

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

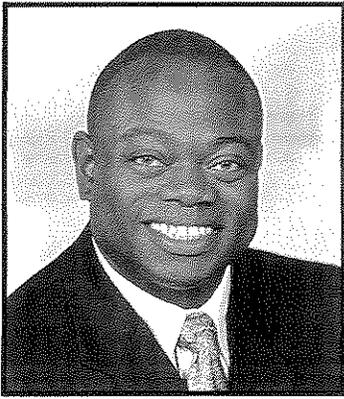
**CITY OF SIGNAL HILL, CALIFORNIA**

**FISCAL YEAR ENDED JUNE 30, 2004**



**Prepared by  
Department of Finance**

**Dennis MacArthur  
Director of Finance**



**Edward H. J. Wilson**  
Vice Mayor



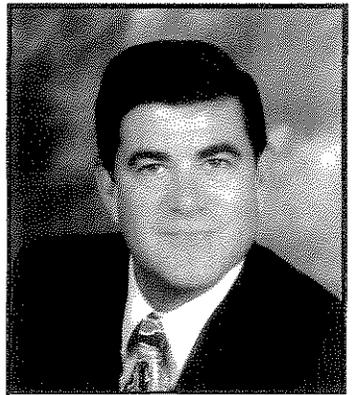
**Larry Forester**  
Councilmember



**Ellen Ward**  
Mayor



**Tina L. Hansen**  
Councilmember



**Michael Noll**  
Councilmember

**Kathleen Pacheco**  
City Clerk

**Emerson Fersch**  
City Treasurer

**ELECTED OFFICIALS**

**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**
- Deborah Rich**
- David Aleshire**
- Kathy Sorensen**
- Gary Jones**
- Dennis MacArthur**
- Donald Pedersen**
- Charlie Honeycutt**

CITY OF SIGNAL HILL

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CITY OF SIGNAL HILL

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CITY OF SIGNAL HILL

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## CITY OF SIGNAL HILL

2175 Cherry Avenue • Signal Hill, California 90755-3799

December 6, 2004

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

The Comprehensive Annual Financial Report of the City of Signal Hill for the fiscal year ended June 30, 2004 is submitted herewith. The financial statements are presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Responsibility for the accuracy, completeness and fairness of the data presented, including all disclosures, rests with the City. 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. This is the second year the City's Finance Department has prepared this report in accordance with the financial reporting model developed by Government Accounting Standards Board (GASB) Statement 34. All disclosures necessary to enable the reader to gain a full understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections and includes the following:

### **Introductory Section**

The Introductory Section includes this Letter of Transmittal, the City's organizational chart, a list of elected officials, the Government Finance Officers Association of the United States Certificate of Achievement for Excellence in Financial Reporting and the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003.

## **Basic Financial Statements and Required Supplementary Information**

The Basic Financial Statements and Required Supplementary Information Section includes Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Supplementary Information and the auditors' report on the financial statements and schedules.

## **Statistical Section**

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

## **THE REPORTING ENTITY**

### **The Primary Government**

The City was incorporated in 1924 as a General Law City. The City Charter was approved by the residents of Signal Hill and on November 7, 2000 the City became a Charter City. 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 the City business and the coordination of all departments of the City. The City Council is composed of a Mayor and four members elected bi-annually at large to four-year alternating terms. The City employs a staff of approximately 102 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.

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 City of Signal Hill Redevelopment Agency**

The Agency was established on May 7, 1974 pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The

### The City of Signal Hill Redevelopment Agency (continued)

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 Signal Hill Public Financing Authority

The 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 funds of the Authority have been included in the business-type activities

## THE CITY OF SIGNAL HILL

The City of Signal Hill, encompassing 2.25 square miles, is located in the southwestern coastal area of Los Angeles County. 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.

## SIGNAL HILL TODAY

The City, with a population of 10,631, has undergone a number of dramatic changes in the past ten years. Some of this change has been through planned residential development of the hilltop, as well as development of the City's Auto Center and the Town Center West Project. The City continues to enjoy one of the highest taxable sales

## SIGNAL HILL TODAY (CONTINUED)

per capita ratios in the State with \$22,856 in quarterly taxable sales per capita. This compares with \$10,747 per capita for Cerritos, \$2,993 per capita for Lakewood, and \$1,975 per capita for Long Beach. Each of these cities is in close proximity to the City of Signal Hill.

Building permits, as anticipated, began to diminish as the development on the hilltop has nears completion. Building permits issued during the current fiscal year totaled 89, down from the previous year when 293 permits were issued. The homes being constructed are currently priced from \$675,000 to over \$1 million and range from 2,400 to over 3,800 square feet in size.

Discovery Well Park was completed and dedicated in September 2003. The park included a small community center, the first new public building constructed by the City in over 30 years. The City also began design work on Calbrisas Park, a new park located in the western portion of the City.

The Community Services Department continued to provide much needed services to the children of Signal Hill. Kids Kamp had enrollment of 147 children increasing revenue by \$22,990, a 17% increase to, \$161,056. The library continued to provide the year round reading program in which over 1,300 children participated during the fiscal year.

The Spring Street Widening Project, a joint project with the City of Long Beach, was completed and dedicated in March 2004. The City also implemented the new Traffic Impact Fee program. Traffic Impact fees are collected for the construction of new streets or installation of new traffic signals to handle the additional traffic generated by the new development. The Public Works Department also completed the rehabilitation of the City's Water Well Number 8.

Las Brisas, a newly revitalized area on the west side of the City that includes low and very-low income housing, a community center, child care program, a neighborhood park and police substation. A Community Police Officer was assigned to the neighborhood to promote a partnership between the Police Department and the community.

The Police Department secured a grant from the United States Department of Justice and installed an Emergency Generator to power the Emergency Operation Command Center at a cost of \$199,577. The City's public safety efforts included continuing participation in TRAP (Taskforce for Regional Auto Theft Prevention), a State law enforcement task force that is funded through the Department of Motor Vehicles and coordinated through the County Sheriff's Department.

## OUTLOOK FOR THE FUTURE

Signal Hill is continuing to position itself to take advantage of the opportunities afforded it. Situated close to two major ports and adjacent to a university and airport, it has enormous potential for success. The region continues to experience job losses in the manufacturing sector, however, the new jobs being created encompass a wide variety of industries making our economy more resilient to economic downturns.

City reserves and designations of the General Fund's fund balance have decreased due to rapid, but anticipated, increases into the Public Employees' Retirement System and the reduction of Motor Vehicle and property taxes received from the State. Total reserves and designations of fund balance are currently in excess of \$12.9 million and represent 94% of next year's operating budget for the General Fund. Whenever possible, the City will add to those reserves rather than increase programs. Major emphasis has again been placed on the building of these reserves to meet future obligations and commitments within the City and the City's Redevelopment Agency. The budget provides \$1,150,000 for the utilization of these reserves to meet our obligations under the Office Depot Owner Participation Agreement for Fiscal Year 2004-05.

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.

## FINANCIAL CONTROLS

The official having direct responsibility for the financial administration of the City is the 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

## FINANCIAL CONTROLS (CONTINUED)

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 2003-2004 did reach the \$500,000 threshold requiring a single audit. As such the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to grant programs. As a part of the City's annual audit, tests are made 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 regulations. The result of the audit for the fiscal year ended June 30, 2004, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### Budgetary Controls

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.

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.

## OTHER INFORMATION

### Cash Management

Cash temporarily idle during the year was invested primarily in the Local Agency Investment Fund. The average interest rate on investments was 2.38% for the year, down .48% (48 basis points) over last year's average rate. Most of the drop was due to the fact that we had a larger weighting of the portfolio invested in LAIF. Recent rates on investments are the lowest in 40 years. The portfolio's weighted average days to maturity are 190 days. Last year's weighted average days to maturity were 361 days.

The pooling of cash and investments, whereby the maximum rate of return and cash flow flexibility can be achieved, facilitates cash management of the City. Interest earnings are allocated monthly to the various funds based on their average daily-prorated share of total cash and investments. The City's investment transactions are conducted in conformance with internal investment policies and the State of California Government Code. The City's overall investment philosophy is to ensure the safety of principal, while maintaining adequate liquidity and yield.

### Risk Management

The City of Signal Hill Risk Management Program includes a balanced approach of risk retention, transfer, reduction, financing through participation in a joint powers insurance authority, third party claims administration and other miscellaneous insurance. Additionally, the program includes employee injury reviews and retention of a safety consultant through the joint powers insurance authority to review all safety procedures and perform site audits of all City facilities, operations, procedures and equipment use. The City continues to maintain an equity interest in the joint powers insurance authority. The California Joint Powers Insurance Authority's operations have been self-funded since 1987.

### 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 \$2.62 million.

*26 million*

## OTHER INFORMATION (CONTINUED)

### Independent Audit

The City's Municipal Code requires an annual audit by independent certified public accountants. The accounting firm of Diehl, Evans and Company, LLP, was selected to audit the City 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

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, 2003. This was the 9<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, the City of Signal Hill must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City has also been awarded the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers for its Comprehensive Annual Financial Report for the year ended June 30, 2003. We will submit our 2004 report to the California Society of Municipal Finance Officers as well.

### Acknowledgments

We, in the Finance Department, wish 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. I wish to

OTHER INFORMATION (CONTINUED)

Acknowledgments (continued)

express my appreciation to the entire Finance staff for their dedicated efforts throughout the year to maintain and improve the City's financial system. I especially wish to thank Mark Sjoblom, Accounting Manager and Susan Olmstead-Bowen, Accountant for their significant roles in the report preparation.

Respectfully submitted,



Dennis MacArthur  
Director of Finance

# 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, 2003

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.



President

Executive Director

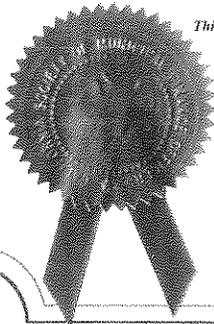
*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2002-2003*

Presented to the

*City of Signal Hill*



*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*March 1, 2004*

*Bret M. Plimlee*

Chair, Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

CITY OF SIGNAL HILL

JUNE 30, 2004

ELECTED OFFICIALS

Ellen Ward  
Mayor

Edward H. J. Wilson  
Vice Mayor

Larry Forester  
Councilmember

Tina L. Hansen  
Councilmember

Michael Noll  
Councilmember

Kathleen Pacheco  
City Treasurer

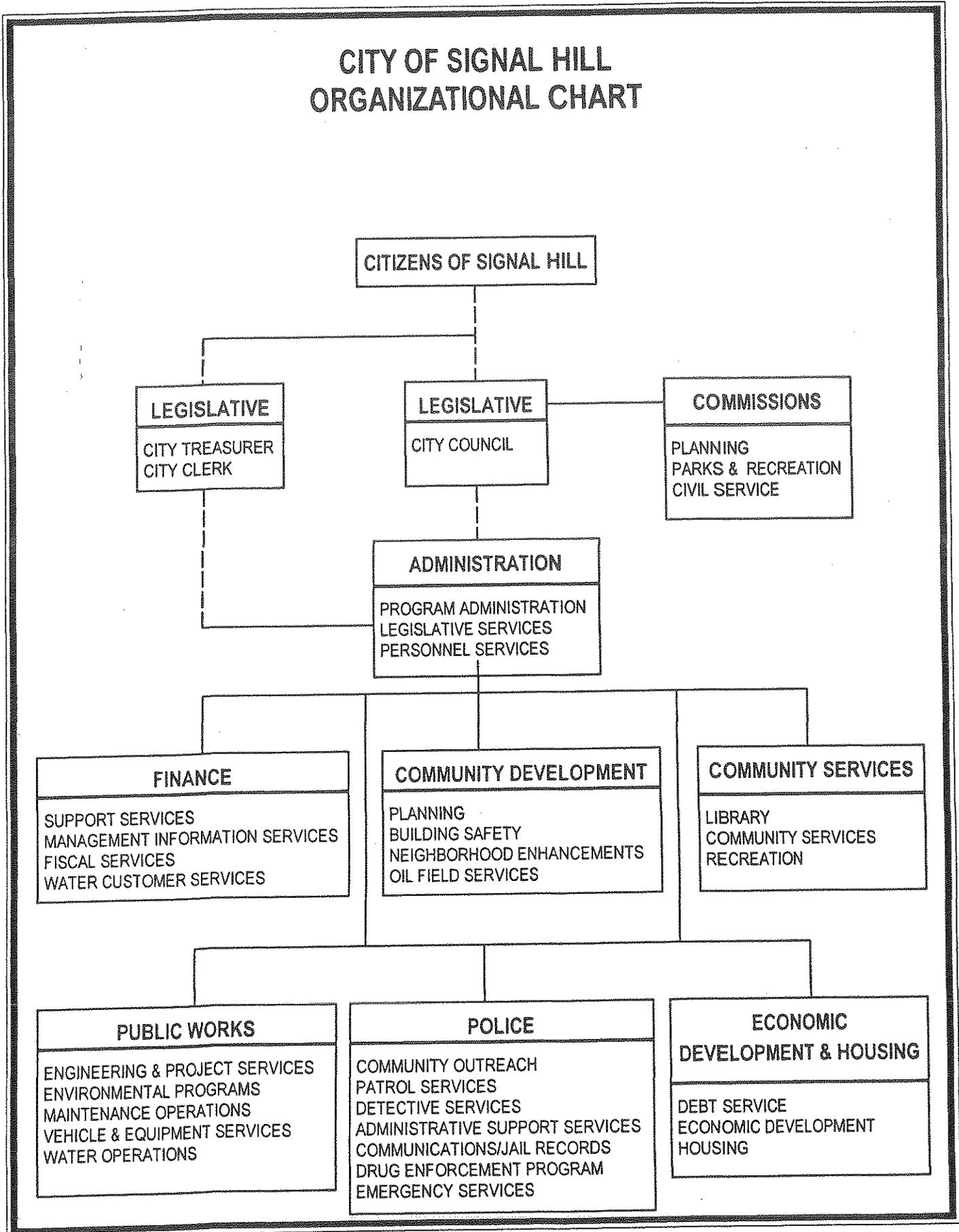
Emerson Fersch  
City Clerk

ADMINISTRATIVE PERSONNEL

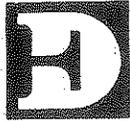
City Manager  
Deputy City Manager  
City Attorney  
Director of Community Services  
Director of Community Development  
Director of Finance  
Chief of Police  
Director of Public Works

Kenneth Farfsing  
Debbie Rich  
David Aleshire  
Kathy Sorensen  
Gary Jones  
Dennis MacArthur  
Donald Pedersen  
Charlie Honeycutt

# CITY OF SIGNAL HILL ORGANIZATIONAL CHART



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**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

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KENNETH R. AMES, CPA

\*A PROFESSIONAL CORPORATION

September 3, 2004

**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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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 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, 2004, 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.

- 1 -

OTHER OFFICES AT:

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ESCONDIDO, CALIFORNIA 92025-2598  
(760) 741-3141 • FAX (760) 741-9890

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2004 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 and the budgetary comparison information as listed in the table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Signal Hill's basic financial statements. The introductory section, supplementary information section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Diehl, Evans and Company, LLP*

# CITY OF SIGNAL HILL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2004

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, 2004. 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 \$31,409,120. Of this amount a \$60,275,207 deficit was attributable to the redevelopment agency tax allocation bonds secured by future tax increment revenues.
- \$42,891,910 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$9,889,243, due to the completion of projects, funds received from bond refinancing and acquisitions of assets from developers.
- At the close of the current fiscal year, the City's governmental activities reported combined ending balances of \$12,041,872, an increase of \$10,031,165 in comparison to prior year.

### 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, 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, 2004

#### 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 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 statements 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, 2004

#### 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 financial statements

The notes to the 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.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

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

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

**Other information**

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

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, 2004 total \$31,409,120. Following is a condensed version of the government-wide statement of net assets.

**Table 1  
Net Assets**

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
<b>Assets:</b>						
Current and other assets	\$ 49,991,875	\$ 36,400,444	\$ 5,694,671	\$ 5,641,352	\$ 55,686,546	\$ 42,041,796
Capital assets, net	45,598,943	42,160,300	23,923,786	24,127,875	69,522,729	66,288,175
<b>Total Assets</b>	<b>95,590,818</b>	<b>78,560,744</b>	<b>29,618,457</b>	<b>29,769,227</b>	<b>125,209,275</b>	<b>108,329,971</b>
<b>Liabilities:</b>						
Current Liabilities	8,918,957	7,501,977	702,778	444,805	9,621,735	7,946,782
Long-term Liabilities	74,629,989	69,048,060	9,548,431	9,815,252	84,178,420	78,863,312
<b>Total Liabilities</b>	<b>83,548,946</b>	<b>76,550,037</b>	<b>10,251,209</b>	<b>10,260,057</b>	<b>93,800,155</b>	<b>86,810,094</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	45,538,943	42,045,300	14,415,198	14,348,692	59,954,141	56,393,992
Restricted	11,460,431	148,808	2,248,951	2,108,860	13,709,382	2,257,668
Unrestricted	(44,957,502)	(40,183,401)	2,703,099	3,051,618	(42,254,403)	(37,131,783)
<b>Total Net Assets</b>	<b>\$ 12,041,872</b>	<b>\$ 2,010,707</b>	<b>\$ 19,367,248</b>	<b>\$ 19,509,170</b>	<b>\$ 31,409,120</b>	<b>\$ 21,519,877</b>

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2004

#### 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. 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 redevelopment projects, that are public facilities, are completed by the Agency, the responsibilities 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

The changes in net assets table illustrates the increases or decreases in net assets of the city resulting from its operating activities. The City of Signal Hill's net assets increased approximately \$9.9 million in the fiscal year ended June 30, 2004. The increase was split between the governmental activities (\$10.0 million) and business-type activities (\$.1 million). 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 separate from the business-type activities.

The total net assets of the City were \$31,409,120 as of June 30, 2004. This represents an increase of \$9,889,243 over the prior year. This change is explained more fully below.

The City's total revenues were \$36,466,959. A significant portion of the City's revenue came from sales and use tax, accounting for 35% of total revenues, local property tax accounted for 30%, 16% came from capital grants and contributions and 15% was received for charges for services.

The total cost of all City programs and services during fiscal year ended June 30, 2004 was \$26,577,716. Community development expenditures accounted for 11% of the total expenditures, 22% of expenditures were for police services, interest expense attributed to 13%, public works 23%, community services 4%, general government 12% and 13% was expended for business-type activities.

