERNMENTAL FUNDS (CONTINUED)**

### **SPECIAL REVENUE FUNDS (CONTINUED)**

Proposition C Fund - As "Proposition C" increased the sales tax in Los Angeles County by one-half percent (.5%), this fund accounts for financial activity relative to the City's share of these monies. "Proposition C" revenues are to be used for public transportation purposes.

Lighting and Landscape Fund - Accounts for financial activity relating to the City's landscape and lighting district. Revenues include assessments to property owners within the district and expenditures relate to the maintenance and upkeep of the system.

Supplemental Law Enforcement Fund - Accounts for the receipts and disbursements of monies awarded to the City under the Citizens Option for Public Safety program (otherwise known as the COPS). The grant was established by State Assembly Bill (AB) 3229 and is appropriated through its Supplemental Law Enforcement Fund.

Domestic Preparedness Fund - Accounts for receipts and disbursements of monies awarded by the Los Angeles County Office of Emergency Services under the Homeland Security Act.

OTS Grant Fund - Accounts for receipts and disbursements of monies awarded to the City by the State of California Office of Traffic Safety for traffic safety equipment and public education.

Housing Impact Fund - Accounts for the revenues collected pursuant to the agreement between the City's Redevelopment Agency and the Development and Disposition Agreement with the Hilltop, LLC. The fees collected are based upon 2% of the sales price of new residential development and must be used for very low and low income housing.

MTA-STP Grant Fund - Accounts for receipts and disbursements of grant funds awarded by the Los Angeles County Metropolitan Transportation Authority for eligible transportation capital improvement projects, such as the City's pavement management program.

Measure R Fund - As "Measure R" increased the sales tax in Los Angeles County by one-half percent (0.5%), this fund accounts for financial activity relative to the City's share of those monies. "Measure R" revenues are disbursed by the Los Angeles County Metro Transportation Authority (MTA) and are to be used for public transportation projects.

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
<b>ASSETS</b>				
Cash and investments	\$ 83,871	\$ 17,023	\$ 2,359,371	\$ -
Accounts receivable	15,083	20,763	-	-
Accrued interest receivable	318	83	11,281	1,400
Due from other governments	-	48,760	-	5,124
Loans receivable	-	-	-	14,172
<b>TOTAL ASSETS</b>	<b>\$ 99,272</b>	<b>\$ 86,629</b>	<b>\$ 2,370,652</b>	<b>\$ 20,696</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ 6,204	\$ 4,884
Accrued liabilities	-	3,294	-	-
Deferred revenue	-	48,760	-	15,572
Due to other funds	-	63,132	-	244
Advances from other funds	-	-	85,312	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>115,186</b>	<b>91,516</b>	<b>20,700</b>
<b>FUND BALANCES (DEFICITS):</b>				
Restricted for:				
Public protection	99,272	-	-	-
Development	-	-	2,279,136	-
Transportation	-	-	-	-
Pipeline removal	-	-	-	-
Unassigned	-	(28,557)	-	(4)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>99,272</b>	<b>(28,557)</b>	<b>2,279,136</b>	<b>(4)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 99,272</b>	<b>\$ 86,629</b>	<b>\$ 2,370,652</b>	<b>\$ 20,696</b>

See independent auditors' report.

Special Revenue Funds (Continued)

Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement	Water Development
\$ 116,979	\$ -	\$ 452,093	\$ -	\$ 1,697,350	\$ 75,466	\$ 889,723
35,870	-	-	-	-	2,525	-
1,195	-	2,115	-	7,988	338	4,176
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 154,044</u>	<u>\$ -</u>	<u>\$ 454,208</u>	<u>\$ -</u>	<u>\$ 1,705,338</u>	<u>\$ 78,329</u>	<u>\$ 893,899</u>
\$ -	\$ -	\$ 29,325	\$ -	\$ -	\$ -	\$ -
-	-	792	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	30,117	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	893,899
154,044	-	424,091	-	-	78,329	-
-	-	-	-	1,705,338	-	-
-	-	-	-	-	-	-
<u>154,044</u>	<u>-</u>	<u>424,091</u>	<u>-</u>	<u>1,705,338</u>	<u>78,329</u>	<u>893,899</u>
<u>\$ 154,044</u>	<u>\$ -</u>	<u>\$ 454,208</u>	<u>\$ -</u>	<u>\$ 1,705,338</u>	<u>\$ 78,329</u>	<u>\$ 893,899</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2011

	Special Revenue Funds (Continued)			
	Traffic Impact	Proposition C	Lighting and Landscape	Supplemental Law Enforcement
<b>ASSETS</b>				
Cash and investments	\$ 895,078	\$ 25,928	\$ 67,638	\$ 96,466
Accounts receivable	-	-	920	12,706
Accrued interest receivable	4,603	823	310	484
Due from other governments	-	-	-	-
Loans receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 899,681</b>	<b>\$ 26,751</b>	<b>\$ 68,868</b>	<b>\$ 109,656</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	5,016
Deferred revenue	-	-	-	1,399
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,415</b>
<b>FUND BALANCES (DEFICITS):</b>				
Restricted for:				
Public protection	-	-	-	103,241
Development	899,681	-	-	-
Transportation	-	26,751	68,868	-
Pipeline removal	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>899,681</b>	<b>26,751</b>	<b>68,868</b>	<b>103,241</b>
<b>TOTAL LIABILITIES AND AND FUND BALANCES</b>	<b>\$ 899,681</b>	<b>\$ 26,751</b>	<b>\$ 68,868</b>	<b>\$ 109,656</b>

See independent auditors' report.

Special Revenue Funds (Continued)					Total Other Governmental Funds
Domestic Preparedness	OTS Grant	Housing Impact	MTA-STP Grant	Measure R	
\$ -	\$ 4,234	\$ 782,857	\$ 68,508	\$ 666	\$ 7,633,251
-	4,031	-	-	9,487	101,385
-	23	3,680	312	579	39,708
-	10,629	-	-	-	64,513
-	-	-	-	-	14,172
<u>\$ -</u>	<u>\$ 18,917</u>	<u>\$ 786,537</u>	<u>\$ 68,820</u>	<u>\$ 10,732</u>	<u>\$ 7,853,029</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,413
-	-	-	-	-	9,102
-	17,616	-	-	-	83,347
3,843	19,700	-	-	40,613	127,532
-	-	-	-	-	85,312
<u>3,843</u>	<u>37,316</u>	<u>-</u>	<u>-</u>	<u>40,613</u>	<u>345,706</u>
-	-	-	-	-	202,513
-	-	786,537	-	-	4,859,253
-	-	-	68,820	-	820,903
-	-	-	-	-	1,705,338
<u>(3,843)</u>	<u>(18,399)</u>	<u>-</u>	<u>-</u>	<u>(29,881)</u>	<u>(80,684)</u>
<u>(3,843)</u>	<u>(18,399)</u>	<u>786,537</u>	<u>68,820</u>	<u>(29,881)</u>	<u>7,507,323</u>
<u>\$ -</u>	<u>\$ 18,917</u>	<u>\$ 786,537</u>	<u>\$ 68,820</u>	<u>\$ 10,732</u>	<u>\$ 7,853,029</u>

CITY OF SIGNAL HILL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	55,829	60,770	-	66,512
Charges for services	-	-	-	-
Investment income	1,005	(915)	31,023	-
Developer fees	-	-	23,789	-
<b>TOTAL REVENUES</b>	<b>56,834</b>	<b>59,855</b>	<b>54,812</b>	<b>66,512</b>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community services	-	-	28,977	-
Police	-	115,868	-	-
Community development	-	-	-	31,983
Public works	-	-	-	-
Capital outlay	-	-	7,392	34,533
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>115,868</b>	<b>36,369</b>	<b>66,516</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>56,834</b>	<b>(56,013)</b>	<b>18,443</b>	<b>(4)</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(14,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(14,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>56,834</b>	<b>(56,013)</b>	<b>4,443</b>	<b>(4)</b>
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	42,438	27,456	2,274,693	-
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 99,272	\$ (28,557)	\$ 2,279,136	\$ (4)

See independent auditors' report.