The difference between the City's total revenues and expenses, \$9,889,243, represented the increase in total net assets for 2004.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,172,860	\$ 1,850,552	\$ 3,296,322	\$ 3,196,512	\$ 5,469,182	\$ 5,047,064
Operating grants and contributions	1,041,449	905,669	-	-	1,041,449	905,669
Capital grants and contributions	7,062,681	5,106,762	-	-	7,062,681	5,106,762
General revenues:						
Property taxes	9,242,938	8,107,036	-	-	9,242,938	8,107,036
Sales taxes	10,597,803	10,025,102	-	-	10,597,803	10,025,102
Other taxes	1,714,035	1,745,603	-	-	1,714,035	1,745,603
Investment income	385,085	1,002,010	29,091	173,249	414,176	1,175,259
Unrestricted grants and contributions	905,610	624,413	-	1,113	905,610	625,526
Miscellaneous	18,938	25,087	147	-	19,085	25,087
<b>Total revenues</b>	<b>33,141,399</b>	<b>29,392,234</b>	<b>3,325,560</b>	<b>3,370,874</b>	<b>36,466,959</b>	<b>32,763,108</b>
<b>Expenses:</b>						
General Government	3,175,922	3,054,371	-	-	3,175,922	3,054,371
Community services	1,149,174	1,065,641	-	-	1,149,174	1,065,641
Police	5,733,010	5,029,219	-	-	5,733,010	5,029,219
Community development	2,921,540	6,428,039	-	-	2,921,540	6,428,039
Public works	6,119,571	3,645,074	-	-	6,119,571	3,645,074
Unallocated infrastructure depreciation	445,800	444,751	-	-	445,800	444,751
Interest on long-term liabilities	3,565,217	3,967,418	-	-	3,565,217	3,967,418
Water	-	-	3,467,482	2,956,259	3,467,482	2,956,259
<b>Total Expenses</b>	<b>23,110,234</b>	<b>23,634,513</b>	<b>3,467,482</b>	<b>2,956,259</b>	<b>26,577,716</b>	<b>26,590,772</b>
Increase in net assets before transfers	10,031,165	5,757,721	(141,922)	414,615	9,889,243	6,172,336
Transfers	-	17,000	-	(17,000)	-	-
Change in net assets	10,031,165	5,774,721	(141,922)	397,615	9,889,243	6,172,336
Net assets (deficit) - beginning, as restated	2,010,707	(3,764,014)	19,509,170	19,111,555	21,519,877	15,347,541
Net assets - ending	<b>\$ 12,041,872</b>	<b>\$ 2,010,707</b>	<b>\$ 19,367,248</b>	<b>\$ 19,509,170</b>	<b>\$ 31,409,120</b>	<b>\$ 21,519,877</b>

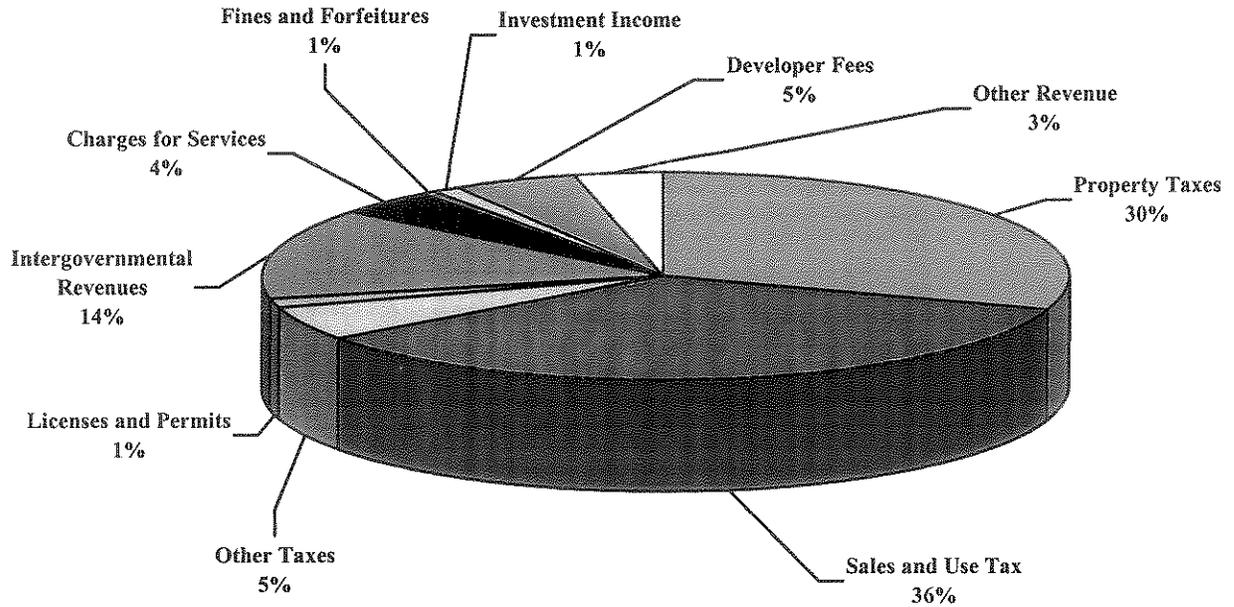
See independent auditors' report.

CITY OF SIGNAL HILL

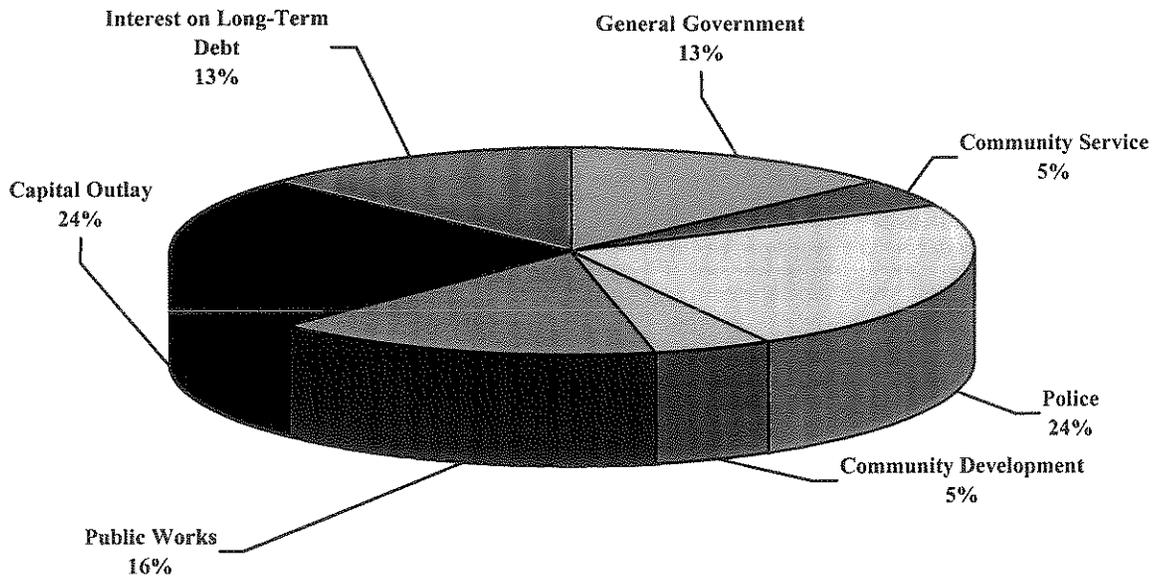
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2004

Revenues by Source – Governmental Activities  
Fiscal Year 2004



Expenditures – Governmental Activities  
Fiscal Year 2004

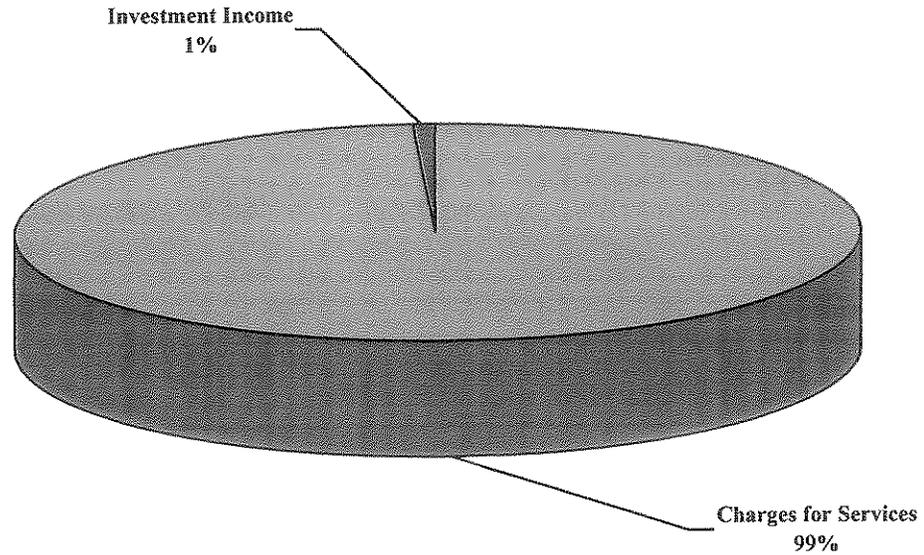


**CITY OF SIGNAL HILL**

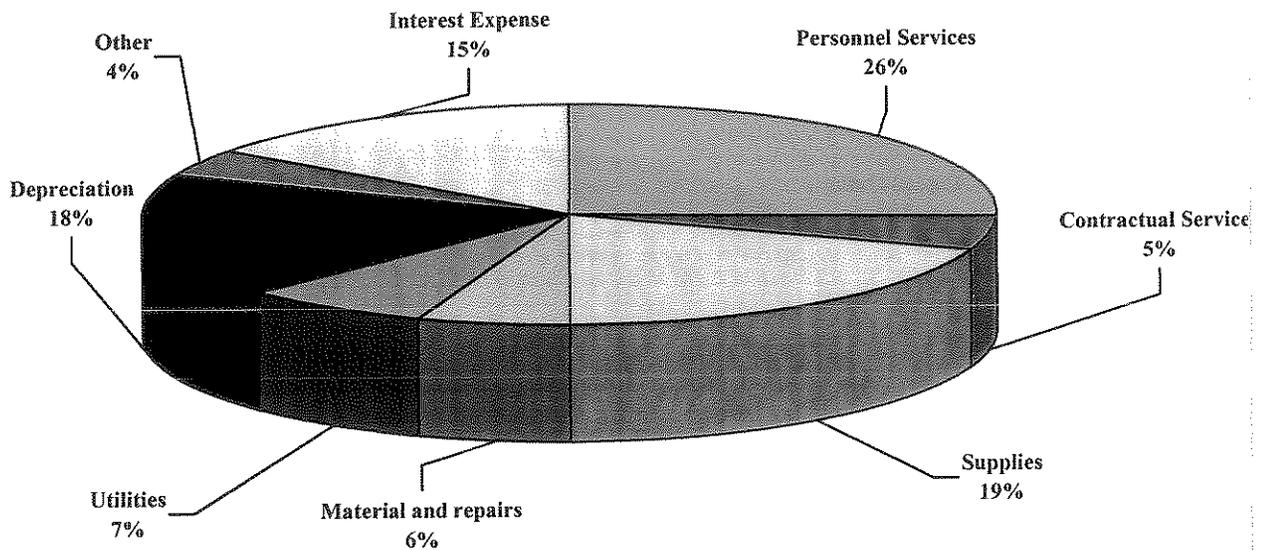
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

**Revenues by Sources – Business-type Activities  
Fiscal Year 2004**



**Expenditures – Business-type Activities  
Fiscal Year 2004**



## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2004

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

##### Changes in Net Assets (continued)

**Governmental activities** contributed to the bulk of the increase in net assets. The largest increase in revenues as compared to the prior year was attributable to property taxes. Largely as a result of the continued development of the hilltop and increased property values, property tax increased \$1,135,902 or 14%. Sales tax increased by \$572,701 or 6% over the prior year. Revenue from use of money and property decreased \$761,083 or 65% due to the decline in interest rates.

The City was aggressive in limiting its operating expenses for the fiscal year ended June 30, 2004. Due to the State of California budget crisis the City had to consider adjusting for flat or declining revenues for general operation.

**Business-type activities** consist of the water utilities. 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. For fiscal year ended June 30, 2004, the expenses exceeded revenues with the City's total business-type activities having realized an overall decrease in net assets of \$141,922.

The City's enterprise operation is comprised solely of a Water Fund. Operating revenues increased \$99,810, or 3%, over the previous year. Operating expenses increased \$511,223, or 17%, during the year. The increase was due to greater costs for personnel, utilities and depreciation expense, as well as unplanned repairs for Well #8 and higher than expected water purchases from the Central Basin Municipal Water District. Nonoperating revenues from interest earnings decreased \$144,158 due to lower investment yields while nonoperating expenses decreased \$9,640.

Change in net assets consisted of a decrease of \$141,922 for the year as compared to last year's \$397,615 increase in net assets. Total net assets at the end of the year were \$19,367,248, this represents a 1% decrease in net assets. The City has ample coverage to pay its water-bonded indebtedness.

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

The City's major funds for the fiscal year ended June 30, 2004 were the General fund, Affordable Housing Special Revenue fund, Debt Service fund and Capital Improvements Capital Projects fund.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2004

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

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

###### General Fund

The General Fund fund balance increased by \$2,021,325, an increase of 11%. Revenues increased by \$257,102 or 2% and expenditures increased by \$962,026 or 7%. The majority of increases in expenditures can be attributed to salary and benefits, as well as maintenance and operations.

###### Affordable Housing Special Revenue Fund

The Affordable Housing Special Revenue Fund became a major fund at June 30, 2004. The fund balance increased by \$3,084,478 or 138%. The large increase was due to an increase in property tax revenue in the amount of \$218,257 as well as \$3,225,000 received from the issuance of Signal Hill Redevelopment Project No. 1 2003 Tax Allocation Parity Refunding Bonds, Series D for housing activities.

###### Debt Service Fund

The Debt Service Fund fund balance increased by \$1,238,905 due to the increase in tax increment revenues discussed above, as well as, the sale and refunding of bonds. For additional information on the bond transactions see Note 4 of the Financial Statements.

###### Capital Improvement Capital Project Funds

The Public Works Department managed several projects during the fiscal year. Spring Street reopened after completion of the reconstruction, a joint project between the City of Signal Hill and the City of Long Beach (\$3,117,670). General sidewalk repair is an ongoing maintenance project within the city to provide safe sidewalks for our citizens (\$85,930). Several parks were completed during the fiscal year Panorama Park (\$85,460), Raymond Arbor Park (\$52,011) and Discovery Well Park (\$134,986).

###### 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.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2004

#### General Fund Budgetary Highlights (continued)

Year-to-date revenues, including transfers-in, totaled \$15.2 million representing 102% of the annual budget with 100% of the budget year completed. Total General Fund revenues and transfers in exceeded their adjusted budget amounts by \$362,814. Sales and use tax was the largest revenue source with over \$10.5 million in realized revenues. This amount was \$547,803 more than the adjusted budget and \$398,000 more than the projected amount used for the 2004-05 budget to project year end balances.

Other revenues exceeding their adjusted budgets were oil production tax (\$69,730), transient occupancy tax (\$43,795), fines and forfeitures (\$9,310) and community services (\$49,228). More than half of the Cities revenue categories exceeded their adjusted budget totals. The exceptions to this were property tax, franchise fees, business license tax and permits.

Interest rates remained low throughout 2003-04; however, the City achieved satisfactory results from its investment portfolio due to the fact that the City had more funds to invest and that the cost exceeded market by \$157,807. GASB 31 requires us to adjust our investment balances to market (mark-to-market) at the end of the accounting cycle. The adjustment to market value totaled a negative \$40,985 for the General Fund. Transfers in totaled \$375,387, and were at 96.9% of their adjusted budgeted totals.

General Fund Expenditures and transfers out totaled \$15.759 million, representing 91.5% of the annual adjusted budget, which totaled \$17.219 million. Expenditures were projected at \$16,628 million during the budget process. The expenditure under run from the projection in the budget totaled \$868,700, or 5% under our projection. No departments exceeded their budget for Fiscal Year 2003-04. Last year at this time, we had a 7% under run. Historically, the City's expenditures will run 2-3% below the budget projection. The under runs were primarily in four departments: General Government, Community Services, Police and Public Works. The under runs by object type were as follows: salary and benefits, \$542,974 and maintenance and operations, \$680,536.

During the 2003-04 fiscal year, the Police Department staff was below the projected number of patrol officers by an average of three positions for each month of the entire year. These vacancies caused a favorable salary and benefits variance totaling \$289,011. Likewise, vacancies in the Community Services' Kid Kamp Program caused a \$56,729 favorable salary and benefits expenditure variance. The vacancies consisted of various Kids Kamp staff positions that were open for a portion of the year. Due to less than expected PERS expenditures almost all departments experienced favorable benefit expenditure variances.

The supplies and services under runs were located within Finance (\$159,619), Police, (\$94,929); Community Development, (\$67,746); and Public Works, (\$272,575).

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

**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, 2004, totaled \$69,522,729, 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 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Land	\$ 27,298,456	\$ 24,406,484	\$ 3,237,727	\$ 3,237,727	\$ 30,536,183	\$ 27,644,211
Water rights	-	-	1,215,186	1,215,186	1,215,186	1,215,186
Construction in Progress	4,851,513 ✓	5,008,113	351,586	-	5,203,099	5,008,113
Buildings, equipment depreciable assets	3,782,526	1,765,761	19,119,287	19,674,962	22,901,813	21,440,723
Infrastructure	9,666,448	10,111,199	-	-	9,666,448	10,111,199
<b>Total assets</b>	<b><u>\$ 45,598,943</u></b>	<b><u>\$ 41,291,557</u></b>	<b><u>\$ 23,923,786</u></b>	<b><u>\$ 24,127,875</u></b>	<b><u>\$ 69,522,729</u></b>	<b><u>\$ 65,419,432</u></b>

For additional information see Note 3 of the Notes to Basic Financial Statements.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

**DEBT ADMINISTRATION**

**Table 4  
Debt Administration**

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Tax allocation bonds	\$ 66,999,838	\$ 61,115,000	\$ -	\$ -	\$ 66,999,838	\$ 61,115,000
Notes payable	4,820,050	5,130,324	-	-	4,820,050	5,130,324
Loans payable	2,060,000	2,115,000	680,355	755,950	2,740,355	2,870,950
Certificates of Participation	-	-	8,828,233	9,023,233	8,828,233	9,023,233
Insurance deposits payable	-	15,343	1,517	1,517	1,517	16,860
Compensated absences	750,101	672,393	38,326	34,552	788,427	706,945
<b>Totals</b>	<b>\$ 74,629,989</b>	<b>\$ 69,048,060</b>	<b>\$ 9,548,431</b>	<b>\$ 9,815,252</b>	<b>\$ 84,178,420</b>	<b>\$ 78,863,312</b>

At year-end, the City had six issues of bonded indebtedness outstanding in its governmental funds totaling \$67.865 million. All six issues were rated AAA by Standard and Poors and Aaa by Moody's. The City's bonded indebtedness per capita is \$6,384 (excluding the water revenue bonds), while debt as a percent of total assessed value within the Redevelopment Project Area is 8.37%. Debt as a percent of incremental assessed value is 9.20%. The combined coverage ratio of senior lien bonds to pledge/tax revenues is 325%. The combined coverage ratio is unusually high due the rescheduling of principal payments when the bonds were refunded. The Agency also holds \$4.820 million in notes payable for the acquisition of real property. These notes have no lien on the tax increment revenues. The City's Redevelopment Agency has not entered into any tax sharing agreements with other governmental agencies/districts concerning its Redevelopment Projects.