Special Revenue Funds (Continued)

Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement	Water Development
\$ -	\$ -	\$ 154,588	\$ -	\$ 98,052	\$ -	\$ -
288,167	-	-	-	-	12,362	-
-	-	3,861	-	-	-	-
5,770	-	6,237	-	22,197	1,033	13,846
-	-	-	-	-	-	62,248
<u>293,937</u>	<u>-</u>	<u>164,686</u>	<u>-</u>	<u>120,249</u>	<u>13,395</u>	<u>76,094</u>
-	-	-	-	-	2,488	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	141,419	-	-	-	-
-	-	-	-	9,873	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>141,419</u>	<u>-</u>	<u>9,873</u>	<u>2,488</u>	<u>-</u>
<u>293,937</u>	<u>-</u>	<u>23,267</u>	<u>-</u>	<u>110,376</u>	<u>10,907</u>	<u>76,094</u>
-	-	-	-	-	-	-
<u>(431,718)</u>	<u>(237,187)</u>	<u>-</u>	<u>(160,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(431,718)</u>	<u>(237,187)</u>	<u>-</u>	<u>(160,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(137,781)	(237,187)	23,267	(160,218)	110,376	10,907	76,094
<u>291,825</u>	<u>237,187</u>	<u>400,824</u>	<u>160,218</u>	<u>1,594,962</u>	<u>67,422</u>	<u>817,805</u>
<u>\$ 154,044</u>	<u>\$ -</u>	<u>\$ 424,091</u>	<u>\$ -</u>	<u>\$ 1,705,338</u>	<u>\$ 78,329</u>	<u>\$ 893,899</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

For the year ended June 30, 2011

	Special Revenue Funds (Continued)			
	Traffic Impact	Proposition C	Lighting and Landscape	Supplemental Law Enforcement
REVENUES:				
Other taxes	\$ -	\$ 127,702	\$ 55,138	\$ -
Intergovernmental revenues	-	-	-	98,600
Charges for services	-	-	-	-
Investment income	11,689	3,452	657	1,843
Developer fees	41,656	-	-	-
<b>TOTAL REVENUES</b>	<b>53,345</b>	<b>131,154</b>	<b>55,795</b>	<b>100,443</b>
EXPENDITURES:				
Current:				
General government	-	2,457	-	-
Community services	-	-	-	-
Police	-	-	-	179,693
Community development	-	-	-	-
Public works	-	-	40,815	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>2,457</b>	<b>40,815</b>	<b>179,693</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>53,345</b>	<b>128,697</b>	<b>14,980</b>	<b>(79,250)</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	79,250
Transfers out	(84,698)	(263,842)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(84,698)</b>	<b>(263,842)</b>	<b>-</b>	<b>79,250</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(31,353)</b>	<b>(135,145)</b>	<b>14,980</b>	<b>-</b>
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	931,034	161,896	53,888	103,241
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 899,681	\$ 26,751	\$ 68,868	\$ 103,241

See independent auditors' report.

Special Revenue Funds (Continued)					Total Other Governmental Funds
Domestic Preparedness	OTS Grant	Housing Impact	MTA-STP Grant	Measure R	
\$ -	\$ -	\$ -	\$ -	\$ 95,845	\$ 531,325
6,652	28,598	-	-	-	617,490
-	-	-	-	-	3,861
-	72	10,002	365	2,508	110,784
-	-	-	-	-	127,693
<u>6,652</u>	<u>28,670</u>	<u>10,002</u>	<u>365</u>	<u>98,353</u>	<u>1,391,153</u>
-	-	-	-	8,759	13,704
-	-	-	-	-	28,977
137	40,381	-	-	-	336,079
-	-	-	-	-	173,402
-	-	-	-	-	50,688
-	-	-	-	-	41,925
<u>137</u>	<u>40,381</u>	<u>-</u>	<u>-</u>	<u>8,759</u>	<u>644,775</u>
<u>6,515</u>	<u>(11,711)</u>	<u>10,002</u>	<u>365</u>	<u>89,594</u>	<u>746,378</u>
-	-	-	1,947	-	81,197
-	-	-	-	(175,561)	(1,367,224)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947</u>	<u>(175,561)</u>	<u>(1,286,027)</u>
6,515	(11,711)	10,002	2,312	(85,967)	(539,649)
<u>(10,358)</u>	<u>(6,688)</u>	<u>776,535</u>	<u>66,508</u>	<u>56,086</u>	<u>8,046,972</u>
<u>\$ (3,843)</u>	<u>\$ (18,399)</u>	<u>\$ 786,537</u>	<u>\$ 68,820</u>	<u>\$ (29,881)</u>	<u>\$ 7,507,323</u>

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ASSET SEIZURE SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 1,000	\$ 1,000	\$ 55,829	\$ 54,829
Investment income	230	230	1,005	775
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,230	1,230	56,834	55,604
FUND BALANCE AT BEGINNING OF YEAR	<hr/> 42,438	<hr/> 42,438	<hr/> 42,438	<hr/> -
FUND BALANCE AT END OF YEAR	<hr/> <u>\$ 43,668</u>	<hr/> <u>\$ 43,668</u>	<hr/> <u>\$ 99,272</u>	<hr/> <u>\$ 55,604</u>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DOJ GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 107,000	\$ 107,000	\$ 60,770	\$ (46,230)
Investment income	-	-	(915)	(915)
TOTAL REVENUES	107,000	107,000	59,855	(47,145)
EXPENDITURES:				
Police:				
Patrol services	106,640	106,640	115,868	(9,228)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	360	360	(56,013)	(56,373)
FUND BALANCE AT BEGINNING OF YEAR	27,456	27,456	27,456	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 27,816	\$ 27,816	\$ (28,557)	\$ (56,373)

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 31,023	\$ (18,977)
Developer fees	112,000	112,000	23,789	(88,211)
TOTAL REVENUES	162,000	162,000	54,812	(107,188)
EXPENDITURES:				
Community services:				
Contract services	-	-	28,977	(28,977)
Capital outlay	-	-	7,392	(7,392)
TOTAL EXPENSES	-	-	36,369	(36,369)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	162,000	162,000	18,443	(143,557)
OTHER FINANCING USES:				
Transfers out	(105,573)	(124,373)	(14,000)	110,373
NET CHANGE IN FUND BALANCE	56,427	37,627	4,443	(33,184)
FUND BALANCE AT BEGINNING OF YEAR	2,274,693	2,274,693	2,274,693	-
FUND BALANCE AT END OF YEAR	\$ 2,331,120	\$ 2,312,320	\$ 2,279,136	\$ (33,184)

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HCDA GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 229,618	\$ 229,618	\$ 66,512	\$ (163,106)
EXPENDITURES:				
Community development:				
CDBG program	30,525	31,978	31,983	(5)
Capital outlay	199,093	199,093	34,533	164,560
TOTAL EXPENDITURES	229,618	231,071	66,516	164,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,453)	(4)	1,449
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ (1,453)	\$ (4)	\$ 1,449

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 302,743	\$ 302,743	\$ 288,167	\$ (14,576)
Investment income	2,000	2,000	5,770	3,770
TOTAL REVENUES	304,743	304,743	293,937	(10,806)
OTHER FINANCING USES:				
Transfers out	(450,000)	(450,000)	(431,718)	18,282
NET CHANGE IN FUND BALANCE	(145,257)	(145,257)	(137,781)	7,476
FUND BALANCE AT BEGINNING OF YEAR	291,825	291,825	291,825	-
FUND BALANCE AT END OF YEAR	\$ 146,568	\$ 146,568	\$ 154,044	\$ 7,476

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 154,052	\$ 154,052	\$ 154,588	\$ 536
Charges for services	2,725	2,725	3,861	1,136
Investment income	3,000	3,000	6,237	3,237
<b>TOTAL REVENUES</b>	<b>159,777</b>	<b>159,777</b>	<b>164,686</b>	<b>4,909</b>
EXPENDITURES:				
Community development:				
Public transportation	145,164	145,164	141,419	3,745
Capital outlay	50,000	50,000	-	50,000
<b>TOTAL EXPENDITURES</b>	<b>195,164</b>	<b>195,164</b>	<b>141,419</b>	<b>53,745</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(35,387)</b>	<b>(35,387)</b>	<b>23,267</b>	<b>58,654</b>
OTHER FINANCING USES:				
Transfers out	(50,000)	(50,000)	-	50,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(85,387)</b>	<b>(85,387)</b>	<b>23,267</b>	<b>108,654</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>400,824</b>	<b>400,824</b>	<b>400,824</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 315,437</b>	<b>\$ 315,437</b>	<b>\$ 424,091</b>	<b>\$ 108,654</b>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PIPELINE REMOVAL SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 100,000	\$ 100,000	\$ 98,052	\$ (1,948)
Investment income	15,000	15,000	22,197	7,197
TOTAL REVENUES	115,000	115,000	120,249	5,249
EXPENDITURES:				
Public works:				
Contract services	-	14,000	9,873	4,127
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	115,000	101,000	110,376	9,376
FUND BALANCE AT BEGINNING OF YEAR	1,594,962	1,594,962	1,594,962	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,709,962</u>	<u>\$ 1,695,962</u>	<u>\$ 1,705,338</u>	<u>\$ 9,376</u>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 8,500	\$ 8,500	\$ 12,362	\$ 3,862
Investment income	1,000	1,000	1,033	33
TOTAL REVENUES	9,500	9,500	13,395	3,895
EXPENDITURES:				
General government:				
City Council	3,000	3,000	2,488	512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,500	6,500	10,907	4,407
FUND BALANCE AT BEGINNING OF YEAR	67,422	67,422	67,422	-
FUND BALANCE AT END OF YEAR	\$ 73,922	\$ 73,922	\$ 78,329	\$ 4,407

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WATER DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 23,000	\$ 23,000	\$ 13,846	\$ (9,154)
Developer fees	213,000	213,000	62,248	(150,752)
TOTAL REVENUES	236,000	236,000	76,094	(159,906)
OTHER FINANCING USES:				
Transfers out	(800,000)	(800,000)	-	800,000
NET CHANGE IN FUND BALANCE	(564,000)	(564,000)	76,094	640,094
FUND BALANCE AT BEGINNING OF YEAR	817,805	817,805	817,805	-
FUND BALANCE AT END OF YEAR	\$ 253,805	\$ 253,805	\$ 893,899	\$ 640,094

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC IMPACT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 25,000	\$ 25,000	\$ 11,689	\$ (13,311)
Developer fees	65,000	65,000	41,656	(23,344)
TOTAL REVENUES	90,000	90,000	53,345	(36,655)
OTHER FINANCING USES:				
Transfers out	(800,000)	(800,000)	(84,698)	715,302
NET CHANGE IN FUND BALANCE	(710,000)	(710,000)	(31,353)	678,647
FUND BALANCE AT BEGINNING OF YEAR	931,034	931,034	931,034	-
FUND BALANCE AT END OF YEAR	\$ 221,034	\$ 221,034	\$ 899,681	\$ 678,647

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION C SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 127,782	\$ 127,782	\$ 127,702	\$ (80)
Investment income	1,000	1,000	3,452	2,452
TOTAL REVENUES	128,782	128,782	131,154	2,372
EXPENDITURES:				
General government:				
City Council	4,500	4,500	2,457	2,043
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	124,282	124,282	128,697	4,415
OTHER FINANCING USES:				
Transfers out	(85,000)	(374,000)	(263,842)	110,158
NET CHANGE IN FUND BALANCE	39,282	(249,718)	(135,145)	114,573
FUND BALANCE AT BEGINNING OF YEAR	161,896	161,896	161,896	-
FUND BALANCE AT END OF YEAR	\$ 201,178	\$ (87,822)	\$ 26,751	\$ 114,573

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIGHTING AND LANDSCAPE SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 54,440	\$ 54,440	\$ 55,138	\$ 698
Investment income	600	600	657	57
TOTAL REVENUES	55,040	55,040	55,795	755
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	52,974	52,974	40,815	12,159
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,066	2,066	14,980	12,914
FUND BALANCE AT BEGINNING OF YEAR	53,888	53,888	53,888	-
FUND BALANCE AT END OF YEAR	\$ 55,954	\$ 55,954	\$ 68,868	\$ 12,914

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 98,600	\$ (1,400)
Investment income	700	700	1,843	1,143
TOTAL REVENUES	100,700	100,700	100,443	(257)
EXPENDITURES:				
Police:				
Patrol services	179,250	179,250	179,693	(443)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,550)	(78,550)	(79,250)	(700)
OTHER FINANCING SOURCES:				
Transfers in	77,280	79,250	79,250	-
NET CHANGE IN FUND BALANCE	(1,270)	700	-	(700)
FUND BALANCE AT BEGINNING OF YEAR	103,241	103,241	103,241	-
FUND BALANCE AT END OF YEAR	\$ 101,971	\$ 103,941	\$ 103,241	\$ (700)

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DOMESTIC PREPAREDNESS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 40,000	\$ 40,000	\$ 6,652	\$ (33,348)
EXPENDITURES:				
Police:				
Patrol services	-	-	137	(137)
Capital outlay	40,000	40,000	-	40,000
TOTAL EXPENDITURES	40,000	40,000	137	39,863
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	6,515	6,515
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(101,358)	(10,358)	(10,358)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (101,358)	\$ (10,358)	\$ (3,843)	\$ 6,515