For additional information see Note 4 of the Notes to Basic Financial Statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- Due to a projected stable local economy, revenues from sales and use tax are expected to reach budgeted levels, which exceeds last years revenue by 3%.
- Due to the development of the hilltop property values within the City should continue to increase.

See independent auditors' repot.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2004

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)**

- State of California fiscal issues could result in a reduction in funds passed-through to the City and increased payments to the Education Revenue Augmentation Fund.
- Rates for the City's retirement system (CalPERS) have increased substantially over the previous year's rates.

**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 Finance Director at the City of Signal Hill, 2175 Cherry Avenue, Signal Hill, CA 90755-3799.

## CITY OF SIGNAL HILL

## STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 41,226,587	\$ 2,464,904	\$ 43,691,491
Receivables:			
Accounts	1,890,718	565,294	2,456,012
Taxes	355,185	-	355,185
Accrued interest	310,078	33,482	343,560
Rehabilitation loans	17,354	-	17,354
Due from other governments	384,627	-	384,627
Internal balances	(80,028)	80,028	-
Inventory	17,525	-	17,525
Deposits	810,361	-	810,361
Deferred charges	1,450,218	219,908	1,670,126
Land and improvements held for resale	3,516,432	-	3,516,432
Restricted assets:			
Cash and investments	92,818	2,331,055	2,423,873
Capital assets (Note 3):			
Land	27,298,456	3,237,727	30,536,183
Water rights	-	1,215,186	1,215,186
Construction in progress	4,851,513	351,586	5,203,099
Infrastructure, net	9,666,448	-	9,666,448
Source of supply, net	-	9,462,420	9,462,420
Pumping plant, net	-	456,870	456,870
Transmission/distribution, net	-	7,426,069	7,426,069
Depreciable structures and improvements, net	2,959,690	817,275	3,776,965
Depreciable equipment, net	822,836	956,653	1,779,489
TOTAL ASSETS	<u>95,590,818</u>	<u>29,618,457</u>	<u>125,209,275</u>
<b>LIABILITIES:</b>			
Accounts payable	551,160	266,780	817,940
Accrued liabilities	299,127	55,668	354,795
Accrued interest payable	1,026,867	82,104	1,108,971
Owner participation agreement payable	5,762,066	-	5,762,066
Refundable deposits	143,095	298,226	441,321
Unearned revenue	1,136,642	-	1,136,642
Noncurrent liabilities (Note 4):			
Due within one year	2,777,876	225,323	3,003,199
Due in more than one year	71,852,113	9,323,108	81,175,221
TOTAL LIABILITIES	<u>83,548,946</u>	<u>10,251,209</u>	<u>93,800,155</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	45,538,943	14,415,198	59,954,141
Restricted for:			
Debt service	92,818	2,248,951	2,341,769
Capital improvements	3,835,592	-	3,835,592
Special purposes	2,209,724	-	2,209,724
Low and moderate income housing	5,322,297	-	5,322,297
Unrestricted	(44,957,502)	2,703,099	(42,254,403)
TOTAL NET ASSETS	<u>\$ 12,041,872</u>	<u>\$ 19,367,248</u>	<u>\$ 31,409,120</u>

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

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 3,175,922	\$ 215,238	\$ -	\$ -
Community services	1,149,174	265,866	41,831	3,460,174
Police	5,733,010	329,557	278,096	199,560
Community development	2,921,540	759	110,310	1,579,380
Public works	6,119,571	1,361,440	611,212	1,823,567
Unallocated infrastructure depreciation	445,800	-	-	-
Interest on long-term liabilities	3,565,217	-	-	-
<b>Total governmental activities</b>	<b>23,110,234</b>	<b>2,172,860</b>	<b>1,041,449</b>	<b>7,062,681</b>
<b>Business-type activity:</b>				
Water	3,467,482	3,296,322	-	-
<b>Total</b>	<b>\$ 26,577,716</b>	<b>\$ 5,469,182</b>	<b>\$ 1,041,449</b>	<b>\$ 7,062,681</b>

General revenues:

Taxes:

- Property
- Sales and use
- Franchise
- Motor vehicle
- Other taxes

Investment income

Unrestricted grants and contributions

Gain on disposition of assets

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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

Net (Expense) Revenue and  
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
\$ (2,960,684)	\$ -	\$ (2,960,684)
2,618,697	-	2,618,697
(4,925,797)	-	(4,925,797)
(1,231,091)	-	(1,231,091)
(2,323,352)	-	(2,323,352)
(445,800)	-	(445,800)
(3,565,217)	-	(3,565,217)
<u>(12,833,244)</u>	<u>-</u>	<u>(12,833,244)</u>
-	(171,160)	(171,160)
<u>(12,833,244)</u>	<u>(171,160)</u>	<u>(13,004,404)</u>
9,242,938	-	9,242,938
10,597,803	-	10,597,803
454,940	-	454,940
489,697	-	489,697
769,398	-	769,398
385,085	29,091	414,176
905,610	-	905,610
18,938	147	19,085
<u>22,864,409</u>	<u>29,238</u>	<u>22,893,647</u>
10,031,165	(141,922)	9,889,243
<u>2,010,707</u>	<u>19,509,170</u>	<u>21,519,877</u>
<u>\$ 12,041,872</u>	<u>\$ 19,367,248</u>	<u>\$ 31,409,120</u>

CITY OF SIGNAL HILL

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
ASSETS			
Cash and investments	\$ 16,390,948	\$ 4,942,986	\$ 8,314,395
Restricted cash and investments	92,785	-	33
Accounts receivable	82,124	-	-
Taxes receivable	1,720,547	71,037	284,148
Accrued interest receivable	127,558	37,182	55,176
Due from other funds	102,965	-	-
Due from other governments	-	-	-
Advances to other funds	2,712,291	284,372	-
Deposits	810,361	-	-
Rehabilitation loans receivable	-	-	-
Land held for resale	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 22,039,579</b>	<b>\$ 5,335,577</b>	<b>\$ 8,653,752</b>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 408,654	\$ 7,584	\$ -
Accrued liabilities	281,090	5,696	-
Deferred revenue	363,209	-	-
Due to other funds	-	-	-
Owner participation agreement payable	-	-	5,762,066
Refundable deposits	135,545	-	7,550
Advances from other funds	-	-	2,707,746
<b>TOTAL LIABILITIES</b>	<b>1,188,498</b>	<b>13,280</b>	<b>8,477,362</b>
FUND EQUITY:			
Reserved	2,349,082	284,372	33
Unreserved:			
General fund	18,501,999	-	-
Special revenue fund	-	5,037,925	-
Capital projects fund	-	-	-
Debt service fund	-	-	176,357
<b>TOTAL FUND EQUITY</b>	<b>20,851,081</b>	<b>5,322,297</b>	<b>176,390</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 22,039,579</b>	<b>\$ 5,335,577</b>	<b>\$ 8,653,752</b>

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Capital Improvement	Community Redevelopment		
\$ 1,008,193	\$ 3,026,699	\$ 6,656,633	\$ 40,339,854
-	-	-	92,818
-	-	63,006	145,130
-	-	230	2,075,962
-	24,691	64,255	308,862
-	-	-	102,965
290,570	-	94,057	384,627
-	-	-	2,996,663
-	-	-	810,361
-	-	17,354	17,354
-	3,516,432	-	3,516,432
<u>\$ 1,298,763</u>	<u>\$ 6,567,822</u>	<u>\$ 6,895,535</u>	<u>\$ 50,791,028</u>

\$ 62,021	\$ 3,954	\$ 42,264	\$ 524,477
-	219	7,419	294,424
1,182,282	-	72,350	1,617,841
-	-	102,965	102,965
-	-	-	5,762,066
-	-	-	143,095
-	-	362,667	3,070,413
<u>1,244,303</u>	<u>4,173</u>	<u>587,665</u>	<u>11,515,281</u>
-	3,516,432	-	6,149,919
-	-	-	18,501,999
-	-	6,307,870	11,345,795
54,460	3,047,217	-	3,101,677
-	-	-	176,357
<u>54,460</u>	<u>6,563,649</u>	<u>6,307,870</u>	<u>39,275,747</u>
<u>\$ 1,298,763</u>	<u>\$ 6,567,822</u>	<u>\$ 6,895,535</u>	<u>\$ 50,791,028</u>

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CITY OF SIGNAL HILL

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

June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Fund equity - total governmental funds		\$ 39,275,747
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 27,298,456	
Construction in progress	4,851,513	
Infrastructure, net of \$9,376,371 accumulated depreciation	9,666,448	
Structures and improvements, net of \$6,026,218 accumulated depreciation	2,923,225	
Equipment, net of \$1,243,919 accumulated depreciation	<u>103,428</u>	
Total capital assets used in governmental activities		44,843,070
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, 2004 totaled:		
		481,199
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.		
		1,644,684
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds. Balances at June 30, 2004 are:		
Accrued interest on long-term debt		(1,026,867)
Tax allocation bonds	\$ 67,865,000	
Less: Deferred charges on refunding (amortized as interest expense)	(734,446)	
Less: Deferred charges for issuance costs (amortized over life of debt)	(1,450,218)	
Less: Issuance discounts (amortized as interest expense)	(130,716)	
Note payable	4,820,050	
Loans payable	2,060,000	
Compensated absences	<u>746,291</u>	
Total long-term liabilities		<u>(73,175,961)</u>
Net assets of governmental activities		<u>\$ 12,041,872</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, 2004

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
REVENUES:			
Property taxes	\$ 256,049	\$ 1,787,130	\$ 7,148,518
Sales and use tax	10,597,803	-	-
Other taxes	1,211,753	-	-
Licenses and permits	420,768	-	-
Intergovernmental revenues	677,622	9,480	37,922
Charges for services	1,183,707	-	-
Fines and forfeitures	137,660	-	-
Investment income	138,908	40,219	45,849
Developer fees	-	-	-
Other revenue	188,957	60,527	-
TOTAL REVENUES	<u>14,813,227</u>	<u>1,897,356</u>	<u>7,232,289</u>
EXPENDITURES:			
Current:			
General government	2,185,239	256,778	487,473
Community service	1,048,446	-	-
Police	5,216,125	-	-
Community development	928,616	-	-
Public works	3,507,724	-	-
Capital outlay	35,147	463,742	-
Debt service:			
Owner participation agreement	-	-	1,105,713
Principal retirement	-	-	765,274
Interest	-	-	2,969,156
Fiscal agent fees	-	-	14,228
Bond issuance costs	-	185,558	1,159,806
Advance refunding escrow	-	-	1,884,904
TOTAL EXPENDITURES	<u>12,921,297</u>	<u>906,078</u>	<u>8,386,554</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,891,930</u>	<u>991,278</u>	<u>(1,154,265)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	375,387	-	1,219,443
Transfers out	(245,992)	(1,131,800)	-
Bonds and refunded bonds issued	-	3,225,000	34,210,000
Discount on bonds	-	-	(134,738)
Payment to refunded bond escrow agent	-	-	(32,901,535)
TOTAL OTHER FINANCING SOURCES (USES)	<u>129,395</u>	<u>2,093,200</u>	<u>2,393,170</u>
NET CHANGE IN FUND BALANCES	2,021,325	3,084,478	1,238,905
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR, AS RESTATED	<u>18,829,756</u>	<u>2,237,819</u>	<u>(1,062,515)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 20,851,081</u>	<u>\$ 5,322,297</u>	<u>\$ 176,390</u>

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

Capital Projects Funds		Other	Total
Capital	Community	Governmental	Governmental
Improvement	Redevelopment	Funds	Funds
\$ -	\$ -	\$ -	\$ 9,191,697
-	-	-	10,597,803
-	-	449,376	1,661,129
-	-	-	420,768
2,892,131	-	687,305	4,304,460
-	-	1,774	1,185,481
-	-	65,014	202,674
-	61,714	40,815	327,505
-	-	1,535,030	1,535,030
15,000	801,233	-	1,065,717
<u>2,907,131</u>	<u>862,947</u>	<u>2,779,314</u>	<u>30,492,264</u>
-	72,539	6,511	3,008,540
-	-	-	1,048,446
-	-	257,107	5,473,232
-	-	179,605	1,108,221
-	-	69,445	3,577,169
4,441,842	474,579	162,885	5,578,195
-	-	-	1,105,713
-	-	55,000	820,274
-	-	6,250	2,975,406
-	-	-	14,228
-	159,964	-	1,505,328
-	-	-	1,884,904
<u>4,441,842</u>	<u>707,082</u>	<u>736,803</u>	<u>28,099,656</u>
<u>(1,534,711)</u>	<u>155,865</u>	<u>2,042,511</u>	<u>2,392,608</u>
1,811,466	-	-	3,406,296
-	(87,643)	(1,940,861)	(3,406,296)
-	3,170,000	-	40,605,000
-	-	-	(134,738)
-	-	-	(32,901,535)
<u>1,811,466</u>	<u>3,082,357</u>	<u>(1,940,861)</u>	<u>7,568,727</u>
276,755	3,238,222	101,650	9,961,335
<u>(222,295)</u>	<u>3,325,427</u>	<u>6,206,220</u>	<u>29,314,412</u>
<u>\$ 54,460</u>	<u>\$ 6,563,649</u>	<u>\$ 6,307,870</u>	<u>\$ 39,275,747</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, 2004

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		\$ 9,961,335
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 (\$2,023,219) exceeded depreciation (\$588,179) in the current period:		1,435,040
Donations of capital assets increase net assets in the statement of activities, but are not reported in the governmental funds because they are not financial resources:		2,935,790
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:		
Principal payments	\$ 820,274	
Bond issuance costs	1,505,328	
Advance refunding escrow payments	34,786,439	
Less: Accrued interest included in escrow payments	(608,055)	
Bonds and refunding bonds issued	(40,605,000)	
Discount on bonds	134,738	
	(3,966,276)	
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.		
Net change in accrued interest	\$ 80,432	
Net change in compensated absences	(82,306)	
Amortization of deferred charges	(43,938)	
Amortization of issuance costs	(55,110)	
Amortization of bond discounts	(4,022)	
Change in insurance deposits	15,343	
	(89,601)	
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.		(309,800)
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.		64,677
Change in net assets of governmental activities		\$ 10,031,165

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

CITY OF SIGNAL HILL

w/c 2003 4686492

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2004

w/c 2004 → 4,481,957

CA = 5,394,735  
CL = 912,778  
4,481,957

ASSETS	Business-type Activity Water Enterprise Fund		Governmental Activity
	Current Year	Prior Year	Vehicle and Equipment Internal Service Fund
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ 2,464,904	\$ 2,513,097	\$ 886,733
Accounts receivable	565,294	551,207	18,937
Accrued interest receivable	33,482	37,717	7,090
Inventory	-	31,713	17,525
<b>TOTAL CURRENT ASSETS</b>	<b>3,063,680</b>	<b>3,133,734</b>	<b>930,285</b>
<b>NONCURRENT ASSETS:</b>			
Restricted assets:			
Cash and investments	2,331,055	2,192,563	-
Advance to other funds	73,750	88,500	-
Deferred charges	219,908	229,746	-
Capital assets, net of accumulated depreciation:			
Proprietary capital assets	31,207,060	30,769,169	2,098,422
Less allowance for depreciation	(7,283,274)	(6,641,294)	(1,342,549)
<b>TOTAL NONCURRENT ASSETS</b>	<b>26,548,499</b>	<b>26,638,684</b>	<b>755,873</b>
<b>TOTAL ASSETS</b>	<b>29,612,179</b>	<b>29,772,418</b>	<b>1,686,158</b>
<b>LIABILITIES</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	266,780	46,328	26,683
Accrued liabilities	55,668	23,963	4,703
Accrued interest payable	82,104	83,703	-
Refundable deposits	298,226	290,811	-
Certificates payable - current portion	210,000	200,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>912,778</b>	<b>644,805</b>	<b>31,386</b>
<b>LONG-TERM LIABILITIES:</b>			
Insurance deposit payable	1,517	1,517	-
Loan payable	680,355	755,950	-
Certificates payable (net of unamortized discount)	8,618,233	8,823,233	-
Compensated absences	38,326	34,552	3,810
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>9,338,431</b>	<b>9,615,252</b>	<b>3,810</b>
<b>TOTAL LIABILITIES</b>	<b>10,251,209</b>	<b>10,260,057</b>	<b>35,196</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	14,415,198	14,348,692	755,873
Restricted for debt service	2,248,951	2,108,860	-
Unrestricted	2,696,821	3,054,809	895,089
<b>TOTAL NET ASSETS</b>	<b>19,360,970</b>	<b>\$ 19,512,361</b>	<b>\$ 1,650,962</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	6,278		
Net assets of business-type activity	<b>\$ 19,367,248</b>		

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

CITY OF SIGNAL HILL

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

For the year ended June 30, 2004

	Business-type Activity Water Enterprise Fund		Governmental Activity
	Current Year	Prior Year	Vehicle and Equipment Internal Service Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 3,296,322	\$ 3,196,512	\$ 484,250
<b>TOTAL OPERATING REVENUES</b>	<u>3,296,322</u>	<u>3,196,512</u>	<u>484,250</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	891,093	749,982	147,202
Contractual services	167,611	62,855	1,632
Supplies	673,211	452,760	1,440
Material and repairs	203,618	134,061	79,787
Utilities	250,032	277,847	1,700
Depreciation	641,980	624,375	198,565
Other	134,622	126,764	2,923
<b>TOTAL OPERATING EXPENSES</b>	<u>2,962,167</u>	<u>2,428,644</u>	<u>433,249</u>
<b>OPERATING INCOME</b>	<u>334,155</u>	<u>767,868</u>	<u>51,001</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	29,091	173,249	4,207
Rental income	-	750	-
Interest expense	(511,159)	(520,599)	-
Fiscal agent fees	(3,625)	(3,825)	-
Gain on disposal of assets	147	363	18,938
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(485,546)</u>	<u>(350,062)</u>	<u>23,145</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>(151,391)</u>	<u>417,806</u>	<u>74,146</u>
<b>TRANSFERS OUT</b>	<u>-</u>	<u>(17,000)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(151,391)</u>	<u>400,806</u>	<u>74,146</u>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<u>19,512,361</u>	<u>19,111,555</u>	<u>1,576,816</u>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<u>\$ 19,360,970</u>	<u>\$ 19,512,361</u>	<u>\$ 1,650,962</u>
Change in net assets - Enterprise fund	\$ (151,391)		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	9,469		
Change in net assets of business-type activity	<u>\$ (141,922)</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, 2004