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OTS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 11,800	\$ 11,800	\$ 28,598	\$ 16,798
Investment income	-	-	72	72
<b>TOTAL REVENUES</b>	<b>11,800</b>	<b>11,800</b>	<b>28,670</b>	<b>16,870</b>
EXPENDITURES:				
Police:				
Patrol services	-	-	40,381	(40,381)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,800</b>	<b>11,800</b>	<b>(11,711)</b>	<b>(23,511)</b>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(6,688)	(6,688)	(6,688)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 5,112</u>	<u>\$ 5,112</u>	<u>\$ (18,399)</u>	<u>\$ (23,511)</u>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING IMPACT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 10,002	\$ 2
FUND BALANCE AT BEGINNING OF YEAR	<u>776,535</u>	<u>776,535</u>	<u>776,535</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 786,535</u>	<u>\$ 786,535</u>	<u>\$ 786,537</u>	<u>\$ 2</u>

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MTA-STP GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 365	\$ 365
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,947	1,947
Transfers out	(30,000)	(30,000)	-	30,000
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	(30,000)	1,947	31,947
NET CHANGE IN FUND BALANCE	(30,000)	(30,000)	2,312	32,312
FUND BALANCE AT BEGINNING OF YEAR	66,508	66,508	66,508	-
FUND BALANCE AT END OF YEAR	\$ 36,508	\$ 36,508	\$ 68,820	\$ 32,312

See independent auditors' report.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 95,837	\$ 95,837	\$ 95,845	\$ 8
Investment income	-	-	2,508	2,508
TOTAL REVENUES	95,837	95,837	98,353	2,516
EXPENDITURES:				
General government:				
City Council	-	6,726	8,759	(2,033)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	95,837	89,111	89,594	483
OTHER FINANCING USES:				
Transfers out	(174,000)	(310,000)	(175,561)	134,439
NET CHANGE IN FUND BALANCE	(78,163)	(220,889)	(85,967)	134,922
FUND BALANCE AT BEGINNING OF YEAR	56,086	56,086	56,086	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (22,077)	\$ (164,803)	\$ (29,881)	\$ 134,922

See independent auditors' report.

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## **FIDUCIARY FUND**

Special Deposit Fund - Accounts for assets held by the City as trustee or agent for individuals, private organizations and other governmental units. In addition, this fund holds deposits resulting from new development.

CITY OF SIGNAL HILL

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
SPECIAL DEPOSIT AGENCY FUND

For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and investments	<u>\$ 585,436</u>	<u>\$ 610,377</u>	<u>\$ (524,012)</u>	<u>\$ 671,801</u>
LIABILITIES:				
Refundable deposits	<u>\$ 585,436</u>	<u>\$ 610,377</u>	<u>\$ (524,012)</u>	<u>\$ 671,801</u>

See independent auditors' report.

## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

This part of the City of Signal Hill's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130 - 137
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	138 - 141
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	142 - 145
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	146 - 147
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	148 - 150

CITY OF SIGNAL HILL  
Net Assets by Component  
Last Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 42,045	\$ 45,374	\$ 45,473	\$ 44,080
Restricted	149	11,460	7,155	9,206
Unrestricted	<u>(40,183)</u>	<u>(44,957)</u>	<u>(40,035)</u>	<u>(31,819)</u>
Total governmental activities net assets	<u>\$ 2,011</u>	<u>\$ 11,877</u>	<u>\$ 12,593</u>	<u>\$ 21,467</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 14,349	\$ 14,021	\$ 14,403	\$ 15,414
Restricted	2,109	2,249	2,405	689
Unrestricted	<u>3,051</u>	<u>2,703</u>	<u>2,954</u>	<u>4,137</u>
Total business-type activities net assets	<u>\$ 19,509</u>	<u>\$ 18,973</u>	<u>\$ 19,762</u>	<u>\$ 20,240</u>
Primary government				
Invested in capital assets, net of related debt	\$ 56,394	\$ 59,395	\$ 59,876	\$ 59,494
Restricted	2,258	13,709	9,560	9,895
Unrestricted	<u>(37,132)</u>	<u>(42,254)</u>	<u>(37,081)</u>	<u>(27,682)</u>
Total primary government net assets	<u>\$ 21,520</u>	<u>\$ 30,850</u>	<u>\$ 32,355</u>	<u>\$ 41,707</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.  
Information prior to implementation of GASB 34 is not available.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 43,943	\$ 44,503	\$ 45,402	\$ 46,331	\$ 59,680
32,432	37,503	36,632	56,423	47,378
<u>(43,683)</u>	<u>(47,272)</u>	<u>(43,794)</u>	<u>(65,190)</u>	<u>(66,721)</u>
<u>\$ 32,692</u>	<u>\$ 34,734</u>	<u>\$ 38,240</u>	<u>\$ 37,564</u>	<u>\$ 40,337</u>
\$ 17,289	\$ 18,010	\$ 17,674	\$ 17,341	\$ 17,076
688	-	-	670	679
<u>2,812</u>	<u>4,108</u>	<u>4,892</u>	<u>4,484</u>	<u>4,026</u>
<u>\$ 20,789</u>	<u>\$ 22,118</u>	<u>\$ 22,566</u>	<u>\$ 22,495</u>	<u>\$ 21,781</u>
\$ 61,232	\$ 62,513	\$ 63,076	\$ 63,672	\$ 76,756
33,120	37,503	36,632	57,093	48,057
<u>(40,871)</u>	<u>(43,164)</u>	<u>(38,902)</u>	<u>(60,706)</u>	<u>(62,695)</u>
<u>\$ 53,481</u>	<u>\$ 56,852</u>	<u>\$ 60,806</u>	<u>\$ 60,059</u>	<u>\$ 62,118</u>

CITY OF SIGNAL HILL  
Changes in Net Assets  
Last Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 3,054	\$ 3,176	\$ 5,152	\$ 4,110
Community services	1,066	1,149	1,162	1,189
Police	5,029	5,733	6,599	6,630
Community development	6,428	3,340	5,940	3,877
Public works	3,645	5,866	5,636	5,915
Unallocated infrastructure depreciation	445	446	448	482
Interest on long-term liabilities	3,967	3,565	3,631	3,504
Fiscal agent fees	-	-	-	-
Total governmental activities expenses	<u>23,634</u>	<u>23,275</u>	<u>28,568</u>	<u>25,707</u>
Business-type activities - Water	2,956	3,861	3,366	4,058
Total primary government expenses	<u>\$ 26,590</u>	<u>\$ 27,136</u>	<u>\$ 31,934</u>	<u>\$ 29,765</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 144	\$ 215	\$ 164	\$ 135
Community services	217	266	268	260
Police	312	330	408	538
Community development	13	1	7	7
Public works	1,164	1,361	1,206	1,264
Operating grants and contributions	906	1,041	1,055	3,178
Capital grants and contributions	5,107	7,063	2,415	2,728
Total governmental activities program revenues	<u>7,863</u>	<u>10,277</u>	<u>5,523</u>	<u>8,110</u>
Business-type activities:				
Charges for services - water	3,196	3,296	3,355	3,433
Total primary government program revenues	<u>\$ 11,059</u>	<u>\$ 13,573</u>	<u>\$ 8,878</u>	<u>\$ 11,543</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (15,771)	\$ (12,998)	\$ (23,045)	\$ (17,597)
Business-type activities	240	(565)	(11)	(625)
Total primary government net expenses	<u>\$ (15,531)</u>	<u>\$ (13,563)</u>	<u>\$ (23,056)</u>	<u>\$ (18,222)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property	\$ 8,107	\$ 9,243	\$ 9,451	\$ 12,143
Sales and use	10,025	10,598	11,125	12,015
Franchise	456	455	462	412
Motor vehicle	608	490	952	24
Other	682	769	816	1,016
Investment income	1,002	385	912	1,067
Unrestricted grants and contributions	624	905	733	764
Gain on disposition of assets	25	19	-	18
Transfers	17	-	(690)	(988)
Total governmental activities	<u>21,546</u>	<u>22,864</u>	<u>23,761</u>	<u>26,471</u>
Business-type activities				
Investment income	173	29	109	115
Unrestricted grants and contributions	1	-	-	-
Gain (loss) on disposition of assets	-	-	1	-
Transfers	(17)	-	690	988
Total business-type activities	<u>157</u>	<u>29</u>	<u>800</u>	<u>1,103</u>
Total primary government	<u>\$ 21,703</u>	<u>\$ 22,893</u>	<u>\$ 24,561</u>	<u>\$ 27,574</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 5,775	\$ 9,866	\$ 716	\$ 8,874
Business-type activities	397	(536)	789	478
Total primary government	<u>\$ 6,172</u>	<u>\$ 9,330</u>	<u>\$ 1,505</u>	<u>\$ 9,352</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003. Information prior to implementation of GASB 34 is not available.

Note: Beginning in fiscal year 2005-06, the City began receiving a larger allocation of property tax in lieu of most of the motor vehicle revenues received from the State.

Source: City of Signal Hill, Finance Department

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	3,009	\$	3,344	\$	3,685	\$	3,137	\$	2,790
	1,248		1,407		1,418		1,273		1,241
	7,434		7,662		7,628		7,726		7,521
	3,712		11,578		8,788		11,563		8,863
	5,328		4,585		5,600		4,935		4,462
	524		531		531		521		524
	4,252		4,095		3,761		4,394		4,787
	-		17		19		-		-
	<u>25,507</u>		<u>33,219</u>		<u>31,430</u>		<u>33,549</u>		<u>30,188</u>
	<u>3,896</u>		<u>3,380</u>		<u>3,578</u>		<u>3,832</u>		<u>4,163</u>
\$	<u><u>29,403</u></u>	\$	<u><u>36,599</u></u>	\$	<u><u>35,008</u></u>	\$	<u><u>37,381</u></u>	\$	<u><u>34,351</u></u>
\$	213	\$	157	\$	440	\$	70	\$	168
	282		297		301		239		234
	549		665		639		556		607
	588		597		559		506		677
	989		962		1,062		914		897
	1,748		806		1,187		1,703		1,448
	<u>2,366</u>		<u>1,230</u>		<u>1,268</u>		<u>1,376</u>		<u>440</u>
	<u>6,735</u>		<u>4,714</u>		<u>5,456</u>		<u>5,364</u>		<u>4,471</u>
	<u>3,601</u>		<u>3,352</u>		<u>3,291</u>		<u>3,630</u>		<u>3,383</u>
\$	<u><u>10,336</u></u>	\$	<u><u>8,066</u></u>	\$	<u><u>8,747</u></u>	\$	<u><u>8,994</u></u>	\$	<u><u>7,854</u></u>
\$	(18,772)	\$	(28,505)	\$	(25,974)	\$	(28,185)	\$	(25,717)
	(295)		(28)		(287)		(202)		(780)
\$	<u><u>(19,067)</u></u>	\$	<u><u>(28,533)</u></u>	\$	<u><u>(26,261)</u></u>	\$	<u><u>(28,387)</u></u>	\$	<u><u>(26,497)</u></u>
\$	13,995	\$	14,302	\$	15,391	\$	15,168	\$	14,801
	12,177		12,162		9,978		9,460		9,946
	591		502		563		514		533
	74		51		39		33		58
	1,302		1,117		1,355		1,058		1,145
	2,295		3,356		2,503		1,267		649
	206		195		136		27		71
	16		14		14		(17)		6
	<u>(660)</u>		<u>(1,151)</u>		<u>(500)</u>		<u>-</u>		<u>-</u>
	<u>29,996</u>		<u>30,548</u>		<u>29,479</u>		<u>27,510</u>		<u>27,209</u>
	184		206		236		131		66
	-		-		-		-		-
	1		-		-		-		-
	<u>660</u>		<u>1,151</u>		<u>500</u>		<u>-</u>		<u>-</u>
	<u>845</u>		<u>1,357</u>		<u>736</u>		<u>131</u>		<u>66</u>
\$	<u><u>30,841</u></u>	\$	<u><u>31,905</u></u>	\$	<u><u>30,215</u></u>	\$	<u><u>27,641</u></u>	\$	<u><u>27,275</u></u>
\$	11,224	\$	2,043	\$	3,505	\$	(675)	\$	1,492
	550		1,329		449		(71)		(714)
\$	<u><u>11,774</u></u>	\$	<u><u>3,372</u></u>	\$	<u><u>3,954</u></u>	\$	<u><u>(746)</u></u>	\$	<u><u>778</u></u>

CITY OF SIGNAL HILL  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year			
	2002	2003	2004	2005
<b>General Fund</b>				
Reserved	\$ 2,286	\$ 2,607	\$ 2,349	\$ 2,289
Unreserved	14,364	16,222	18,502	18,843
Total General Fund	<u>16,650</u>	<u>18,829</u>	<u>20,851</u>	<u>21,132</u>
<b>All Other Governmental Funds</b>				
Reserved	6,624	3,517	3,801	4,726
Unreserved, reported in:				
Special revenue funds	5,059	7,575	11,346	6,192
Debt service funds	(1,080)	(1,063)	176	1,603
Capital projects funds	77	456	3,102	3,144
Total All Other Governmental Funds	<u>10,680</u>	<u>10,485</u>	<u>18,425</u>	<u>15,665</u>
Total All Governmental Funds	<u>\$ 27,330</u>	<u>\$ 29,314</u>	<u>\$ 39,276</u>	<u>\$ 36,797</u>
<b>General Fund</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total All Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: GASB 54 was implemented in 2011, prior years have no comparable data

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 2,290	\$ 43	\$ 10,000	\$ 10,000	\$ 10,314	\$ -
21,287	26,564	19,652	17,445	14,212	-
<u>23,577</u>	<u>26,607</u>	<u>29,652</u>	<u>27,445</u>	<u>24,526</u>	<u>-</u>
4,101	20,150	30,761	30,331	49,583	-
9,216	10,983	6,616	7,427	8,047	-
3,688	5,904	(1,640)	804	(2,458)	-
3,693	2,312	868	-	-	-
<u>20,698</u>	<u>39,349</u>	<u>36,605</u>	<u>38,562</u>	<u>55,172</u>	<u>-</u>
<u>\$ 44,275</u>	<u>\$ 65,956</u>	<u>\$ 66,257</u>	<u>\$ 66,007</u>	<u>\$ 79,698</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,539
-	-	-	-	-	10,220
-	-	-	-	-	6,167
<u>\$ -</u>	<u>\$ 26,926</u>				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,127
-	-	-	-	-	28,604
-	-	-	-	-	(5,271)
<u>\$ -</u>	<u>\$ 41,460</u>				
<u>\$ -</u>	<u>\$ 68,386</u>				