	Business-type Activity Water Enterprise Fund		Governmental Activity Vehicle and Equipment Internal Service Fund
	Current Year	Prior Year	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 3,282,235	\$ 3,214,166	\$ -
Receipts from quasi-external transactions	-	-	465,313
Payments to suppliers	(1,169,514)	(1,292,926)	(159,402)
Payments to employees	(855,613)	(768,769)	(147,097)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,257,108</u>	<u>1,152,471</u>	<u>158,814</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advance repayment from other funds	14,750	14,750	-
Transfers in	150,000	150,000	-
Transfers out	(150,000)	(167,000)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>14,750</u>	<u>(2,250)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Rental receipts	-	750	-
Proceeds from disposition of capital assets	147	363	18,938
Proceeds from loan	-	755,950	-
Repayment of loan	(75,595)	-	-
Acquisition of property, plant and equipment	(437,892)	(408,843)	(135,121)
Principal paid	(200,000)	(190,000)	-
Interest paid	(497,920)	(507,279)	-
Fiscal agent fees	(3,625)	(3,825)	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,214,885)</u>	<u>(352,884)</u>	<u>(116,183)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	<u>33,326</u>	<u>174,562</u>	<u>4,726</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>90,299</u>	<u>971,899</u>	<u>47,357</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>4,705,660</u>	<u>3,733,761</u>	<u>839,376</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,795,959</u>	<u>\$ 4,705,660</u>	<u>\$ 886,733</u>

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, 2004

	Business-type Activity		Governmental
	Transit Enterprise Fund		Activity
	Current	Prior	Vehicle and
	Year	Year	Equipment
			Internal Service
			Fund
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>			
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 334,155	\$ 767,868	\$ 51,001
Depreciation	641,980	624,375	198,565
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,087)	17,654	(18,937)
(Increase) decrease in inventory	31,713	-	(13,682)
Increase (decrease) in accounts payable	220,452	(60,788)	(58,238)
Increase (decrease) in accrued liabilities	31,706	(191,960)	4,703
Increase (decrease) in refundable deposits	7,415	7,220	-
Increase (decrease) in insurance deposit payable	-	(15,024)	-
Increase (decrease) in compensated absences	3,774	3,126	(4,598)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,257,108</b>	<b>\$ 1,152,471</b>	<b>\$ 158,814</b>
<b>NONCASH INVESTING, CAPITAL</b>			
<b>AND FINANCING ACTIVITIES:</b>			
Deferred charge and bond discount amortization			
charged to interest expense	\$ 14,838	\$ 14,838	\$ -

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS

June 30, 2004

	<u>Special Deposit Agency Fund</u>
ASSETS:	
Cash and investments	\$ 872,077
Restricted cash	<u>12,432</u>
TOTAL ASSETS	<u>\$ 884,509</u>
LIABILITIES:	
Refundable deposits	<u>\$ 884,509</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, 2004

### 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, 2004

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 and Financing Authority can be obtained from the City of Signal Hill's Finance Department located at City Hall. The Housing Authority does 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, 2004

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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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 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, 2004

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.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 to the government-wide financial statements and proprietary fund financial statements, unless those pronouncements contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Investments:

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

F. Restricted Assets:

Cash and investments totaling \$92,785 are restricted in the General Fund. This amount represents cash and investments held by a trustee as collateral for the City's Section 108 HUD loan. Cash and investments totaling \$33 are restricted in the Debt Service Fund in accordance with bond indentures. Cash and investments totaling \$2,331,055 are restricted in the Water Enterprise Fund of this amount \$706,760 represents cash and investments held by a trustee for payment of the City's 1996 Certificates of Participation, and \$1,624,295 represents a required reserve for debt service if the water revenues are not sufficient to meet debt service needs of the 1996 Certificates of Participation. Cash and investments totaling \$12,432 are restricted in the Special Deposits Agency Fund. This amount represents cash from businesses located within the City to assure conformity with zoning regulations.

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, which 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 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
Equipment and furniture	3 - 20 years
Vehicles and major equipment	3 - 15 years
Infrastructure	40 - 90 years

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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. Employee Compensated Absences:

In governmental fund types, compensated absences, if any, that are expected to be liquidated with expendable available financial resources, are recorded as an expenditure and a fund liability of the governmental fund that will pay it (primarily the General Fund). The balance of unpaid vacation and compensatory time at year end is recorded as a long-term liability, as these amounts will be liquidated from future resources rather than expendable available financial resources.

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.

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

J. Deferred Charges:

Deferred bond issue costs are included in other assets and totaled \$1,450,218, net of accumulated amortization, as of June 30, 2004. The costs are amortized on a straight-line basis through 2024. Amortization expense totaled \$55,110 for the year ended June 30, 2004.

K. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. 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).

Under the City's self-insurance program, deposits to the Joint Powers Authority (Note 12) are recorded as insurance expenditures in the period to which they relate. 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 a General Fund revenue. Deposits are based upon historical claims experience. In 2003-2004, deposits of \$605,201 were recorded as an insurance expenditure.

M. Comparative Data:

Comparative total data for the prior year have been presented only for the Water Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund.

N. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

2. CASH AND INVESTMENTS:

Authorized Investments:

Under the provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Bankers acceptances
- Certificates of deposit
- Negotiable certificates of deposit
- United States Treasury Issues
- Federal Agency Issues
- Local Agency Investment Fund (LAIF)
- County Pooled Funds
- Passbook Savings Account
- Money Market Account
- Repurchase Agreements

California Local Agency Investment Fund (LAIF):

The City is a voluntary participant in the California 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. Each City may invest up to \$40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, and deposits may be converted to cash within twenty-four hours without loss of interest. At June 30, 2004, the total fair value of LAIF was \$57,536,996,461. The fair value of the City's proportionate share in LAIF (\$32,039,945) is the same as the value of the City's pool shares. Included in LAIF's investment portfolio are certain derivative securities in the form of asset-backed securities totaling \$923,459,000. LAIF's, and the City's, exposure to credit, market, or legal risk is not currently available.

Classification of Deposits and Investments by Credit Risk:

Deposits:

- Category 1 - Deposits which are insured or collateralized with securities held by the City or the City's agent in the City's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Deposits which are uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

See independent auditors' report.

CITY OF SIGNAL HILL  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

2. CASH AND INVESTMENTS (CONTINUED):

Classification of Deposits and Investments by Credit Risk (Continued):

Investments:

Category 1 - Investments which are insured, or registered or held by the City or its agent in the City's name.

Category 2 - Investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Investments Not Subject to Categorization:

Investments in the California Local Agency Investment Fund (LAIF) and mutual funds are not required to be categorized under interpretive guidelines issued by the Governmental Accounting Standards Board.

Allocation of Interest Income Among Funds:

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated on a quarterly basis based on month-end cash balances.



CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

*Diff 418,715*

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004 was as follows:

*26,879,741.29*

Governmental Activities:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 24,406,484	\$ 2,891,972	\$ -	\$ 27,298,456
Construction in progress	<u>5,008,113</u>	<u>1,066,738</u>	<u>(1,223,338)</u>	<u>4,851,513</u>
Total capital assets, not being depreciated	<u>29,414,597</u>	<u>3,958,710</u>	<u>(1,223,338)</u>	<u>32,149,969</u>
		<i>Diff 391,065.09</i>	<i>19,433,884.29</i>	
Capital assets, being depreciated:				
Structures and improvements	6,904,006	2,228,637	-	9,132,643
Equipment and furniture	1,478,102	-	-	1,478,102
Vehicles and major equipment	1,774,587	130,121	(120,243)	1,784,465
Infrastructure	<u>19,042,819</u>	<u>-</u>	<u>-</u>	<u>19,042,819</u>
Total capital assets, being depreciated	<u>29,199,514</u>	<u>2,358,758</u>	<u>(120,243)</u>	<u>31,438,029</u>
Less accumulated depreciation for:				
Structure and improvements	(6,110,205)	(62,748)	-	(6,172,953)
Equipment and furniture	(1,257,996)	(93,485)	-	(1,351,481)
Vehicle and major equipment	(1,022,733)	(185,760)	120,243	(1,088,250)
Infrastructure	<u>(8,931,620)</u>	<u>(444,751)</u>	<u>-</u>	<u>(9,376,371)</u>
Total accumulated depreciation	<u>(17,322,554)</u>	<u>(786,744)</u>	<u>120,243</u>	<u>(17,989,055)</u>
Total capital assets, being depreciated, net	<u>11,876,960</u>	<u>1,572,014</u>	<u>-</u>	<u>13,448,974</u>
Total governmental activities capital, net	<u>\$ 41,291,557</u>	<u>\$ 5,530,724</u>	<u>\$ (1,223,338)</u>	<u>\$ 45,598,943</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

3. CAPITAL ASSETS (CONTINUED):

Capital asset activity for the year ended June 30, 2004 was as follows (Continued):

Business-type Activity:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Capital assets, not being depreciated				
Land	\$ 3,237,727	\$ -	\$ -	\$ 3,237,727
Water rights	1,215,186	-	-	1,215,186
Construction in progress	-	351,586	-	351,586
Total capital assets, not being depreciated	<u>4,452,913</u>	<u>351,586</u>	<u>-</u>	<u>4,804,499</u>
Capital assets, being depreciated:				
Reservoirs and tanks	10,225,863	61,360	-	10,287,223
Wells	937,390	-	-	937,390
Mains	9,226,657	-	-	9,226,657
Pumps	953,070	-	-	953,070
Fire hydrants	649,346	15,521	-	664,867
Meters	454,902	9,424	-	464,326
Services	1,449,220	-	-	1,449,220
Structures	1,049,775	-	-	1,049,775
Equipment and furniture	1,370,033	-	-	1,370,033
Total capital assets, being depreciated	<u>26,316,256</u>	<u>86,305</u>	<u>-</u>	<u>26,402,561</u>
Less accumulated depreciation for:				
Reservoirs and tanks	(1,006,113)	(212,851)	-	(1,218,964)
Wells	(521,000)	(22,229)	-	(543,229)
Mains	(3,120,500)	(183,703)	-	(3,304,203)
Pumps	(472,970)	(23,230)	-	(496,200)
Fire hydrants	(426,285)	(23,890)	-	(450,175)
Meters	(111,686)	(46,907)	-	(158,593)
Services	(437,050)	(28,980)	-	(466,030)
Structures	(209,180)	(23,320)	-	(232,500)
Equipment and furniture	(336,510)	(76,870)	-	(413,380)
Total accumulated depreciation	<u>(6,641,294)</u>	<u>(641,980)</u>	<u>-</u>	<u>(7,283,274)</u>
Total capital assets, being depreciated, net	<u>19,674,962</u>	<u>(555,675)</u>	<u>-</u>	<u>19,119,287</u>
Total business-type activity capital assets, net	<u>\$ 24,127,875</u>	<u>\$ (204,089)</u>	<u>\$ -</u>	<u>\$ 23,923,786</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

*Fund  
200*

3. CAPITAL ASSETS (CONTINUED):

Depreciation expense:

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

Governmental activities:

General government	\$ 39,289
Community services	22,444
Police	51,380
Community development	5,076
Public works	24,190
Internal service fund depreciation charged to programs	<u>198,565</u>

Allocated depreciation 340,944

Unallocated infrastructure depreciation 445,800

Total depreciation expense - governmental activities \$ 786,744

Business-type activity:

Water \$ 641,980

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

*TAB = Tax Anticipation Bonds*

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004	Due Within One Year
Governmental activities:					
Bonds payable:					
1993 TABs Series A	\$ 19,935,000	\$ -	\$(19,935,000)	\$ -	\$ -
1993 TABs Series B	27,840,000	-	(13,465,000)	14,375,000	-
2001 TABs	13,340,000	-	(455,000)	12,885,000	470,000
2003 TABs Series A	-	23,080,000	-	23,080,000	920,000
2003 TABs Series B	-	3,170,000	-	3,170,000	600,000
2003 TABs Series C	-	11,130,000	-	11,130,000	160,000
2003 TABs Series D	-	3,225,000	-	3,225,000	135,000
Less deferred amounts:					
For issuance discounts	-	(134,738)	4,022	(130,716)	-
On refunding	-	(778,384)	43,938	(734,446)	-
Total bonds payable	61,115,000	39,691,878	(33,807,040)	66,999,838	2,285,000
Note payable <i>Price</i>	5,130,324	-	(310,274)	4,820,050	330,916
Loans payable <i>(HELP)</i>	2,000,000	-	-	2,000,000	-
Section 108 loan payable	115,000	-	(55,000)	60,000	60,000
Insurance deposits payable	15,343	-	(15,343)	-	-
Compensated absences	672,393	459,876	(382,168)	750,101	101,960
Total governmental activities	<u>\$ 69,048,060</u>	<u>\$ 40,151,754</u>	<u>\$(34,569,825)</u>	<u>\$ 74,629,989</u>	<u>\$ 2,777,876</u>
Business-type activity:					
Certificates payable	\$ 9,140,000	\$ -	\$ (200,000)	\$ 8,940,000	\$ 210,000
Less deferred amount:					
For issuance discount	(116,767)	-	5,000	(111,767)	-
Total certificates payable	9,023,233	-	(195,000)	8,828,233	210,000
Loan payable <i>(WRD)</i>	755,950	-	(75,595)	680,355	-
Insurance deposits payable	1,517	-	-	1,517	-
Compensated absences	34,552	28,710	(24,936)	38,326	15,323
Total business-type activity	<u>\$ 9,815,252</u>	<u>\$ 28,710</u>	<u>\$ (295,531)</u>	<u>\$ 9,548,431</u>	<u>\$ 225,323</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

A. 1993 Tax Allocation Bonds - Series A:

On July 1, 1993, the Agency issued the Signal Hill Redevelopment Project No. 1 1993 Tax Allocation Bonds, Series A (the "1993 Series A Bonds"), in the amount of \$23,795,000. The proceeds of the bonds were used to defease the Signal Hill Redevelopment Project No. 1 1990 Tax Allocation Bonds, Series A (the "1990 Series A Bonds"). The defeased 1990 Series A Bonds have been retired.

On August 28, 2003, \$9,720,000 of the 1993 Series A Bonds were advance refunded with proceeds from the Agency's 2003 Tax Allocation Parity Refunding Bonds, Series A. On December 11, 2003, \$10,215,000 of the 1993 Series A Bonds were advance refunded with proceeds from the Agency's 2003 Tax Allocation Parity Refunding Bonds, Series C. As a result, the 1993 Series A Bonds are considered to be entirely defeased and the liability has been removed from the long-term liabilities. The defeased 1993 Series A Bonds were retired as of June 30, 2004.

B. 1993 Tax Allocation Bonds - Series B:

On December 1, 1993, the Agency issued the Signal Hill Redevelopment Project No. 1 1993 Tax Allocation Bonds, Series B (the "1993 Series B Bonds") in the amount of \$33,075,000. The proceeds of the bonds were used to defease the Signal Hill Redevelopment Project No. 1 1990 Tax Allocation Bonds, Series B (the "1990 Series B Bonds"). The defeased 1990 Series B Bonds have been retired.

On August 28, 2003, \$13,465,000 of the 1993 Series B Bonds were advance refunded with proceeds from the Agency's 2003 Tax Allocation Parity Refunding Bonds, Series A. As a result, this portion of the 1993 Series B Bonds are considered to be defeased and the liability for this portion has been removed from the long-term liabilities. These defeased 1993 Series B Bonds were retired as of June 30, 2004.

The remaining 1993 Series B Bonds are term bonds in the amount of \$14,375,000 which are due October 1, 2023, and bear interest semiannually at a rate of 5.25%. The term bonds are subject to optional redemption at a price equal to the principal amounts, plus accrued interest to the redemption date. The term bonds are subject to mandatory redemption on October 1 in each year commencing October 1, 2016.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

B. 1993 Tax Allocation Bonds - Series B (Continued):

Under the terms of the issue, the maximum annual debt service amount of \$2,268,137 is to be set aside in reserve funds unless the Agency elects to maintain the reserve requirements by obtaining a surety bond for the amount. The Agency has obtained such a surety bond.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ -	\$ 754,687	\$ 754,687
2006	-	754,688	754,688
2007	-	754,687	754,687
2008	-	754,688	754,688
2009	-	754,687	754,687
2010 - 2014	-	3,773,438	3,773,438
2015 - 2019	4,675,000	3,414,206	8,089,206
2020 - 2024	9,700,000	1,327,988	11,027,988
Totals	<u>\$ 14,375,000</u>	<u>\$ 12,289,069</u>	<u>\$ 26,664,069</u>

C. 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. A portion of the proceeds (\$1,897,721) together with funds on deposit with the trustee of the 1994 Bonds (\$1,097,031) were deposited into an escrow fund and invested. The principal and interest from these investments are anticipated to provide funds sufficient to pay all future debt service requirements through and including their redemption date of December 1, 2004 and to pay the redemption price with respect to the 1994 Bonds remaining outstanding on December 1, 2004. 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 1994 Bonds have been retired.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

C. 2001 Tax Allocation Bonds (Continued):

Principal amounts on \$13,880,000 of serial bonds mature annually each October 1, from 2002 to 2023, and bear interest semiannually beginning April 1, 2002 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 Agency has pledged for the repayment of the bonds a first lien on certain tax increment revenues excluding amounts of such taxes otherwise required to be deposited into the Low and Moderate Income Housing Fund.

Under the terms of the issue, the maximum annual debt service amount of \$979,865 is to be set aside in reserve funds unless the Agency elects to maintain the reserve requirements by obtaining a surety bond for the amount. The Agency has obtained such a surety bond.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 470,000	\$ 500,270	\$ 970,270
2006	485,000	488,681	973,681
2007	495,000	475,691	970,691
2008	510,000	461,235	971,235
2009	525,000	445,185	970,185
2010 - 2014	2,880,000	1,933,698	4,813,698
2015 - 2019	3,420,000	1,312,960	4,732,960
2020 - 2024	<u>4,100,000</u>	<u>484,725</u>	<u>4,584,725</u>
Totals	<u>\$ 12,885,000</u>	<u>\$ 6,102,445</u>	<u>\$ 18,987,445</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

D. 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. The Agency completed the advance refunding to reduce its total debt service over the next 20 years by \$898,192 and to obtain an economic gain (difference between the present values of the old and new debt service payments) \$698,657.

Principal amounts on the 2003 A Bonds mature annually each October 1, from 2004 to 2023, and bear interest semiannually beginning April 1, 2004 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 annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 920,000	\$ 826,924	\$ 1,746,924
2006	1,010,000	807,624	1,817,624
2007	1,030,000	787,227	1,817,227
2008	1,050,000	764,455	1,814,455
2009	1,075,000	737,205	1,812,205
2010 - 2014	10,305,000	2,765,769	13,070,769
2015 - 2019	6,010,000	776,137	6,786,137
2020 - 2024	<u>1,680,000</u>	<u>214,528</u>	<u>1,894,528</u>
Totals	<u>\$ 23,080,000</u>	<u>\$ 7,679,869</u>	<u>\$ 30,759,869</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

E. 2003 Tax Allocation Bonds - Series B:

On August 28, 2003, the Agency issued the Signal Hill Redevelopment Project No. 1 2003 Taxable Tax Allocation Parity Bonds, Series B (2003 B Bonds) in the amount of \$3,170,000. Proceeds of the 2003 B Bonds will be used to provide funds for certain redevelopment activities of the Agency and pay for the expenses of the bond issuance.

Principal amounts on the 2003 B Bonds mature annually each October 1, from 2004 to 2008, and bear interest semi-annually beginning April 1, 2004 at rates ranging from 1.45% to 4.01%. The 2003 Bonds are not subject to optional redemption.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 600,000	\$ 88,930	\$ 688,930
2006	615,000	77,201	692,201
2007	630,000	60,339	690,339
2008	650,000	38,962	688,962
2009	675,000	13,534	688,534
Totals	<u>\$ 3,170,000</u>	<u>\$ 278,966</u>	<u>\$ 3,448,966</u>

F. 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. The Agency completed the advance refunding to reduce its total debt service over the next 20 years by \$1,130,660 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$669,786.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

F. 2003 Tax Allocation Bonds - Series C (Continued):

Principal amounts on the 2003 C Bonds mature annually each October 1, from 2004 to 2023, and bear interest semiannually beginning April 1, 2004 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 annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 160,000	\$ 459,432	\$ 619,432
2006	70,000	457,133	527,133
2007	75,000	455,682	530,682
2008	75,000	454,183	529,183
2009	75,000	452,589	527,589
2010 - 2014	415,000	2,228,482	2,643,482
2015 - 2019	3,580,000	1,963,996	5,543,996
2020 - 2024	<u>6,680,000</u>	<u>769,522</u>	<u>7,449,522</u>
Totals	<u>\$ 11,130,000</u>	<u>\$ 7,241,019</u>	<u>\$ 18,371,019</u>

G. 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.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

G. 2003 Tax Allocation Bonds - Series D (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 135,000	\$ 176,455	\$ 311,455
2006	110,000	170,415	280,415
2007	115,000	164,869	279,869
2008	120,000	159,077	279,077
2009	125,000	153,037	278,037
2010 - 2014	640,000	667,942	1,307,942
2015 - 2019	435,000	518,915	953,915
2020 - 2024	425,000	401,407	826,407
2025	<u>1,120,000</u>	<u>33,488</u>	<u>1,153,488</u>
Totals	<u>\$ 3,225,000</u>	<u>\$ 2,445,605</u>	<u>\$ 5,670,605</u>

H. Note Payable:

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, 2004, the outstanding balance of this note was \$4,820,050.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

H. Note Payable (Continued):

Based on current available information, estimated sales tax revenue will be sufficient to pay principal and accrued interest. Based on this, the annual debt requirements at June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 330,916	\$ 469,206	\$ 800,122
2006	377,989	446,137	824,126
2007	442,075	406,775	848,850
2008	513,489	360,826	874,315
2009	593,007	307,538	900,545
2010 - 2013	<u>2,562,574</u>	<u>530,313</u>	<u>3,092,887</u>
Totals	<u>\$ 4,820,050</u>	<u>\$ 2,520,795</u>	<u>\$ 7,340,845</u>

I. 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. Principal of \$1,000,000 and accrued interest of \$300,000 is due March 1, 2011. As of June 30, 2004, accrued unpaid interest totaled \$95,000.

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 of \$300,000 is due July 2, 2011. As of June 30, 2004, accrued unpaid interest totaled \$68,986.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

J. Section 108 Loan Payable:

On September 9, 1999, the City obtained a \$280,000 Section 108 loan from the U.S. Department of Housing and Urban Development to help fund the renovation of the City's Community Center. The loan bears interest at 7% per annum over a 5-year term. Principal payments are due annually each August 1, from 2000 to 2004, and interest payments are due semi-annually beginning August 1, 2000.

As security for the loan, the City has authorized the Community Development Commission of the County of Los Angeles (the Commission) to make the Section 108 loan repayments from the City's Community Development Block Grant (CDBG) funds set-aside through its CDBG Reimbursable Contract Amendment No. 3 with the Commission. As additional security, the City deposited \$347,767 into an escrow account. Funds in the escrow account are to be utilized by the Commission only in the event that CDBG funds are not sufficient to meet the loan repayments as they become due. Once a loan repayment is made with CDBG funds, an amount equal to the loan repayment plus interest paid on the escrow account balance is returned to the City from the escrow account. At June 30, 2004 the escrow account had a balance of \$92,786. As of June 30, 2004 the outstanding loan balance was \$60,000.

The annual requirements to amortize outstanding indebtedness as of June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$ 60,000</u>	<u>\$ 2,145</u>	<u>\$ 62,145</u>

K. Compensated Absences:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

L. Certificates Payable:

In conjunction with an installment agreement dated November 1, 1996 to finance the design and construction of two reservoirs and related water delivery systems for the City, the Signal Hill Public Financing Authority issued \$10,000,000 of Certificates of Participation (1996 Water Improvement Project). The Certificates represent a direct undivided interest in installment payments made by the City to the Authority for the acquisition of the City's water treatment, production, storage and distribution system. The installment payments are designed to be sufficient in both time and amount to pay the principal and interest with respect to the Certificates. Principal amounts on \$4,770,000 of serial certificates mature annually each November 1, in the years 1998 through 2016, and bear interest semiannually on May 1 and November 1 at rates ranging from 4.8% to 5.6%. Term certificates of \$2,260,000 are due November 1, 2021 and bear interest semiannually on May 1 and November 1 at a rate of 5.6%. Term certificates of \$2,970,000 are due November 1, 2026 and bear interest semiannually on May 1 and November 1 at a rate of 5.7%.

The Certificates maturing on or after November 1, 2007 are subject to optional redemption, prior to maturity, in whole or in part, on any interest payment date on or after November 1, 2006 at a price equal to the principal amount, plus accrued interest to the redemption date, plus a premium ranging from 0.0% to 2.0%.

The Certificates maturing November 1, 2021 and November 1, 2026 are subject to mandatory redemption prior to maturity, on November 1 in each year commencing November 1, 2017 with respect to the Certificates maturing November 1, 2021 and November 1, 2022 with respect to the Certificates maturing November 1, 2026 at a price equal to the principal amount plus accrued interest to the redemption date.

Under terms of the issue, the maximum annual installment payment amount of \$698,080 is to be set aside in reserve funds unless the City elects to maintain the reserve requirement by obtaining a surety bond, insurance policy or letter of credit. The fair value of the investments in the reserve fund totaled \$708,538 at June 30, 2004.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

L. Certificates Payable (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2004, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 210,000	\$ 488,080	\$ 698,080
2006	215,000	477,880	692,880
2007	230,000	467,085	697,085
2008	240,000	455,450	695,450
2009	250,000	443,075	693,075
2010 - 2014	1,470,000	1,995,725	3,465,725
2015 - 2019	1,925,000	1,527,550	3,452,550
2020 - 2024	2,520,000	908,375	3,428,375
2025 - 2026	1,880,000	164,445	2,044,445
Totals	<u>\$ 8,940,000</u>	<u>\$ 6,927,665</u>	<u>\$ 15,867,665</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.

The annual requirements to amortize outstanding indebtedness as of June 30, 2004, are as follows:

Year Ending June 30,	Principal
2005	\$ 75,595
2006	75,595
2007	75,595
2008	75,595
2009	75,595
2010 - 2013	302,380
Totals	<u>\$ 680,355</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

N. Operating Lease Obligations:

(a). 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 \$210,200. ✓

The operating lease covers seven parcels of land which are subleased to auto dealers. For the year ended June 30, 2004, the Agency received \$468,128 in rental payments to offset the Agency's lease payments to the lessor. *\$ 550,628*  
*5*

Future minimum rental payments are due as follows:

<u>Year Ending June 30,</u>	
2005	\$ 210,200
2006	216,908
2007	221,700
2008	223,100
2009	224,100
2010 - 2014	1,171,025
2015 - 2019	1,239,031
2020 - 2024	1,312,458
2025 - 2029	1,385,967
2030 - 2034	1,466,333
2035 - 2039	1,543,386
2040 - 2044	1,625,431
2045 - 2049	1,710,408
2050 - 2054	1,788,961
2055 - 2056	<u>512,976</u>
Total	<u>\$ 14,851,984</u>

*Alda Trust*  
*120.740.545.817*

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. LONG-TERM LIABILITIES (CONTINUED):

N. Operating Lease Obligations (Continued):

(b). The Agency is leasing land to be used for future expansion of the 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 operating lease covers ten parcels of land which are subject to pre-existing leases by the lessor. The rental income is paid directly by the tenants to the lessor. The lessor will continue its lease agreements with the tenants until each lease expires or the tenant vacates. Once either of these events occur, the Agency becomes the replacement tenant and has the right to use or sublease the parcels of land, and is responsible for paying rental income to the lessor. The Agency is entitled to receive the rental income from the sublessees to offset the Agency's rental payments to the lessor. For the year ended June 30, 2004, the Agency made rental payments which are classified as project costs, totaling \$201,462 on this lease for all ten parcels of land on which the Agency is considered to be the replacement tenant. The Agency has sub-leased one parcel of this land on a month-to-month basis for part of the year, at a total monthly rental rate of \$500. For the year ended June 30, 2004, the Agency received \$2,500 in rental payments to offset the Agency's lease payments to lessor.

*subleased to auto dealers*

*202,248*

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

Year Ending <u>June 30,</u>		<i>10 parcels</i>
2005	\$ 204,483	
2006	207,504	
2007	207,504	
2008	207,504	
2009	207,504	
2010 - 2014	1,065,742	
2015 - 2019	1,097,505	
2020 - 2024	1,130,424	
2025 - 2029	1,164,339	
2030 - 2034	1,199,267	
2035 - 2039	1,235,242	
2040 - 2044	1,272,303	
2045 - 2049	1,310,472	
2050 - 2054	1,349,792	
2055 - 2056	<u>274,807</u>	
Total minimum lease payments	<u>\$ 12,134,392</u>	<i>120,740,545.814</i>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2004, is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 102,965</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 From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 2,707,746
General	Other Governmental Funds	4,545
Debt Service	Other Governmental Funds	284,372
Water Enterprise	Other Governmental Funds	<u>73,750</u>
		<u>\$ 3,070,413</u>

- A. In March 2001, the City advanced the Agency \$305,000 from the General Fund. The Agency used this advance to reimburse a lessee for site improvements pursuant to a lease agreement dated October 3, 2000 (see Note 13B). The advance bears interest at a rate of 7.0%. The Agency will repay the advance plus accrued interest by making 48 monthly installments of \$7,304. The first installment was made in April 2001. The Agency's source of funds for the advance repayments is the lease income from the aforementioned lease. The advance balance as of June 30, 2004 was \$56,924.
- B. The City has made advances to the Agency from the General Fund totaling \$2,287,612 to assist in funding the Agency's operating budgets for the past two years. The advances accrue interest at a rate of 7.0% per annum. There is no set repayment schedule for these advances. Interest of \$181,258 has accrued on these loans bringing the total balance due to \$2,650,822 at June 30, 2004.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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

Advances From/To Other Funds (Continued):

- C. During the fiscal year ended June 30, 2001, the General Fund advanced \$18,180 to the Lighting and Landscape Special Revenue Fund for repairs and painting of fences within Landscape and Lighting Maintenance District No. 1. The non-interest bearing advance is payable in four equal annual payments of \$4,545. The first installment was made in June 2002. The advance balance as of June 30, 2004 was \$4,545.
- D. 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, 2004 is \$284,372.
- E. During the fiscal year ended June 30, 1999, the Water Enterprise Fund advanced \$147,500 to the Park Development Special Revenue Fund to complete the Hilltop Park Art and Construction Project. Hilltop Park is situated above a newly constructed underground water reservoir which was completed in July, 1999. The non-interest bearing advance is payable in ten equal annual payments of \$14,750. The first installment was made in June 2000. The advance balance as of June 30, 2004 was \$73,750.

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 375,387
Debt Service Fund	Affordable Housing Special Revenue Fund	1,131,800
	Community Redevelopment Capital Projects Fund	87,643
Capital Improvement	General Fund	245,992
	Other Governmental Funds	<u>1,565,474</u>
		<u>\$ 3,406,296</u>

Transfers provided funding for capital projects, debt service, traffic signal and street maintenance, and police activities related to traffic safety.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

6. INDIVIDUAL FUND DISCLOSURES:

Expenditures Exceeding Appropriations:

For the year ended June 30, 2004, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

General Fund:	
General Government - City Treasurer	\$ 6,237
Community Services - Library programs and services	3
Police - Patrol services	40,578
Public Works - Sewer operations	10,261
Capital Outlay	5,897
Affordable Housing Special Revenue Fund:	
General Government - Program administration	5,478
Capital outlay	408,742
Debt service	185,558
Debt Service Fund:	
General Government - Program administration	3,873
Debt service	3,016,781
Community Redevelopment Capital Projects Fund - Debt service	159,964
Other Governmental Funds:	
TRAP Special Revenue Fund - Investigative services	2,704

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.

7. PENSION PLAN:

Plan Description:

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. PENSION PLAN (CONTINUED):

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 rate for fiscal year 2003-04 was 0.0% for local miscellaneous members and 19.907% for local safety members. 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.

Annual Pension Cost:

For fiscal year 2003-04, the City's actual and contributed pension cost was \$877,270. The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The amortization method used was a level percent of payroll and the average remaining period used was 27 years and 9 years as of the valuation date for miscellaneous members and local safety members, respectively. Other actuarial assumptions included (a) an 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by age, length of service and type of employment from 3.75% to 14.2%, (c) a 3.5% inflation rate (d) a 3.75% payroll growth rate, and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. PENSION PLAN (CONTINUED):

Three-Year Trend Information for the Miscellaneous and Safety Plans:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/02	\$ 258,865	100%	\$ -
6/30/03	271,958	100%	-
6/30/04	272,322	100%	-
<u>Safety Employees</u>			
6/30/02	\$ 257,940	100%	\$ -
6/30/03	421,678	100%	-
6/30/04	604,948	100%	-

Three-Year Schedule of Funding Progress for PERS (Most Recent Available):

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability (Excess Assets) (A-B)</u>	<u>Funded Ratio (B/A)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll [(A-B)/C]</u>
6/30/01:						
Misc.	\$ 15,063,320	\$ 18,180,213	\$ (3,116,893)	120.7 %	\$ 3,711,650	(84.0) %
Safety	<u>21,377,627</u>	<u>21,607,042</u>	<u>(229,415)</u>	101.1 %	<u>1,991,648</u>	(11.5) %
Total	<u>\$ 36,440,947</u>	<u>\$ 39,787,255</u>	<u>\$ (3,346,308)</u>	109.2 %	<u>\$ 5,703,298</u>	(58.7) %
6/30/02:						
Misc.	\$ 16,281,059	\$ 17,174,608	\$ (893,549)	105.5 %	\$ 3,756,573	(23.8) %
Safety	<u>22,512,012</u>	<u>20,050,092</u>	<u>2,461,920</u>	89.1 %	<u>2,084,010</u>	118.1 %
Total	<u>\$ 38,793,071</u>	<u>\$ 37,224,700</u>	<u>\$ 1,568,371</u>	96.0 %	<u>\$ 5,840,583</u>	26.9 %
6/30/03:						
Misc.	\$ 18,962,809	\$ 17,484,324	\$ 1,478,485	92.2 %	\$ 4,095,744	36.1 %
Safety	<u>23,344,805</u>	<u>20,227,598</u>	<u>3,117,207</u>	86.6 %	<u>1,900,651</u>	164.0 %
Total	<u>\$ 42,307,614</u>	<u>\$ 37,711,922</u>	<u>\$ 4,595,692</u>	89.1 %	<u>\$ 5,996,395</u>	76.6 %

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

8. POST-RETIREMENT BENEFIT PLAN:

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. The City recognizes the retirees cost of providing those benefits by expending the premiums during the year, which were \$431,958 for fiscal year 2003-04, and covered 69 individuals.

9. DEFINED CONTRIBUTION PLAN:

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% 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, 2004, the employees contributed \$8,120 and the City contributed \$1,702 to the plan.

On May 15, 2001, the City Council authorized establishment of a 401(a) Deferred Compensation Plan for its management and mid-management employees. The Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Mid-management employees chose not to participate. Management employees will place their City-paid contributions which total 2% of salary into the Plan. Management employees are required to match the 2% City contribution with a 4% employee contribution. For the year ended June 30, 2004, the employees contributed \$43,950 and the City contributed \$14,668 to the plan.

10. 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 2% of management's compensation and up to 1.5% of middle management's compensation. Total matching contributions made by the City totaled \$14,476 for the fiscal year ended June 30, 2004.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

10. DEFERRED COMPENSATION (CONTINUED):

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.

11. RESERVES AND DESIGNATIONS OF FUND EQUITY:

A City may establish "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" also may be established to indicate tentative plans for financial resource utilization in a future period.

The City's reserves at June 30, 2004 are tabulated below followed by explanations as to the nature and purpose of each reserve.

	4,545			
001	448,018			
616	1,889,295	49,700 =	1,839,595	
606	56,924	49,700		
605	2,398,782			
	<u>General</u>	<u>Affordable</u>	<u>Debt</u>	<u>Community</u>
	<u>Fund</u>	<u>Housing</u>	<u>Service</u>	<u>Redevelopment</u>
		<u>Special</u>	<u>Fund</u>	<u>Capital</u>
		<u>Revenue</u>		<u>Projects</u>
		<u>Fund</u>		<u>Fund</u>
RESERVES:				
Land and improvements				
held for resale or lease	\$ -	\$ -	\$ -	\$ 3,516,432
Debt service	-	-	33	-
Advances	<u>2,349,082</u>	<u>284,372</u>	-	-
TOTAL RESERVES	<u>\$ 2,349,082</u>	<u>\$ 284,372</u>	<u>\$ 33</u>	<u>\$ 3,516,432</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED):

	General Fund	Affordable Housing Special Revenue Fund	Other Governmental Funds
<b>DESIGNATIONS:</b>			
Contingencies	601 \$ 5,892,264	\$ -	\$ -
Equipment replacement	601 488,247	-	-
Insurance premium increases	602 477,136	-	-
Continuing appropriations	604 6,558	-	-
Special revenue purposes	-	5,037,925	6,362,866 ①
Capital improvements	603 661,957	-	-
Economic uncertainties	605 1,689,488	-	-
Obligation under owner participation agreement	606 4,806,943	-	-
Note repayment	607 808,833	-	-
Advances	608 262,654	-	-
Emergency Operations Center	611 1,136,147	-	-
Library expansion	612 523,850	-	-
Park expansion	614 151,168	-	-
Law enforcement high Technology acquisitions	613 47,124	-	-
PERS reserve	615 1,114,389	-	-
Building and land acquisition	616 35,241	-	-
Motor vehicle in lieu	617 400,000	-	-
<b>TOTAL DESIGNATIONS</b>	<b>\$ 18,501,999</b>	<b>\$ 5,037,925</b>	<b>\$ 6,362,866</b>

- A. Reserved for Land and Improvements Held for Resale or Lease – A reserve for land and improvements held for resale or lease has been set aside to indicate that the related land and improvements are not an “available spendable resource”.
- B. Reserved for Debt Service – This reserve represents amounts held by fiscal agents to be used for future debt service in accordance with bond indentures and similar covenants.