CITY OF SIGNAL HILL  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
Taxes	\$ 17,826	\$ 19,650	\$ 21,452	\$ 21,609
Licenses and permits	423	426	421	429
Intergovernmental revenues	1,791	5,488	4,304	2,910
Charges for services	838	924	1,185	1,020
Fines and forfeitures	217	199	203	284
Investment income	1,589	1,109	328	1,014
Other	1,630	3,549	2,600	1,948
<b>Total Revenues</b>	<b>24,314</b>	<b>31,345</b>	<b>30,493</b>	<b>29,214</b>
<b>Expenditures</b>				
General government	2,793	3,073	3,009	5,058
Community services	922	1,050	1,048	1,130
Police	4,602	4,897	5,473	6,339
Community development	958	907	1,108	1,123
Public works	3,008	3,164	3,577	3,683
Capital outlay	9,713	9,468	5,578	7,191
Debt service:				
Principal retirement	1,664	1,904	820	2,595
Interest	3,868	3,939	2,976	3,427
Other debt service	2,807	1,096	4,510	457
<b>Total Expenditures</b>	<b>30,335</b>	<b>29,498</b>	<b>28,099</b>	<b>31,003</b>
Excess of revenues over/(under) expenditures	(6,021)	1,847	2,394	(1,789)
<b>Other Financing Sources/(Uses)</b>				
Transfers in	2,301	2,884	3,406	2,372
Transfers out	(2,301)	(2,867)	(3,406)	(3,062)
Other	2,852	120	7,568	-
<b>Total other financing sources</b>	<b>2,852</b>	<b>137</b>	<b>7,568</b>	<b>(690)</b>
Net change in fund balances	\$ (3,169)	\$ 1,984	\$ 9,962	\$ (2,479)
Capitalized capital outlay	N/A	\$ 4,513	\$ 2,023	\$ 726
Debt service as a percentage of noncapital expenditures	27.5%	27.8%	31.9%	21.4%

Note: Beginning in fiscal year 2005-06, the City began receiving a larger allocation of property tax in lieu of most of the motor vehicle revenues received from the State.

Fiscal Year						
	2006	2007	2008	2009	2010	2011
\$	25,975	\$ 28,181	\$ 29,009	\$ 28,334	\$ 25,683	\$ 26,823
	348	369	278	271	302	331
	2,235	2,224	810	1,086	1,766	864
	1,236	1,142	1,078	1,155	841	870
	359	356	409	401	400	385
	1,185	2,960	3,547	2,945	1,392	2,205
	4,212	2,130	1,543	1,678	1,168	1,043
	<u>35,550</u>	<u>37,362</u>	<u>36,674</u>	<u>35,870</u>	<u>31,552</u>	<u>32,521</u>
	4,155	2,919	3,054	3,398	3,070	3,051
	1,175	1,246	1,406	1,413	1,272	1,239
	6,586	7,295	7,520	7,516	7,458	7,442
	1,187	1,198	3,323	3,101	8,446	4,659
	3,761	4,025	4,015	3,964	3,721	3,637
	2,891	3,738	8,136	7,742	5,241	21,457
	2,888	2,451	2,545	2,845	2,865	5,044
	3,334	3,749	4,019	4,563	4,999	5,695
	1,114	1,842	1,721	1,079	1,215	1,102
	<u>27,091</u>	<u>28,463</u>	<u>35,739</u>	<u>35,621</u>	<u>38,287</u>	<u>53,326</u>
	<u>8,459</u>	<u>8,899</u>	<u>935</u>	<u>249</u>	<u>(6,735)</u>	<u>(20,805)</u>
	2,765	5,024	13,845	5,129	3,565	9,243
	(3,746)	(5,742)	(14,996)	(5,629)	(3,565)	(9,253)
	-	13,500	517	-	20,427	9,503
	<u>(981)</u>	<u>12,782</u>	<u>(634)</u>	<u>(500)</u>	<u>20,427</u>	<u>9,493</u>
\$	<u>7,478</u>	<u>21,681</u>	<u>301</u>	<u>(251)</u>	<u>13,692</u>	<u>(11,312)</u>
\$	<u>769</u>	<u>1,286</u>	<u>535</u>	<u>1,617</u>	<u>1,693</u>	<u>17,446</u>
	27.9%	29.6%	23.5%	25.0%	24.8%	33.0%

CITY OF SIGNAL HILL  
 Assessed Value of Taxable Property  
 Last Ten Fiscal Years  
 (amounts expressed in thousands)

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2002	\$ 333,659	\$ 31,904	\$ (5,264)	\$ 360,299	\$ 597,456	\$ 75,582	\$ (4,270)	\$ 668,768	0.61524
2003	348,170	32,980	(5,287)	375,863	660,935	77,624	(4,371)	734,188	0.62968
2004	381,532	37,819	(5,292)	414,059	731,513	83,675	(4,550)	810,638	0.63524
2005	421,446	34,542	(5,453)	450,535	865,759	81,094	(5,019)	941,834	0.65248
2006	474,373	30,102	(5,450)	499,025	980,644	83,292	(5,173)	1,058,763	0.66032
2007	537,818	29,189	(5,418)	561,589	1,133,343	104,301	(5,285)	1,232,359	0.67271
2008	596,300	30,591	(5,550)	621,341	1,233,718	102,845	(5,583)	1,330,980	0.67048
2009	632,376	33,425	(5,680)	660,121	1,316,948	107,149	(5,636)	1,418,461	0.67381
2010	587,320	31,265	(5,793)	612,792	1,289,275	99,941	(5,746)	1,383,470	0.68186
2011	572,596	33,227	(5,786)	600,037	1,297,258	102,457	(5,818)	1,393,897	0.68693

Note:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

CITY OF SIGNAL HILL  
Direct and Overlapping Property Tax Rates  
(Rate per \$100 of Taxable Value)  
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Basic Levy (1)</b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
County Detention Facilities 1987 Debt	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000
L.A. County Flood Control	0.00107	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000
L.A. County Sanitation	0.00650	0.00542	0.00506	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Long Beach Community College District	0.00000	0.00000	0.01171	0.01239	0.01857	0.01153	0.01839	0.02181	0.02392	0.02559
Long Beach Unified School District	0.02878	0.03519	0.04285	0.04667	0.04075	0.03811	0.03457	0.03220	0.08663	0.08834
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370
<b>Total Direct and Overlapping (2) Tax Rates</b>	<b><u>1.04518</u></b>	<b><u>1.04922</u></b>	<b><u>1.06717</u></b>	<b><u>1.06603</u></b>	<b><u>1.06537</u></b>	<b><u>1.05505</u></b>	<b><u>1.05746</u></b>	<b><u>1.05831</u></b>	<b><u>1.11485</u></b>	<b><u>1.11763</u></b>
<b>City's Share of 1% Levy per Prop 13 (3)</b>	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777
<b>General Obligation Debt Rate</b>										
<b>Redevelopment Rate (4)</b>	1.01640	1.01403	1.01261	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370
<b>Total Direct Rate (5)</b>	0.61524	0.62968	0.63524	0.65248	0.66032	0.67271	0.67048	0.67314	0.68186	0.68693

Notes:

- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (5) Total Direct Rate is the weighted average of all individual direct rates applied by the City of Signal Hill in preparing the statistical section information.