*Designated*  
① Ties to non-major Gov't Funds p. 95.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED):

- C. Reserved for Advances – A reserve for advances has been set aside to indicate that such advances are not an “available spendable resource”.
- D. Designated for Contingencies – This amount has been set aside for any emergencies or disasters which might occur.
- E. Designated for Equipment Replacement – These funds are designated for future purchases of equipment.
- F. Designated for Insurance Premium Increases – These funds are designated for future increases in insurance premiums.
- G. Designated for Continuing Appropriations – These funds are designated for rebudgeted capital projects.
- H. Designated for Special Revenue Purposes – These funds are designated for the specific special revenue purpose as restricted by law or administrative action.
- I. Designated for Capital Improvements – A designation for capital improvements has been set aside to provide for new capital additions as determined by the City Council.
- J. Designated for Economic Uncertainties – This amount has been set aside to compensate for fluctuations in future sales tax revenues.
- K. Designated for Obligation Under Owner Participation Agreement – These funds are designated for future repayment under the Office Depot Owner Participation Agreement.
- L. Designated for Note Repayment – These funds are designated for the future debt service payments related to the note payable described in Note 4H.
- M. Designated for Advances – These funds are designated for the future advances to fund the operations of the Signal Hill Redevelopment Agency.
- N. Designated for Emergency Operations Center (EOC) – These funds are designated for the future EOC building addition to our police facility.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED):

- O. Designated for Library Expansion – These funds are designated for the future expansion of the City's Library building
- P. Designated for Park Expansion – These funds are designated for the future expansion of the City's park facilities.
- Q. Designated for Law Enforcement High Technology Acquisitions – These funds are designated for specific high technology law enforcement equipment.
- R. Designated for PERS Reserve – These funds are designated to pay for future PERS rate increases.
- S. Designated for Building and Land Acquisition - These funds are designated for future building and parkland acquisitions.
- T. Designated for Motor Vehicle in Lieu - These funds are designated to pay for future payments to the State of California for ERAF III payments under Revenue and Taxation Code Section 97.7(b)(1) and (2).

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

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

A. Description of Joint Powers Authority:

The Authority is composed of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 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 member 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

B. Self-insurance Programs of the Authority:

General Liability: Each member government pays a primary deposit to cover estimated losses for a fiscal year. Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs of covered claims above \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers' Compensation: The City participates in the workers' compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City is charged for the first \$50,000 of each claim for police or fire employees and \$25,000 of each claim for all other employees. Costs are pooled above that level to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the member's losses under its retention level. Costs between \$100,001 and \$2,000,000 per claim are pooled based on payroll. Costs between \$2,000,000 and \$50,000,000 are paid by excess insurance purchased by the Authority. Costs in excess of \$50,000,000 are pooled by the members based on payroll.

Environmental Insurance: The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$120,000,000 for the 3-year period from July 1, 2002 through June 30, 2005. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance: The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$20,371,839. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

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

Earthquake and Flood Insurance: The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of \$17,867,636. 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.

Fidelity Bonds: The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

13. OTHER INFORMATION:

A. Contingent Liabilities:

Litigation:

Numerous claims and suits have been 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

13. OTHER INFORMATION (CONTINUED):

A. Contingent Liabilities (Continued):

Sewer Facilities Agreement:

On June 18, 2002, the City entered into an agreement with Los Angeles County Sanitation District for the transfer of ownership of certain sewer facilities within the City. As part of the sewer facilities transfer to the District, the City has committed to reimburse the District for the actual cost of improvements that have been identified at the time of the agreement, in an amount not to exceed \$202,140 for the first component and \$1,142,485 for the second component. The City will recognize the reimbursement of the improvement costs as reimbursement requests are received from the District. As of June 30, 2004, the City has paid \$134,760 for the first component of the agreement and the remaining \$67,380 was paid to the District on July 1, 2004. The City will pay the District \$228,497 annually for the next four years for the second component of the agreement.

B. Land Held for Lease:

The Agency is leasing land to a few auto dealerships in the Auto Center under operating leases with terms that vary from month-to-month to five years through March 31, 2005. During the year ended June 30, 2004, the Agency received \$82,500 in rental income from these leases. Future aggregate monthly lease payments will be \$5,000 through March 31, 2005. The Agency intends to sell this land as part of its overall redevelopment plan for the Auto Center upon termination of the leases. The land is recorded in the Capital Projects Fund at its acquisition cost of \$1,101,119.

C. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

13. OTHER INFORMATION (CONTINUED):

C. Spring Street Corridor Joint Powers Authority (Continued):

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 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 formula is equal to the amount of sales tax revenue received by the City of Signal Hill in excess of \$1,000,000 but less than \$2,000,000 plus 50% of all amounts in excess of \$2,000,000 on a calendar year basis. The payments are due annually through the calendar year 2010. 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.

During the year ended June 30, 2004, the Agency made no payments pursuant to this agreement to the Authority and has accrued an additional liability of \$1,105,713. As of June 30, 2004, the outstanding liability totaled \$5,762,066. The Agency is disputing the amount of the liability and has requested the developer to investigate the manner in which sales tax revenue was reported to the California State Board of Equalization.

14. SUBSEQUENT EVENTS:

During July and August 2004, the Agency and Authority acquired eight properties for a total approximate cost of \$4,300,000. These properties will be used in the Agency's Las Brisas Phase II housing project.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

*Cal Brisas Park  
Property.*

15. RESTATEMENT OF BEGINNING FUND BALANCES/NET ASSETS:

The beginning fund balance of the Affordable Housing Special Revenue Fund was restated from \$1,369,076 to \$2,237,819, an increase of \$868,743. The beginning net assets of governmental activities also increased by this amount. The Agency added back the \$868,743 cost of land held for resale that did not transfer to the developer prior to July 1, 2003. This land was transferred instead to the City of Signal Hill in August of 2003.

The beginning fund balance of the General Fund was restated from \$19,011,707 to \$18,829,756, a decrease of \$181,951. This amount represents accrued unpaid interest as of June 30, 2003 on advances made by the City to the Agency that had been recognized as revenue. However, under the modified accrual basis of accounting, this accrued unpaid interest was not available to pay liabilities as of June 30, 2003. Therefore, \$181,951 should have been classified as deferred revenue. This prior period adjustment does not affect the beginning net assets of governmental activities which are reported on the accrual basis of accounting.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**

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CITY OF SIGNAL HILL  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 294,600	\$ 294,600	\$ 256,049	\$ (38,551)
Sales and use tax	9,800,000	10,050,000	10,597,803	547,803
Other taxes	1,129,600	1,129,600	1,211,753	82,153
Licenses and permits	490,900	490,900	420,768	(70,132)
Intergovernmental revenues	690,250	619,650	677,622	57,972
Charges for services	966,050	1,118,050	1,183,707	65,657
Fines and forfeitures	145,350	128,350	137,660	9,310
Investment income	494,450	494,450	138,908	(355,542)
Other revenue	22,300	113,000	188,957	75,957
<b>TOTAL REVENUES</b>	<u>14,033,500</u>	<u>14,438,600</u>	<u>14,813,227</u>	<u>374,627</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
City Council	200,700	203,500	179,273	24,227
City Treasurer	8,500	8,500	14,737	(6,237)
City Clerk	91,000	93,050	86,323	6,727
Program administration	449,750	464,775	461,169	3,606
Legislative services	169,750	190,150	175,187	14,963
Personnel services	266,300	269,300	235,080	34,220
Support services	681,100	518,300	381,270	137,030
Fiscal services	558,250	585,850	551,916	33,934
Management information services	116,200	116,025	100,284	15,741
<b>TOTAL GENERAL GOVERNMENT</b>	<u>2,541,550</u>	<u>2,449,450</u>	<u>2,185,239</u>	<u>264,211</u>
<b>COMMUNITY SERVICES:</b>				
Library programs and services	280,250	290,100	290,103	(3)
Community support and services	270,150	270,450	226,736	43,714
Recreation	645,350	679,700	531,607	148,093
<b>TOTAL COMMUNITY SERVICES</b>	<u>1,195,750</u>	<u>1,240,250</u>	<u>1,048,446</u>	<u>191,804</u>
<b>POLICE:</b>				
Patrol services	2,789,550	2,833,250	2,873,828	(40,578)
Investigative services	843,000	766,450	673,505	92,945
Support services	945,350	1,007,150	799,716	207,434
Emergency and disaster services	13,450	24,450	10,716	13,734
Community outreach	20,250	37,300	26,693	10,607
Communications	494,650	511,150	466,609	44,541
Records	397,700	418,650	365,058	53,592
<b>TOTAL POLICE</b>	<u>5,503,950</u>	<u>5,598,400</u>	<u>5,216,125</u>	<u>382,275</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, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	\$ 310,000	\$ 310,000	\$ 287,729	\$ 22,271
Neighborhood enhancement	142,500	142,500	127,169	15,331
Building and safety	441,050	441,050	403,887	37,163
Oil field services	112,400	112,400	109,831	2,569
TOTAL COMMUNITY DEVELOPMENT	<u>1,005,950</u>	<u>1,005,950</u>	<u>928,616</u>	<u>77,334</u>
PUBLIC WORKS:				
Engineering and project services	485,650	551,850	528,857	22,993
Building maintenance	366,100	366,100	352,378	13,722
Environmental programs	596,250	648,250	570,327	77,923
Sewer operations	304,100	304,100	314,361	(10,261)
Park maintenance	752,400	806,100	662,331	143,769
Street maintenance operations	1,105,950	1,177,150	1,079,470	97,680
TOTAL PUBLIC WORKS	<u>3,610,450</u>	<u>3,853,550</u>	<u>3,507,724</u>	<u>345,826</u>
CAPITAL OUTLAY	<u>10,000</u>	<u>29,250</u>	<u>35,147</u>	<u>(5,897)</u>
TOTAL EXPENDITURES	<u>13,867,650</u>	<u>14,176,850</u>	<u>12,921,297</u>	<u>1,255,553</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165,850</u>	<u>261,750</u>	<u>1,891,930</u>	<u>1,630,180</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	448,050	387,200	375,387	(11,813)
Transfers out	<u>(1,737,400)</u>	<u>(2,123,000)</u>	<u>(245,992)</u>	<u>1,877,008</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,289,350)</u>	<u>(1,735,800)</u>	<u>129,395</u>	<u>1,865,195</u>
NET CHANGE IN FUND BALANCE	<u>(1,123,500)</u>	<u>(1,474,050)</u>	<u>2,021,325</u>	<u>3,495,375</u>
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	<u>18,829,756</u>	<u>18,829,756</u>	<u>18,829,756</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 17,706,256</u>	<u>\$ 17,355,706</u>	<u>\$ 20,851,081</u>	<u>\$ 3,495,375</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,402,500	\$ 1,402,500	\$ 1,787,130	\$ 384,630
Intergovernmental revenues	-	-	9,480	9,480
Investment income	5,000	50,000	40,219	(9,781)
Other revenue	-	42,500	60,527	18,027
TOTAL REVENUES	<u>1,407,500</u>	<u>1,495,000</u>	<u>1,897,356</u>	<u>402,356</u>
EXPENDITURES:				
General government:				
Program administration	245,300	251,300	256,778	(5,478)
Capital outlay	50,000	55,000	463,742	(408,742)
Debt service:				
Cost of issuance	-	-	185,558	(185,558)
TOTAL EXPENDITURES	<u>295,300</u>	<u>306,300</u>	<u>906,078</u>	<u>(599,778)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,112,200</u>	<u>1,188,700</u>	<u>991,278</u>	<u>(197,422)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,092,750)	(1,092,750)	(1,131,800)	(39,050)
Bonds and refunding bonds issued	-	3,225,000	3,225,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,092,750)</u>	<u>2,132,250</u>	<u>2,093,200</u>	<u>(39,050)</u>
NET CHANGE IN FUND BALANCE	19,450	3,320,950	3,084,478	(236,472)
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	<u>2,237,819</u>	<u>2,237,819</u>	<u>2,237,819</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,257,269</u>	<u>\$ 5,558,769</u>	<u>\$ 5,322,297</u>	<u>\$ (236,472)</u>

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

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

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 budgetary comparisons are presented in the other supplemental information for the Law Enforcement Block Grant, Brownsfield Grant and HELP Loan Special Revenue Funds since no budget was adopted for these funds.
- 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, 2004, based on calculations by City management, proceeds of taxes did not exceed appropriations.

See independent auditors' report.

## OTHER MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE FUND

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

### CAPITAL PROJECTS FUNDS

The Capital Improvement Capital Projects Fund is used to account for the acquisition or construction of major capital facilities not accounted for in other funds.

The Community Redevelopment Fund is used to 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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 5,600,000	\$ 5,600,000	\$ 7,148,518	\$ 1,548,518
Intergovernmental revenues	-	-	37,922	37,922
Investment income	7,000	7,000	45,849	38,849
TOTAL REVENUES	<u>5,607,000</u>	<u>5,607,000</u>	<u>7,232,289</u>	<u>1,625,289</u>
EXPENDITURES:				
General government:				
Program administration	791,000	483,600	487,473	(3,873)
Debt service:				
Owner participation agreement	1,100,000	1,100,000	1,105,713	(5,713)
Principal retirement	737,300	737,300	765,274	(27,974)
Interest	3,020,000	3,020,000	2,969,156	50,844
Fiscal agent fees	25,000	25,000	14,228	10,772
Bond issuance costs	-	-	1,159,806	(1,159,806)
Advance refunding escrow	-	-	1,884,904	(1,884,904)
TOTAL EXPENDITURES	<u>5,673,300</u>	<u>5,365,900</u>	<u>8,386,554</u>	<u>(3,020,654)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(66,300)</u>	<u>241,100</u>	<u>(1,154,265)</u>	<u>(1,395,365)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,180,400	1,180,400	1,219,443	39,043
Refunding bonds issued	-	-	34,210,000	34,210,000
Discount on bonds	-	-	(134,738)	(134,738)
Payment to refunded bond escrow agent	(1,745,000)	(1,745,000)	(32,901,535)	(31,156,535)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(564,600)</u>	<u>(564,600)</u>	<u>2,393,170</u>	<u>2,957,770</u>
NET CHANGE IN FUND BALANCE	(630,900)	(323,500)	1,238,905	1,562,405
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(1,062,515)</u>	<u>(1,062,515)</u>	<u>(1,062,515)</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (1,693,415)</u>	<u>\$ (1,386,015)</u>	<u>\$ 176,390</u>	<u>\$ 1,562,405</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 7,621,750	\$ 9,347,051	\$ 2,892,131	\$ (6,454,920)
Other revenue	50,000	50,000	15,000	(35,000)
TOTAL REVENUES	7,671,750	9,397,051	2,907,131	(6,489,920)
EXPENDITURES:				
Capital outlay	10,521,900	12,562,801	4,441,842	8,120,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,850,150)	(3,165,750)	(1,534,711)	1,631,039
OTHER FINANCING SOURCES:				
Transfers in	2,850,150	3,165,750	1,811,466	(1,354,284)
NET CHANGE IN FUND BALANCE	-	-	276,755	276,755
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(222,295)	(222,295)	(222,295)	-
FUND BALANCE AT END OF YEAR	\$ (222,295)	\$ (222,295)	\$ 54,460	\$ 276,755

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ 60,000	\$ 61,714	\$ 1,714
Other revenue	579,900	830,500	801,233	(29,267)
<b>TOTAL REVENUES</b>	<b>579,900</b>	<b>890,500</b>	<b>862,947</b>	<b>(27,553)</b>
EXPENDITURES:				
General government:				
Program administration	131,650	145,650	72,539	73,111
Capital outlay	471,700	814,050	474,579	339,471
Debt service:				
Bond issuance costs	-	-	159,964	(159,964)
<b>TOTAL EXPENDITURES</b>	<b>603,350</b>	<b>959,700</b>	<b>707,082</b>	<b>252,618</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,450)</b>	<b>(69,200)</b>	<b>155,865</b>	<b>225,065</b>
OTHER FINANCING SOURCES (USES):				
Transfers out	(87,650)	(87,650)	(87,643)	7
Bonds issued	-	3,170,000	3,170,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(87,650)</b>	<b>3,082,350</b>	<b>3,082,357</b>	<b>7</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(111,100)</b>	<b>3,013,150</b>	<b>3,238,222</b>	<b>225,072</b>
FUND BALANCE AT BEGINNING OF YEAR	3,325,427	3,325,427	3,325,427	-
FUND BALANCE AT END OF YEAR	<u>\$ 3,214,327</u>	<u>\$ 6,338,577</u>	<u>\$ 6,563,649</u>	<u>\$ 225,072</u>

See independent auditors' report.

## NONMAJOR 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.

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 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.

## NONMAJOR 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.

Law Enforcement Block Grant Fund - Accounts for receipts and disbursements of monies awarded to the City by the United States Department of Justice under the Local Law Enforcement Block Grant program.

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.

TRAP Fund - Accounts for receipts and disbursements of grant funds received from the Task Force for Regional Auto Theft Prevention (TRAP). Funds originate from the State auto license fees with the local counties administering the programs.

Brownfields Grant Fund - Accounts for receipts and disbursements of grant funds received from the United States Environmental Protection Agency. Funds originate from the EPA's Superfund and will be utilized to assess contaminated urban sites for possible reuse.

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.

HELP Loan Fund - Accounts for the receipts and disbursements of grant monies received from the California Housing Finance Agency (CHFA) under the Housing Enabled by Local Partnership (HELP) program.

CITY OF SIGNAL HILL  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

		Special Revenue Funds	
		Asset Seizure	Park Development
ASSETS			
Cash and investments		\$ 52,705	\$ 756,611
Accounts receivable		130	-
Taxes receivable		-	-
Accrued interest receivable		423	8,774
Due from other governments		8,538	-
Rehabilitation loans receivable		-	-
		-	-
TOTAL ASSETS		\$ 61,796	\$ 765,385
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	① 358,122
		-	358,122
TOTAL LIABILITIES		-	358,122
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		61,796	407,263
Undesignated		-	-
		-	-
TOTAL FUND BALANCES (DEFICITS)		61,796	407,263
TOTAL LIABILITIES AND FUND BALANCES		\$ 61,796	\$ 765,385

*Due To Water (008) 73,750*  
*Due To Housing (130) 284,372*  


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*358,122*

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ 5,114	\$ 11,531	\$ 300,016	\$ 297,023	\$ 689,180	\$ 29,635
-	20,576	5,720	-	-	-	3,245
-	-	-	-	-	-	-
-	853	231	2,345	2,477	11,556	210
19,859	-	-	-	-	-	-
17,354	-	-	-	-	-	-
<u>\$ 37,213</u>	<u>\$ 26,543</u>	<u>\$ 17,482</u>	<u>\$ 302,361</u>	<u>\$ 299,500</u>	<u>\$ 700,736</u>	<u>\$ 33,090</u>
\$ 11,465	\$ -	\$ -	\$ 29,910	\$ -	\$ -	\$ -
579	-	-	874	-	-	-
17,354	-	-	-	-	-	-
7,815	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>37,213</u>	<u>-</u>	<u>-</u>	<u>30,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	26,543	17,482	271,577	299,500	700,736	33,090
-	-	-	-	-	-	-
-	26,543	17,482	271,577	299,500	700,736	33,090
<u>\$ 37,213</u>	<u>\$ 26,543</u>	<u>\$ 17,482</u>	<u>\$ 302,361</u>	<u>\$ 299,500</u>	<u>\$ 700,736</u>	<u>\$ 33,090</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2004

		<u>Special Revenue Funds (Continued)</u>	
		<u>Water Development</u>	<u>Traffic Impact</u>
	ASSETS		
Cash and investments		\$ 2,373,206	\$ 982,480
Accounts receivable		-	-
Taxes receivable		-	-
Accrued interest receivable		19,537	8,006
Due from other governments		-	-
Rehabilitation loans receivable		-	-
		<hr/>	<hr/>
	TOTAL ASSETS	<u>\$ 2,392,743</u>	<u>\$ 990,486</u>
	LIABILITIES AND FUND BALANCES		
LIABILITIES:			
Accounts payable		\$ 540	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	-
		<hr/>	<hr/>
	TOTAL LIABILITIES	<u>540</u>	<u>-</u>
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		2,392,203	990,486
Undesignated		-	-
		<hr/>	<hr/>
	TOTAL FUND BALANCES (DEFICITS)	<u>2,392,203</u>	<u>990,486</u>
		<hr/>	<hr/>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,392,743</u>	<u>\$ 990,486</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Lighting and Landscape	Supplemental Law Enforcement	Law Enforcement Block Grant	Domestic Preparedness	OTS Grant	TRAP
\$ 258,861	\$ 36,603	\$ 101,588	\$ 478	\$ -	\$ -	\$ -
-	-	-	-	-	-	33,335
-	230	-	-	-	-	-
2,432	304	886	71	-	-	-
-	-	-	-	38,755	-	26,905
-	-	-	-	-	-	-
<u>\$ 261,293</u>	<u>\$ 37,137</u>	<u>\$ 102,474</u>	<u>\$ 549</u>	<u>\$ 38,755</u>	<u>\$ -</u>	<u>\$ 60,240</u>
\$ -	\$ 42	\$ -	\$ -	\$ 307	\$ -	\$ -
-	-	2,428	-	-	-	3,538
-	-	-	-	28,091	-	26,905
-	-	-	-	38,448	-	56,702
-	4,545	-	-	-	-	-
-	4,587	2,428	-	66,846	-	87,145
261,293	32,550	100,046	549	-	-	-
-	-	-	-	(28,091)	-	(26,905)
261,293	32,550	100,046	549	(28,091)	-	(26,905)
<u>\$ 261,293</u>	<u>\$ 37,137</u>	<u>\$ 102,474</u>	<u>\$ 549</u>	<u>\$ 38,755</u>	<u>\$ -</u>	<u>\$ 60,240</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2004

		<u>Special Revenue Funds (Continued)</u>	
		<u>Brownsfield Grant</u>	<u>Housing Impact</u>
	ASSETS		
Cash and investments		\$ 1,074	\$ 726,434
Accounts receivable		-	-
Taxes receivable		-	-
Accrued interest receivable		-	5,874
Due from other governments		-	-
Rehabilitation loans receivable		-	-
		<u>1,074</u>	<u>732,308</u>
	TOTAL ASSETS	<u>\$ 1,074</u>	<u>\$ 732,308</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	-
		<u>-</u>	<u>-</u>
	TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		1,074	732,308
Undesignated		-	-
		<u>1,074</u>	<u>732,308</u>
	TOTAL FUND BALANCES (DEFICITS)	<u>1,074</u>	<u>732,308</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,074</u>	<u>\$ 732,308</u>

See independent auditors' report.

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
HELP Loan	
\$ 34,094	\$ 6,656,633
-	63,006
-	230
276	64,255
-	94,057
-	17,354
<u>\$ 34,370</u>	<u>\$ 6,895,535</u>

\$ -	\$ 42,264
-	7,419
-	72,350
-	102,965
-	362,667
<u>-</u>	<u>587,665</u>

34,370	6,362,866 ✓
<u>-</u>	<u>(54,996)</u>
<u>34,370</u>	<u>6,307,870</u>
<u>\$ 34,370</u>	<u>\$ 6,895,535</u>

CITY OF SIGNAL HILL

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

For the year ended June 30, 2004

	Special Revenue Funds	
	Asset Seizure	Park Development
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	8,538	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	448	6,504
Developer fees	-	658,873
<b>TOTAL REVENUES</b>	<b>8,986</b>	<b>665,377</b>
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,986</b>	<b>665,377</b>
OTHER FINANCING SOURCES (USES):		
Transfers out	-	(672,635)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(672,635)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>8,986</b>	<b>(7,258)</b>
FUND BALANCES AT BEGINNING OF YEAR	52,810	414,521
<b>FUND BALANCES (DEFICITS) AT END OF YEAR</b>	<b>\$ 61,796</b>	<b>\$ 407,263</b>

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ -	\$ -	\$ 137,668	\$ -	\$ 159,614	\$ -
242,976	209,531	-	-	-	-	12,062
-	-	-	1,774	-	-	-
-	-	65,014	-	-	-	-
-	344	(423)	1,187	758	5,482	138
-	-	-	-	-	-	-
<u>242,976</u>	<u>209,875</u>	<u>64,591</u>	<u>140,629</u>	<u>758</u>	<u>165,096</u>	<u>12,200</u>
-	-	-	-	-	-	4,500
-	-	-	-	-	-	-
36,726	-	-	136,496	-	-	-
-	-	-	-	-	-	-
145,000	-	-	-	-	-	-
55,000	-	-	-	-	-	-
6,250	-	-	-	-	-	-
<u>242,976</u>	<u>-</u>	<u>-</u>	<u>136,496</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
-	209,875	64,591	4,133	758	165,096	7,700
-	(255,000)	(80,000)	-	(25,000)	(750,638)	-
-	(255,000)	(80,000)	-	(25,000)	(750,638)	-
-	(45,125)	(15,409)	4,133	(24,242)	(585,542)	7,700
-	71,668	32,891	267,444	323,742	1,286,278	25,390
<u>\$ -</u>	<u>\$ 26,543</u>	<u>\$ 17,482</u>	<u>\$ 271,577</u>	<u>\$ 299,500</u>	<u>\$ 700,736</u>	<u>\$ 33,090</u>

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2004

	<u>Special Revenue Funds (Continued)</u>	
	<u>Water Development</u>	<u>Traffic Impact</u>
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	14,187	2,625
Developer fees	<u>368,463</u>	<u>18,714</u>
TOTAL REVENUES	<u>382,650</u>	<u>21,339</u>
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	540	40,491
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	<u>540</u>	<u>40,491</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>382,110</u>	<u>(19,152)</u>
OTHER FINANCING SOURCES (USES):		
Transfers out	<u>(76,000)</u>	<u>(10,543)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(76,000)</u>	<u>(10,543)</u>
NET CHANGE IN FUND BALANCES	306,110	(29,695)
FUND BALANCES AT BEGINNING OF YEAR	<u>2,086,093</u>	<u>1,020,181</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 2,392,203</u>	<u>\$ 990,486</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Lighting and Landscape	Supplemental Law Enforcement	Law Enforcement Block Grant	Domestic Preparedness	OTS Grant	TRAP
\$ 114,621	\$ 37,473	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	100,000	-	10,664	17,885	85,649
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,087	97	(113)	(62)	91	-	-
-	-	-	-	-	-	-
<u>115,708</u>	<u>37,570</u>	<u>99,887</u>	<u>(62)</u>	<u>10,755</u>	<u>17,885</u>	<u>85,649</u>
2,011	-	-	-	-	-	-
-	-	90,189	2,088	52,276	-	112,554
-	-	-	-	-	-	-
-	28,414	-	-	-	-	-
-	-	-	-	-	17,885	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,011</u>	<u>28,414</u>	<u>90,189</u>	<u>2,088</u>	<u>52,276</u>	<u>17,885</u>	<u>112,554</u>
<u>113,697</u>	<u>9,156</u>	<u>9,698</u>	<u>(2,150)</u>	<u>(41,521)</u>	<u>-</u>	<u>(26,905)</u>
<u>(71,045)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(71,045)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
42,652	9,156	9,698	(2,150)	(41,521)	-	(26,905)
<u>218,641</u>	<u>23,394</u>	<u>90,348</u>	<u>2,699</u>	<u>13,430</u>	<u>-</u>	<u>-</u>
<u>\$ 261,293</u>	<u>\$ 32,550</u>	<u>\$ 100,046</u>	<u>\$ 549</u>	<u>\$ (28,091)</u>	<u>\$ -</u>	<u>\$ (26,905)</u>

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2004

	Special Revenue Funds (Continued)	
	Brownfields Grant	Housing Impact
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	-	8,331
Developer fees	-	488,980
TOTAL REVENUES	-	497,311
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	6,383
Public works	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	-	6,383
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	490,928
OTHER FINANCING SOURCES (USES):		
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	-	490,928
FUND BALANCES AT BEGINNING OF YEAR	1,074	241,380
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 1,074	\$ 732,308

See independent auditors' report.

Special Revenue Funds (Continued) HELP Loan	Total Nonmajor Governmental Funds
\$ -	\$ 449,376
-	687,305
-	1,774
-	65,014
134	40,815
-	1,535,030
<u>134</u>	<u>2,779,314</u>
-	6,511
-	257,107
-	179,605
-	69,445
-	162,885
-	55,000
-	6,250
<u>-</u>	<u>736,803</u>
<u>134</u>	<u>2,042,511</u>
<u>-</u>	<u>(1,940,861)</u>
<u>-</u>	<u>(1,940,861)</u>
134	101,650
<u>34,236</u>	<u>6,206,220</u>
<u>\$ 34,370</u>	<u>\$ 6,307,870</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 5,000	\$ 5,000	\$ 8,538	\$ 3,538
Investment income	1,000	1,000	448	(552)
TOTAL REVENUES	6,000	6,000	8,986	2,986
FUND BALANCE AT BEGINNING OF YEAR	52,810	52,810	52,810	-
FUND BALANCE AT END OF YEAR	\$ 58,810	\$ 58,810	\$ 61,796	\$ 2,986

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 9,000	\$ 9,000	\$ 6,504	\$ (2,496)
Developer fees	429,700	598,700	658,873	60,173
TOTAL REVENUES	438,700	607,700	665,377	57,677
OTHER FINANCING USES:				
Transfers out	(185,400)	(398,850)	(672,635)	(273,785)
NET CHANGE IN FUND BALANCE	253,300	208,850	(7,258)	(216,108)
FUND BALANCE AT BEGINNING OF YEAR	414,521	414,521	414,521	-
FUND BALANCE AT END OF YEAR	<u>\$ 667,821</u>	<u>\$ 623,371</u>	<u>\$ 407,263</u>	<u>\$ (216,108)</u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 255,178	\$ 255,178	\$ 242,976	\$ (12,202)
EXPENDITURES:				
Community development:				
CDBG program	37,511	37,511	36,726	785
Capital outlay	152,515	152,515	145,000	7,515
Debt service:				
Principal retirement	55,000	55,000	55,000	-
Interest	10,152	10,152	6,250	3,902
TOTAL EXPENDITURES	255,178	255,178	242,976	12,202
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	\$ -

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 202,500	\$ 202,500	\$ 209,531	\$ 7,031
Investment income	2,000	2,000	344	(1,656)
TOTAL REVENUES	204,500	204,500	209,875	5,375
OTHER FINANCING USES:				
Transfers out	(211,100)	(266,100)	(255,000)	11,100
NET CHANGE IN FUND BALANCE	(6,600)	(61,600)	(45,125)	16,475
FUND BALANCE AT BEGINNING OF YEAR	71,668	71,668	71,668	-
FUND BALANCE AT END OF YEAR	\$ 65,068	\$ 10,068	\$ 26,543	\$ 16,475

See independent auditors' report.

CITY OF SIGNAL HILL

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

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 60,000	\$ 60,000	\$ 65,014	\$ 5,014
Investment income	1,000	1,000	(423)	(1,423)
TOTAL REVENUES	61,000	61,000	64,591	3,591
OTHER FINANCING USES:				
Transfers out	(80,000)	(80,000)	(80,000)	-
NET CHANGE IN FUND BALANCE	(19,000)	(19,000)	(15,409)	3,591
FUND BALANCE AT BEGINNING OF YEAR	32,891	32,891	32,891	-
FUND BALANCE AT END OF YEAR	<u>\$ 13,891</u>	<u>\$ 13,891</u>	<u>\$ 17,482</u>	<u>\$ 3,591</u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 137,100	\$ 137,100	\$ 137,668	\$ 568
Charges for services	1,150	1,150	1,774	624
Investment income	6,000	6,000	1,187	(4,813)
TOTAL REVENUES	144,250	144,250	140,629	(3,621)
EXPENDITURES:				
Community development:				
Public transportation	140,700	150,700	136,496	14,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,550	(6,450)	4,133	10,583
FUND BALANCE AT BEGINNING OF YEAR	267,444	267,444	267,444	-
FUND BALANCE AT END OF YEAR	<u>\$ 270,994</u>	<u>\$ 260,994</u>	<u>\$ 271,577</u>	<u>\$ 10,583</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

CABLE TELEVISION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 9,000	\$ 9,000	\$ 758	\$ (8,242)
OTHER FINANCING USES:				
Transfers out	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(16,000)	(16,000)	(24,242)	(8,242)
FUND BALANCE AT BEGINNING OF YEAR	323,742	323,742	323,742	-
FUND BALANCE AT END OF YEAR	<u>\$ 307,742</u>	<u>\$ 307,742</u>	<u>\$ 299,500</u>	<u>\$ (8,242)</u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 144,800	\$ 144,800	\$ 159,614	\$ 14,814
Investment income	13,000	13,000	5,482	(7,518)
TOTAL REVENUES	157,800	157,800	165,096	7,296
OTHER FINANCING USES:				
Transfers out	(725,750)	(740,750)	(750,638)	(9,888)
NET CHANGE IN FUND BALANCE	(567,950)	(582,950)	(585,542)	(2,592)
FUND BALANCE AT BEGINNING OF YEAR	1,286,278	1,286,278	1,286,278	-
FUND BALANCE AT END OF YEAR	\$ 718,328	\$ 703,328	\$ 700,736	\$ (2,592)

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 10,000	\$ 10,000	\$ 12,062	\$ 2,062
Investment income	500	500	138	(362)
TOTAL REVENUES	10,500	10,500	12,200	1,700
EXPENDITURES:				
General government:				
City Council	4,500	4,500	4,500	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,000	6,000	7,700	1,700
FUND BALANCE AT BEGINNING OF YEAR	25,390	25,390	25,390	-
FUND BALANCE AT END OF YEAR	\$ 31,390	\$ 31,390	\$ 33,090	\$ 1,700

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 45,000	\$ 45,000	\$ 14,187	\$ (30,813)
Developer fees	417,000	417,000	368,463	(48,537)
TOTAL REVENUES	462,000	462,000	382,650	(79,350)
EXPENDITURES:				
Public works:				
Engineering and project services	-	119,000	540	118,460
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	462,000	343,000	382,110	39,110
OTHER FINANCING USES:				
Transfers out	(659,150)	(659,150)	(76,000)	583,150
NET CHANGE IN FUND BALANCE	(197,150)	(316,150)	306,110	622,260
FUND BALANCE AT BEGINNING OF YEAR	2,086,093	2,086,093	2,086,093	-
FUND BALANCE AT END OF YEAR	\$ 1,888,943	\$ 1,769,943	\$ 2,392,203	\$ 622,260

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 30,000	\$ 30,000	\$ 2,625	\$ (27,375)
Developer fees	73,000	38,000	18,714	(19,286)
TOTAL REVENUES	103,000	68,000	21,339	(46,661)
EXPENDITURES:				
Public works:				
Engineering and project services	-	54,000	40,491	13,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	103,000	14,000	(19,152)	(33,152)
OTHER FINANCING USES:				
Transfers out	(909,500)	(919,500)	(10,543)	908,957
NET CHANGE IN FUND BALANCE	(806,500)	(905,500)	(29,695)	875,805
FUND BALANCE AT BEGINNING OF YEAR	1,020,181	1,020,181	1,020,181	-
FUND BALANCE AT END OF YEAR	\$ 213,681	\$ 114,681	\$ 990,486	\$ 875,805

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 112,500	\$ 112,500	\$ 114,621	\$ 2,121
Investment income	3,000	3,000	1,087	(1,913)
TOTAL REVENUES	115,500	115,500	115,708	208
EXPENDITURES:				
General government:				
City Council	2,050	2,550	2,011	539
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	113,450	112,950	113,697	747
OTHER FINANCING USES:				
Transfers out	(247,200)	(257,200)	(71,045)	186,155
NET CHANGE IN FUND BALANCE	(133,750)	(144,250)	42,652	186,902
FUND BALANCE AT BEGINNING OF YEAR	218,641	218,641	218,641	-
FUND BALANCE AT END OF YEAR	\$ 84,891	\$ 74,391	\$ 261,293	\$ 186,902

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 37,100	\$ 37,100	\$ 37,473	\$ 373
Investment income	600	600	97	(503)
TOTAL REVENUES	37,700	37,700	37,570	(130)
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	36,040	36,040	28,414	7,626
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,660	1,660	9,156	7,496
FUND BALANCE AT BEGINNING OF YEAR	23,394	23,394	23,394	-
FUND BALANCE AT END OF YEAR	\$ 25,054	\$ 25,054	\$ 32,550	\$ 7,496

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	(113)	(113)
TOTAL REVENUES	-	100,000	99,887	(113)
EXPENDITURES:				
Police:				
Patrol services	126,000	126,500	90,189	36,311
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(126,000)	(26,500)	9,698	36,198
OTHER FINANCING SOURCES:				
Transfers in	20,850	20,850	-	(20,850)
NET CHANGE IN FUND BALANCE	(105,150)	(5,650)	9,698	15,348
FUND BALANCE AT BEGINNING OF YEAR	90,348	90,348	90,348	-
FUND BALANCE AT END OF YEAR	\$ (14,802)	\$ 84,698	\$ 100,046	\$ 15,348

See independent auditors' report.