CITY OF SIGNAL HILL  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
(amounts expressed in thousands)

Taxpayer	2010-11		2001-02	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Signal Hill Petroleum, Inc.	\$ 105,728	5.30%	\$ 19,269	1.87%
PL Signal Hill, LP	36,916	1.85%	-	0.00%
LBSH Development	25,807	1.29%	-	0.00%
Towne Center West LLC	23,608	1.18%	-	0.00%
Arco Terminal Services Corp.	22,146	1.11%	28,164	2.74%
Costco Wholesale Corp.	20,721	1.04%	-	0.00%
Long Beach Acquisition Corp (Charter Com.)	14,825	0.74%	15,496	1.51%
Pacific of Costanzo-Glendora	13,883	0.70%	-	0.00%
VNO Trust Cherry Avenue LP	13,787	0.69%	-	0.00%
Signal Hill Town Center LLC	13,690	0.69%	-	0.00%
Price Owner LLC	-	0.00%	24,570	2.39%
Price Company	-	0.00%	17,260	1.68%
Long Beach Signal Hill Business Center	-	0.00%	17,186	1.67%
Signal Hill Company	-	0.00%	13,076	1.27%
MCC Pacific Valves	-	0.00%	10,282	1.00%
American Office Properties	-	0.00%	8,647	0.84%
Eastman Inc	-	0.00%	8,607	0.84%
	<u>\$ 291,111</u>	<u>14.60%</u>	<u>\$ 162,557</u>	<u>15.80%</u>

Note:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

CITY OF SIGNAL HILL  
Property Tax Levies and Collections  
Last Seven Fiscal Years  
(amounts expressed in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 9,129,181	\$ 8,936,641	97.89%	N/A	N/A	N/A
2006	10,461,029	10,142,108	96.95%	N/A	N/A	N/A
2007	12,440,136	12,030,441	96.71%	N/A	N/A	N/A
2008	13,236,173	12,543,164	94.76%	N/A	N/A	N/A
2009	14,076,452	13,632,388	96.85%	N/A	N/A	N/A
2010	13,851,876	13,317,121	96.14%	N/A	N/A	N/A
2011	13,970,131	13,440,041	96.21%	N/A	N/A	N/A

Notes:

The amounts presented include City property taxes and Redevelopment Agency tax increment.

For tax increment, Los Angeles County does not provide detail of prior year collections. Therefore, the information about subsequent collections is not available.

The City of Signal Hill has elected to show only seven years of data for this schedule.

CITY OF SIGNAL HILL  
Ratio of Outstanding Debt by Type  
Last Nine Fiscal Years  
(amounts expressed in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percent of Assessed Valuation	Per Capita	Percent of Personal Income
	Redevelopment Tax Allocation	Notes	Loans	Certificates of Participation	Water Revenue Bonds	Loans				
2003	\$ 61,115	\$ 5,130	\$ 2,115	\$ 9,023	\$ -	\$ 756	\$ 78,139	7.039%	\$ 7,598.11	N/A
2004	67,000	4,820	2,060	8,828	-	680	83,388	6.809%	7,843.85	N/A
2005	64,778	4,570	2,000	8,623	-	605	80,576	5.787%	7,357.87	N/A
2006	62,551	3,972	2,000	-	8,475	529	77,527	4.977%	6,991.34	N/A
2007	73,770	3,866	2,000	-	8,220	454	88,310	4.923%	7,864.46	N/A
2008	71,808	3,866	2,000	-	7,955	378	86,007	4.405%	7,543.15	N/A
2009	69,031	3,866	2,000	-	7,680	302	82,879	3.987%	7,251.01	N/A
2010	86,670	3,866	2,000	-	7,395	227	100,158	5.017%	8,735.98	N/A
2011	91,678	4,402	1,000	-	7,095	151	104,326	5.232%	9,422.51	N/A

N/A - No personal income data specific to the City of Signal Hill is available.

The City of Signal Hill has elected to show only nine years of data for this schedule.

CITY OF SIGNAL HILL  
Direct and Overlapping Bonded Debt  
As of June 30, 2011

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
<b>Overlapping Debt:</b>			
*Metropolitan Water District	\$ 107,259,876	0.079%	\$ 84,999
Long Beach CCD 2002 Series A 2003	2,415,000	4.060%	98,038
Long Beach CCD 2002 Series B 2005	58,560,000	4.060%	2,377,279
Long Beach CCD Refunding Bonds 2002 Series	14,909,898	4.060%	605,276
Long Beach CCD DS 2002 Series D (2007)	70,999,987	4.060%	2,882,288
Long Beach CCD DS 2008, 2008 Series A	48,373,981	4.060%	1,963,771
Long Beach Unified School District DS 2011	3,020,686	4.060%	122,642
Long Beach Unified School District DS 2011 (QSCBS)	72,406,000	4.060%	2,939,742
Long Beach Unified School District DS 1999 Series C	19,805,000	4.060%	804,099
Long Beach Unified School District DS 1999 Series D	17,030,000	4.060%	691,432
Long Beach Unified School District DS 1999 Series E	26,245,000	4.060%	1,065,568
Long Beach Unified School District DS 1999 Series F	31,230,000	4.060%	1,267,963
Long Beach Unified School District DS 1999 Series G	29,995,606	4.060%	1,217,846
Long Beach Unified School District 2008 Refunding Bonds	38,320,000	4.060%	1,555,823
Long Beach Unified School District DS 2008 Series A	237,740,000	4.060%	9,652,437
Long Beach Unified School District DS 2009 Refunding Bonds Series B	27,240,000	4.060%	1,105,966
Long Beach Unified School District DS 2010 and 2011 Refunding Bonds	63,050,000	4.060%	<u>2,559,881</u>
 Total Overlapping Debt			 <u><u>\$ 30,995,054</u></u>

2010/11 Assessed Valuation: \$672,994,414 After Deducting \$1,320,939,466 Redevelopment Increment.

Debt To Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	4.61%
	Total Debt	4.61%

\* This fund is a portion of a larger agency, and is responsible for debt in areas outside the City

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the City.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Note: Prepared for the City by HdL Coren & Cone.

Source: HdL Coren & Cone, Los Angeles County Assessor Combined 2010/11 Lien Date Tax Rolls

CITY OF SIGNAL HILL  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (amounts in thousands)

Legal Debt Margin Calculation for the Current Year		
Assessed value		\$ 1,993,933,880
Debt limit (15% of assessed value)		299,090,082
Debt applicable to limit		-
Legal debt margin - Current Year		\$ 299,090,082

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2002	\$ 154,359,905	\$ -	\$ 154,359,905	0.00%
2003	166,507,665	-	166,507,665	0.00%
2004	183,704,523	-	183,704,523	0.00%
2005	208,855,187	-	208,855,187	0.00%
2006	233,668,165	-	233,668,165	0.00%
2007	269,092,209	-	269,092,209	0.00%
2008	292,848,134	-	292,848,134	0.00%
2009	311,787,359	-	311,787,359	0.00%
2010	299,439,266	-	299,439,266	0.00%
2011	299,090,082	-	299,090,082	0.00%

CITY OF SIGNAL HILL  
Pledged-Revenue Bond Coverage  
Last Ten Fiscal Years  
(amounts in thousands)