CITY OF SIGNAL HILL

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

DOMESTIC PREPAREDNESS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 210,147	\$ 10,664	\$ (199,483)
Investment income	-	-	91	91
TOTAL REVENUES	-	210,147	10,755	(199,392)
EXPENDITURES:				
Police:				
Domestic preparedness	-	150,542	52,276	98,266
Capital outlay	-	72,950	-	72,950
TOTAL EXPENDITURES	-	223,492	52,276	171,216
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(13,345)	(41,521)	(28,176)
FUND BALANCE AT BEGINNING OF YEAR	13,430	13,430	13,430	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 13,430	\$ 85	\$ (28,091)	\$ (28,176)

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 20,500	\$ 17,885	\$ (2,615)
EXPENDITURES:				
Capital outlay	-	20,500	17,885	2,615
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

TRAP SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 109,850	\$ 109,850	\$ 85,649	\$ (24,201)
EXPENDITURES:				
Police:				
Investigative services	<u>109,850</u>	<u>109,850</u>	<u>112,554</u>	<u>(2,704)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(26,905)	(26,905)
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,905)</u>	<u>\$ (26,905)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 6,000	\$ 6,000	\$ 8,331	\$ 2,331
Developer fees	-	488,950	488,980	30
TOTAL REVENUES	6,000	494,950	497,311	2,361
EXPENDITURES:				
Community development	50,000	77,250	6,383	70,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,000)	417,700	490,928	73,228
FUND BALANCE AT BEGINNING OF YEAR	241,380	241,380	241,380	-
FUND BALANCE AT END OF YEAR	\$ 197,380	\$ 659,080	\$ 732,308	\$ 73,228

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

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

For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>ASSETS:</b>				
Cash and investments	\$ 895,541	\$ 693,907	\$ (717,371)	\$ 872,077
Restricted cash	12,406	26	-	12,432
<b>TOTAL ASSETS</b>	<u>\$ 907,947</u>	<u>\$ 693,933</u>	<u>\$ (717,371)</u>	<u>\$ 884,509</u>
<b>LIABILITIES:</b>				
Refundable deposits	<u>\$ 907,947</u>	<u>\$ 693,933</u>	<u>\$ (717,371)</u>	<u>\$ 884,509</u>

See independent auditors' report.

CITY OF SIGNAL HILL

GOVERNMENT-WIDE EXPENSES BY PROGRAM

Last Two Fiscal Years

Fiscal Year	General	Community	Services	Police	Development	Public Works	Interest on Long-term Debt	Unallocated Infrastructure	Depreciation	Water	Total
2002-03	\$ 3,054,371	\$ 1,065,641	\$ 5,029,219	\$ 7,296,782	\$ 3,645,074	\$ 3,967,418	\$ 444,751	\$ 2,956,259	\$ 27,459,515		
2003-04	3,175,922	1,149,174	5,733,010	2,921,540	6,119,571	3,565,217	445,800	3,467,482	26,577,716		

Fiscal year 2002-2003 was the first year of implementation of the government-wide expenses by program. Current year totals will continue to be added to this schedule until a total of ten years are listed.

CITY OF SIGNAL HILL

GOVERNMENT-WIDE REVENUES BY SOURCE

Last Two Fiscal Years

Fiscal Year	Program Revenues				General Revenues			
	Operating and Grants	Contributions and Grants	Contributions	Service Charges	Capital Contributions and Grants	Taxes	Investment Earnings	Misc.
2002 - 03	\$ 5,047,064	\$ 905,669	\$ 5,106,762	\$ 19,877,741	\$ 1,175,259	\$ 650,613	\$ 32,763,108	
2003 - 04	5,469,182	1,041,449	7,062,681	21,554,776	414,176	924,695	36,466,959	
								Total

Fiscal year 2002-2003 was the first year of implementation of the government-wide revenues by source. Current year totals will continue to be added to this schedule until a total of ten years are listed.

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL

SCHEDULE OF EXPENDITURES BY FUNCTION  
GOVERNMENTAL FUNDS (1)

Last Ten Fiscal Years

Fiscal Year	General	Community	Public	Community	Development	Public	Works	Capital	Debt	Service	Other	Totals
1994 - 95	\$ 3,162,304	\$ 818,046	\$ 3,645,714	\$ 1,098,265	\$ 2,276,801	\$ 2,999,867	\$ 6,836,022	\$ 250,610	\$ 21,087,629			
1995 - 96	2,840,844	620,206	3,882,489	817,755	2,288,904	4,240,978	5,436,689	2,389,296	22,517,161			
1996 - 97	4,171,390	690,422	4,196,670	820,447	2,359,535	1,465,215	5,421,075	122,304	19,247,058			
1997 - 98	4,696,039	845,401	4,317,519	820,519	2,409,436	597,465	5,489,390	-	19,175,769			
1998 - 99	4,426,665	884,914	4,283,581	971,494	2,375,819	2,499,431	6,722,618	-	22,164,522			
1999 - 00	2,296,278	917,112	4,579,256	861,668	2,449,971	9,906,527	6,022,200	-	27,033,012			
2000 - 01	2,728,159	903,323	4,643,217	851,243	2,815,385	4,705,979	6,489,210	-	23,136,516			
2001 - 02	2,792,867	921,505	4,602,092	958,144	3,008,394	9,713,178	8,338,780	-	30,334,960			
2002 - 03	3,073,381	1,050,152	4,896,611	906,974	3,163,930	10,336,599	6,938,906	-	30,366,553			
2003 - 04	3,008,540	1,048,446	5,473,232	1,108,221	3,577,169	5,578,195	8,305,853	-	28,099,656			

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

CITY OF SIGNAL HILL

SCHEDULE OF REVENUES BY SOURCE  
GOVERNMENTAL FUNDS (1)

Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental Revenue	Charges for Services	Fines and Forfeitures	Investment Income	Other	Totals
1994 - 95	\$ 13,435,397	\$ 258,404	\$ 668,022	\$ 956,260	\$ 129,483	\$ 2,239,522	\$ 1,639,518	\$ 19,326,606
1995 - 96	13,494,095	268,846	484,843	829,037	128,977	2,000,085	679,018	17,884,901
1996 - 97	14,106,905	264,834	676,403	743,465	165,147	1,724,899	846,269	18,527,922
1997 - 98	15,100,454	306,442	611,015	445,958	165,233	1,751,717	1,093,321	19,474,140
1998 - 99	15,016,452	269,622	1,251,450	643,617	259,263	1,551,976	768,646	19,761,026
1999 - 00	14,993,610	369,620	1,204,532	748,340	248,455	1,538,532	738,240	19,841,329
2000 - 01	17,483,740	407,317	1,963,407	962,261	263,477	2,533,429	930,545	24,544,176
2001 - 02	17,825,440	423,378	1,790,498	838,333	217,413	1,588,691	1,630,313	24,314,066
2002 - 03	19,649,646	426,415	5,488,210	923,614	198,602	1,291,551	3,549,059	31,527,097
2003 - 04	21,450,629	420,768	4,304,460	1,185,481	202,674	327,505	2,600,747	30,492,264

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Secured	Public Utility	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation
1994 - 95	\$ 880,299,825	\$ 355,420	\$ 98,115,509	\$ 978,770,754	\$ 978,770,754
1995 - 96	862,909,684	355,420	74,202,933	937,468,037	937,468,037
1996 - 97	852,525,730	30,620	72,766,494	925,322,844	925,322,844
1997 - 98	832,760,880	33,560	77,256,093	910,050,533	910,050,533
1998 - 99	818,592,740	33,560	83,282,260	901,908,560	901,908,560
1999 - 00	818,420,969	33,560	89,723,728	908,178,257	908,178,257
2000 - 01	857,751,475	33,560	95,071,289	952,856,324	952,856,324
2001 - 02	931,080,736	33,560	97,951,740	1,029,066,036	1,029,066,036
2002 - 03	1,009,011,632	93,600	100,945,869	1,110,051,101	1,110,051,101
2003 - 04	1,112,926,503	118,292	111,652,022	1,224,696,817	1,224,696,817

2004-05 1,287,086,408  
 118,292  
 105,168,212, 1,392,367,912  
 1392,367,912

CITY OF SIGNAL HILL

PROPERTY TAX LEVIES AND TAX COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Tax Levy (1)	Tax Collections (2) (3)	Percentage Collected
1994 - 95	\$ 219,846	\$ 220,283	100.20%
1995 - 96	267,751	216,915	81.01%
1996 - 97	258,988	251,851	97.24%
1997 - 98	245,781	226,626	92.21%
1998 - 99	243,390	231,290	95.03%
1999 - 00	244,674	239,934	98.06%
2000 - 01	261,007	244,011	93.49%
2001 - 02	276,768	281,436	101.69%
2002 - 03	287,339	212,791	74.06% (4)
2003 - 04	313,187	256,049	81.76% (4)
2004-05	337,897	860,249	106.62

(1) Includes secured, unsecured and supplemental rolls for the General Fund.

(2) Delinquent taxes are generally collected in the subsequent year.

(3) Excludes penalties, interest and homeowners subvention amounts.

(4) Tax collection percentage is low due to correction by Los Angeles County for overpayment in prior years.

Sources:

City of Signal Hill, Finance Department

County of Los Angeles, Auditor Controller's Office Property Tax Administration Cost Report

CITY OF SIGNAL HILL

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

(per \$100 of assessed value)

Last Ten Fiscal Years

Fiscal Year	County	LA County Flood Control District	County Sanitation District #29	Metropolitan Water District	Long Beach Unified School District	General	Totals
1994 - 95	0.001993	0.006041	0.009692	0.008900	-	1.000000	1.026626
1995 - 96	0.001814	0.000963	0.008434	0.008900	-	1.000000	1.020111
1996 - 97	0.001604	0.001991	0.004207	0.008900	-	1.000000	1.016702
1997 - 98	0.001584	0.002197	0.008540	0.008900	-	1.000000	1.021221
1998 - 99	0.001451	0.001953	0.010117	0.008900	-	1.000000	1.022421
1999 - 00	0.001422	0.001765	0.007724	0.008900	-	1.000000	1.019811
2000 - 01	0.001314	0.001552	0.009680	0.008800	-	1.000000	1.021346
2001 - 02	0.001128	0.000473	0.006502	0.007700	-	1.000000	1.015803
2002 - 03	0.001033	0.000881	0.005420	0.006700	0.035190	1.000000	1.049224
2003 - 04	0.000992	0.010800	0.005061	0.006100	0.042849	1.000000	1.065802

2004.05 0.000923 0.000245 — 0.005800 0.059065 1.000000 1.066034

CITY OF SIGNAL HILL

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2004

Net Bonded Debt	Percent Applicable to City	Gross Bonded Debt Balance	Overlapping Debt:
18,282	0.078%	\$ 23,470,000	Los Angeles County Detention Facilities 1987 Debt Service
4,425	0.079%	5,600,000	Los Angeles County Flood Control (Storm Drain Bonds No. 4 DS)
439	0.079%	55,000	Los Angeles County Flood Control Refunding Bonds 1993 Debt Service
1,470	0.000%	447,475,000	* Metropolitan Water District City of Long Beach Area 1108 DS
834,608	0.187%	447,475,000	* Central Basin Municipal Water District 1114 DS
689,654	1.791%	38,500,000	Long Beach Community College District 2002 Series A 2003 DS
1,074,932	1.792%	60,000,000	Long Beach Unified School District 1999 Series E DS
895,777	1.792%	50,000,000	Long Beach Unified School District 1999 Series F DS
422,090	1.792%	23,560,000	Long Beach Unified School District 1999 Series A DS
514,893	1.792%	28,740,000	Long Beach Unified School District 1999 Series B DS
1,039,997	1.792%	58,050,000	Long Beach Unified School District 1999 Series C DS
712,591	1.792%	39,775,000	Long Beach Unified School District 1999 Series D DS
<u>\$ 6,209,158</u>			TOTAL OVERLAPPING DEBT

\* These funds are a portion of a larger agency, and are responsible for debt in areas outside the City.

2003 - 04 Assessed Valuation: \$487,182,274 (after deducting \$737,514,543 redevelopment increment)

DEBT TO ASSESSED VALUATION RATIOS:

Direct Debt.....	0.00%
Overlapping Debt.....	1.27%
Total Debt.....	1.27%

CITY OF SIGNAL HILL

SCHEDULE OF LEGAL DEBT MARGIN

June 30, 2004

ASSESSED VALUATION

DEBT LIMIT - 15% OF ASSESSED VALUATION

AMOUNT OF DEBT APPLICABLE TO DEBT LIMITATION:

TOTAL BONDED DEBT

LEGAL DEBT MARGIN

\$ 1,224,696,817

\$ 183,704,523

\$ 183,704,523

\$ 208,855,187

1,392,367,912

CITY OF SIGNAL HILL

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Square Miles (1)	Population (2)	Population Percentage Change
1995	2.2	8,667	-1.60%
1996	2.2	8,776	1.26%
1997	2.2	8,864	1.00%
1998	2.2	9,008	1.62%
1999	2.2	9,133	1.39%
2000	2.2	9,247	1.25%
2001	2.2	9,737	5.30%
2002	2.2	9,933	2.01%
2003	2.2	10,284	3.53%
2004	2.2	10,631	3.37%
2005	2.2	10,951	3.02%

Sources:  
 (1) Department of Community Development, City of Signal Hill  
 (2) State Department of Finance

CITY OF SIGNAL HILL

SCHEDULE OF CONSTRUCTION ACTIVITY (1)

Last Ten Fiscal Years

Fiscal Year	Building Permits Issued	Percentage Change	Estimated Valuation	Percentage Change
1994 - 95	195	-43.15%	\$ 4,395,802	-49.63%
1995 - 96	207	6.15%	5,351,240	21.74%
1996 - 97	186	-10.14%	3,587,953	-32.95%
1997 - 98	197	5.91%	3,229,232	-10.00%
1998 - 99	172	-12.69%	6,673,437	111.38%
1999 - 00	276	60.47%	21,005,895	214.77%
2000 - 01	326	18.12%	22,483,088	7.03%
2001 - 02	300	-7.98%	34,631,160	54.03%
2002 - 03	293	-2.33%	41,782,331	20.65%
2003 - 04	89	-69.22%	32,356,053	-22.56%
2004 - 05	281	515.7%	36,921,196	1,417%

(1) Bank deposit information is not available.

CITY OF SIGNAL HILL

SCHEDULE OF TOP 25 SALES TAX PRODUCERS

June 30, 2004

Type of Business	Taxpayer
Contractors	A & A Ready Mixed Concrete
Lumber/Building Materials	A L Roofing Material Long Beach
Drugs/Chemicals	Alair Gases and Equipment
New Motor Vehicle Dealers	Boulevard Buick Pontiac GMC Truck
Service Stations	Cherry Arco Am Pm
Service Stations	Chevron
Discount Department Stores	Costco
Auto Lease	Financial Services Vehicle Trust
Grocery Stores Liquor	Food 4 Less
Plumbing/Electrical Supplies	Gaines Electric Supply
New Motor Vehicle Dealers	Glenn Thomas Dodge
Lumber/Building Materials	Home Depot
Radio/Appliance Stores	Howard's Appliances
New Motor Vehicle Dealers	Long Beach BMW
New Motor Vehicle Dealers	Long Beach Chrysler Jeep
New Motor Vehicle Dealers	Long Beach Honda Mazda
New Motor Vehicle Dealers	Mercedes Benz of Long Beach
New Motor Vehicle Dealers	Nissan of Long Beach
Office Supplies/Furniture	Office Depot
Office Supplies/Furniture	Office Depot Business Services
Farm Products/Equipment	P B I Market Equipment
New Motor Vehicle Dealers	Schaers Nissan of Long Beach
Discount Department Stores	Target Store
Specialty Stores	Toys - R - Us
Repair Shops	U.S. Filter

Percent of City Fiscal Year Total Paid by Top 25 Accounts = 80.66%

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

CITY OF SIGNAL HILL

PRINCIPAL TAXPAYERS

June 30, 2004

Percentage of Assessed Valuation	Assessed Valuation	Number of Parcels	Type of Business	Taxpayer
2.2%	\$ 26,846,911	2	Cable Right-of-Way	Long Beach Acquisition Corporation
2.1%	25,562,303	2	Real Estate Development	Price Owners LLC
1.8%	21,769,117	3	Oil Storage	Arco Terminal Services Corporation
1.6%	19,000,000	1	Office/Industrial	LBSH Development
1.5%	18,291,297	5	Discount Retail	Costco Wholesale Corporation
1.7%	21,370,176	22	Mineral Rights	Signal Hill Petroleum
1.0%	11,660,628	1	Business Office Products	Eastman Inc.
0.8%	10,110,330	8	Commercial Development	Town Center West LLC
0.8%	10,013,850	2	Office Buildings	Town Center Signal Hill LLC
0.8%	9,818,391	30	Residential Development	Hilltop LLC
14.2%	\$ 174,443,003	76	TOTAL	

CITY OF SIGNAL HILL

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2004

GENERAL INFORMATION:  
Date of Incorporation  
Form of Government

1924  
Council - Manager  
Charter City

POPULATION

10,631

10,951

AREA - Land

Square Miles: 2.2 Acres: 1,408

FIRE PROTECTION:

Number of stations  
Number of fire hydrants

1  
459

(The City of Signal Hill receives fire protection from the County of Los Angeles)

POLICE PROTECTION:

Number of stations  
Number of cells  
Number of police and officers  
Number of patrol vehicles (including motorcycle)

1  
8  
32  
10

9

MUNICIPAL WATER DEPARTMENT:

Number of water services  
Miles of lines and mains  
Number of reservoirs  
Number of wells

34  
2,674

2,800

3 - 7.5 million gallons

729 million gallons

763

PUBLIC SERVICE:

Miles of streets  
Miles of sewers  
Number of sewer stations

35.7  
33  
3

Number of street trees  
Number of vehicles maintained

3,200  
76

RECREATION AND CULTURE:

Number of parks  
Area of parks  
Number of libraries  
Number of volumes  
Number of community centers  
Number of bandstands  
Number of baseball diamonds  
Number of basketball courts

25,000

4

102

24,89

24,32

NUMBER OF CITY EMPLOYEES:

Full - time  
Part - time (expressed as full-time equivalents)

Source: City of Signal Hill, Finance Department