Fiscal Year	Non-Housing Component					Coverage
	Pledged Tax Revenues	Debt Service (1)			Total	
		Principal	Interest			
2002	\$ 4,835	\$ 1,397	\$ 2,462	\$ 3,859	1.25	
2003	6,146	1,388	2,465	3,853	1.60	
2004	7,009	1,779	2,113	3,892	1.80	
2005	7,120	1,788	2,097	3,885	1.83	
2006	8,638	1,830	2,057	3,887	2.22	
2007	10,010	2,015	2,848	4,863	2.06	
2008	9,027	2,247	2,586	4,833	1.87	
2009	9,584	2,268	2,561	4,829	1.98	
2010	9,840	3,109	3,351	6,460	1.52	
2011	9,517	3,090	3,642	6,732	1.41	

Fiscal Year	Low Income Housing Component					Coverage
	Pledged Tax Revenues	Debt Service (1)			Total	
		Principal	Interest			
2002	\$ 1,245	\$ 367	\$ 584	\$ 951	1.31	
2003	1,587	356	594	950	1.67	
2004	1,787	506	679	1,185	1.51	
2005	1,817	502	686	1,188	1.53	
2006	2,197	515	672	1,187	1.85	
2007	2,549	530	656	1,186	2.15	
2008	2,580	598	572	1,170	2.21	
2009	2,748	597	574	1,171	2.35	
2010	2,743	621	552	1,173	2.34	
2011	2,677	645	528	1,173	2.28	

(1) Debt service amounts are presented on a bond year basis.

CITY OF SIGNAL HILL  
Demographic and Economic Statistics  
Last Ten Calendar Years  
(personal income in thousands, except per capita)

Calendar Year	City Population	Los Angeles-Long Beach-Santa Ana Area			
		Area Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	9,933	12,655,506	\$ 412,753,239	\$ 32,615	6.7%
2003	10,284	12,748,533	427,549,556	33,537	6.9%
2004	10,631	12,806,778	452,200,899	35,309	6.3%
2005	10,951	12,761,175	496,601,674	38,915	5.0%
2006	11,089	12,713,660	536,330,465	42,185	4.4%
2007	11,229	12,692,603	555,946,310	43,801	4.7%
2008	11,402	12,768,395	568,434,957	44,519	6.7%
2009	11,430	12,847,797	550,831,747	42,874	11.1%
2010	11,465	N/A	N/A	N/A	11.5%
2011	11,072	N/A	N/A	N/A	11.6%

N/A - Not Available

Sources: City Population - State Department of Finance  
Area Population and Area Personal Income - Bureau of Economic Activity  
Unemployment Rate - Bureau of Labor Statistics

CITY OF SIGNAL HILL  
Principal Employers  
Current Year and Nine Years Ago

Employer	2010-11			2001-02*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	517	1	6.64%			
Home Depot	320	2	4.11%			
Costco Wholesale	215	3	2.76%			
Best Buy Stores LP	134	4	1.72%			
Crane Valves North America	130	5	1.67%			
Target	130	6	1.67%			
Platt Security Inc.	126	7	1.62%			
Long Beach BMW	122	8	1.57%			
Tsai. Hsiao & Loo Dental Corp.	115	9	1.48%			
Oil Well Service Co.	113	10	1.45%			
	<u>1,922</u>		<u>24.69%</u>			

\* Information not available

CITY OF SIGNAL HILL  
 Full-Time Equivalent City Government Employees by Department  
 Last Ten Fiscal Years

Department	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	6.00	5.00	5.25	4.50	4.00	4.00	5.00	5.00	5.00	5.00
Finance	7.44	7.44	7.44	6.44	6.44	6.44	6.48	6.48	6.48	6.48
Community services	23.53	24.29	24.11	23.78	23.05	22.46	24.15	24.19	24.15	20.84
Police	53.38	53.28	52.18	52.18	50.40	52.40	53.88	54.40	54.40	53.37
Community development	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Public works	31.00	31.00	30.42	30.92	29.00	29.00	30.00	30.00	30.00	30.00
Redevelopment	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
<b>Total</b>	<b>130.35</b>	<b>130.01</b>	<b>128.40</b>	<b>126.82</b>	<b>121.89</b>	<b>123.30</b>	<b>127.51</b>	<b>128.07</b>	<b>128.03</b>	<b>123.69</b>

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL  
 Operation Indicators by Function  
 Last Six Fiscal Years

Function/Program	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<b>Police:</b>						
Calls for service	7,151	8,092	6,284	6,340	6,377	6,062
Reports written	4,884	4,792	4,951	4,516	4,004	3,978
Total arrests	1,736	2,074	2,219	2,092	1,776	2,060
Hazardous traffic conditions	2,871	3,480	3,928	3,773	3,445	3,229
Parking citations	6,553	6,410	6,542	6,446	5,758	4,881
<b>Community Development:</b>						
Code enforcement cases	73	82	67	79	94	94
Building permits	187	193	182	154	163	193
Site plan design reviews	13	14	10	8	7	6
<b>Water:</b>						
Number of customers	2,846	2,890	2,856	2,908	2,960	2,964
Average daily consumption (in millions of gallons)	2.13	2.15	1.94	1.88	1.88	1.74
Number of hydrants maintained	552	473	466	467	562	174
<b>Public Works:</b>						
Traffic signals maintained	29	29	29	29	29	29
Street sweeping miles	3,500	3,500	6,240	6,240	6,240	6,240
Sidewalk repairs (square feet)	8,000	4,200	3,200	10,269	15,674	5,787
Curb and gutter replaced (linear feet)	400	325	170	267	197	522
Cross gutter replaced (square feet)	N/A	N/A	720	-	490	-
<b>Engineering:</b>						
Number of infrastructure projects administered	17	14	10	8	8	9
Plan checks completed	19	17	8	8	6	10
<b>Community Services:</b>						
Library items borrowed	44,024	68,321	80,266	89,059	57,847	59,359
Youth sports participants	408	5,886	7,099	9,205	6,897	7,390
After school youth programs	11,693	13,324	13,582	15,001	16,086	11,886
Facility rental bookings	265	356	523	948	813	697

N/A - Not Available

The City of Signal Hill has elected to show only six years of data for this schedule.

Source: Various City Departments

CITY OF SIGNAL HILL  
 Capital Asset Statistics by Function/Program  
 Last Nine Fiscal Years

Function/Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety:</b>									
Police Stations	1	1	1	1	1	1	1	1	1
Patrol Vehicles	10	10	9	9	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1
<b>Water:</b>									
Miles of Lines and Mains	34	34	34	34	34	50	50	50	50
Reservoirs	3	3	3	3	3	3	3	3	3
Wells	2	2	2	2	2	2	3	3	3
<b>Highways and Streets:</b>									
Miles of Streets	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7
Street Trees	3,200	3,200	3,200	3,200	3,971	3,903	3,984	3,903	3,715
<b>Recreation and Culture:</b>									
Parks	6	8	9	10	10	10	10	10	10
Area of Parks (Acres)	17.39	22.51	23.01	23.03	23.03	23.03	23.03	23.03	23.03
Libraries	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1
Bandstands	1	1	1	1	1	1	1	1	1
Baseball Diamonds	1	1	1	1	1	1	1	1	1
Basketball Courts	2	2	2	2	2	2	2	2	2

The City of Signal Hill has elected to show only nine years of data for this schedule.