

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SIGNAL HILL, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2005

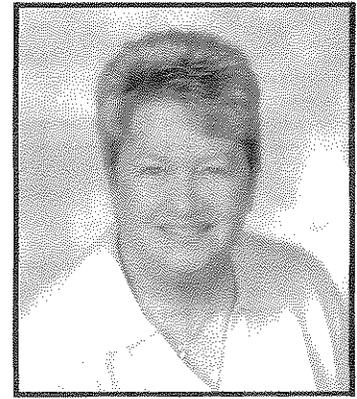


**Prepared by
Department of Finance**

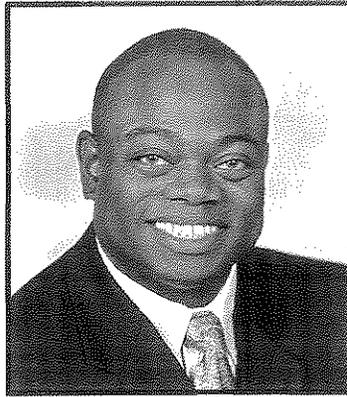
**Dennis MacArthur
Director of Finance**



Larry Forester
Vice Mayor



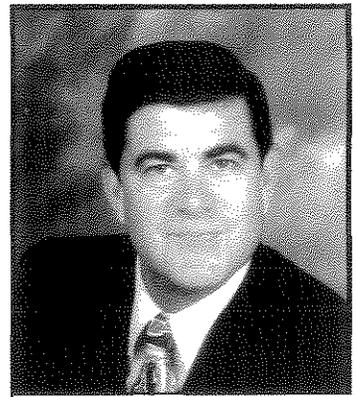
Ellen Ward
Councilmember



Edward H. J. Wilson
Mayor



Tina L. Hansen
Councilmember



Michael Noll
Councilmember

Kathleen Pacheco
City Clerk

Emerson Fersch
City Treasurer

ADMINISTRATIVE PERSONNEL

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

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

CITY OF SIGNAL HILL

TABLE OF CONTENTS

June 30, 2005

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i - x
Certificate of Achievement for Excellence in Financial Reporting	xi
Certificate of Award for Outstanding Financial Reporting	xii
Elected Officials	xiii
City Organization Chart	xiv
FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20 - 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24 - 25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
Statement of Net Assets	27
Statement of Revenues, Expenses and Changes in Net Assets	28
Statement of Cash Flows	29 - 30
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	31
Notes to Basic Financial Statements	33 - 74

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

June 30, 2005

Page
Number

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule:

General Fund	77 - 78
Affordable Housing Special Revenue Fund	79
Note to Required Supplementary Information	80

SUPPLEMENTARY INFORMATION:

Other Major Governmental Funds:

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	81
Debt Service Fund	83
Capital Improvement Capital Projects Fund	84
Community Redevelopment Capital Projects Fund	85

Nonmajor Governmental Funds:

Combining Balance Sheet	86 - 87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88 - 93
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	94 - 99
Asset Seizure Special Revenue Fund	100
Park Development Special Revenue Fund	101
HCDA Grant Special Revenue Fund	102
Special Gas Tax Special Revenue Fund	103
Traffic Safety Special Revenue Fund	104
Transportation Special Revenue Fund	105
Cable Televising Special Revenue Fund	106
Pipeline Removal Special Revenue Fund	107
Air Quality Improvement Special Revenue Fund	108
Water Development Special Revenue Fund	109
Traffic Impact Special Revenue Fund	110
Proposition C Special Revenue Fund	111
Lighting and Landscape Special Revenue Fund	112
Supplemental Law Enforcement Special Revenue Fund	113
Domestic Preparedness Grant Special Revenue Fund	114
OTS Grant Special Revenue Fund	115

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

June 30, 2005

Page
Number

SUPPLEMENTARY INFORMATION (CONTINUED):

Nonmajor Governmental Funds (Continued):

Schedules of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Continued):

TRAP Special Revenue Fund	116
Brownsfield Grant Special Revenue Fund	117
Housing Impact Special Revenue Fund	118
HELP Loan Special Revenue Fund	119

Fiduciary Fund:

Schedule of Changes in Fiduciary Assets and Liabilities - Special Deposit Agency Fund	121 122
--	------------

STATISTICAL SECTION (UNAUDITED):

Government-wide information:

Government-wide Expenses by Program - Last Three Fiscal Years	123
Government-wide Revenues by Source - Last Three Fiscal Years	124

Fund information:

Schedule of Expenditures by Function - Governmental Funds - Last Ten Fiscal Years	125
Schedule of Revenues by Source - Governmental Funds - Last Ten Fiscal Years	126
Assessed and Estimated Values of Taxable Property - Last Ten Fiscal Years	127
Property Tax Levies and Tax Collections - Last Ten Fiscal Years	128
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	129
Schedule of Direct and Overlapping Bonded Debt	130
Schedule of Legal Debt Margin	131
Demographic Statistics - Last Ten Fiscal Years	132
Schedule of Construction Activity - Last Ten Fiscal Years	133
Schedule of Top 25 Sales Tax Producers	134
Principal Taxpayers	135
Miscellaneous Statistical Information	136



CITY OF SIGNAL HILL

2175 Cherry Avenue • Signal Hill, California 90755-3799

December 15, 2005

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, 2005 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 third 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, 2004.

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. On November 7, 2000, in a special election, the residents of Signal Hill approved a new City Charter and the City effectively made the change from a General Law City to a Charter City under the California Constitution. The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. 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 and the Los Angeles County Sanitation District maintains and upgrades the sewer system .

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

The 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 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 10,951, 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 per capita ratios in the State with \$22,423 in quarterly taxable sales per capita. This compares with \$10,900 per capita for Cerritos, \$3,120 per capita for Lakewood and \$2,143 per capita for Long Beach. Each of these cities is in close proximity to the City of Signal Hill. Quarterly taxable sales per capita for the County of Los Angeles and the State of California are \$2,755 and \$3,040, respectively.

The valuation of building permits increased 1.4% over last year's record high despite the near completion of the residential build out on the hilltop. Building permits issued during the current fiscal year totaled 281, up from the previous year when 89 permits were issued. The homes being constructed are currently priced over \$1 million and range from 2,400 to over 3,800 square feet in size.

Calbrisas Park, located on a half acre of land in the western portion of the City, was completed and dedicated in January 2005. The park serves the recently revitalized Las Brisas neighborhood among others and augments the privately built Community Center. Phase 1 of the Las Brisas Project upgraded 92 residential units and provided sustainable quality housing for low and very low-income families. The \$18 million reinvestment project also provides social service, childcare, recreation amenities and increased public safety in a comprehensive manner.

The City's Redevelopment Agency acquired the final ten parcels to complete Phase 2 of the Las Brisas Revitalization Project during the current fiscal year. The project involved the purchase and demolition of ten structures adjacent to the Phase 1 complex. Sixty units will be built within two structures and will serve a mix of very low-income families and senior citizens.

The Community Services Department continued to provide much needed services to the children of Signal Hill. Kids Kamp had enrollment of 91 children and increased revenues by \$6,666 to \$167,722, which was a 4% increase over the prior year. The library continued to provide the year round enrichment reading program attracting over 4,160 participants. The reading enrichment programs and homework help project were possible because of the 24 work/study college students and high school volunteers who came to the library every day to implement these programs. The library had a total circulation count of 41,833 during the fiscal year which was a 6% increase over last year.

The number of new construction permits reached an all time high. Construction began on a new 139,000 square foot Home Depot building. This will be the City's second Home Depot store and it is expected to open in December 2005. Despite the fact the many of the residential units associated with the Hilltop Master Plan have been built by the

original developer, Comstock, the City is still seeing considerable residential construction. Projects such as Villagio (11 dwellings), Hathaway Ridge (17 units), Las Brisas (60 units), Cherry Avenue Townhouses (35 dwellings) and Skyline Villa Townhouses (26 dwellings), were either started or completed during the year. Entitlements for Crescent Square (26 single family dwellings) and City View (81 townhouses) were completed by the City's Community Development Department. Additionally, 78,419 square feet of industrial buildings were completed during the year.

The City's public safety efforts included continuing participation in TRAP (Task Force 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.

A Blue Ribbon Public Safety Committee was organized to study police staffing and the need for a new police facility. The committee included citizens and members of the City's business community. They met over the entire fiscal year and recommended that a new facility be constructed and endorsed the Council's intent to add six new officers over the next three years as revenues permit.

During the 2004-05 Fiscal Year, the City upgraded the detective facilities by installing six new workstations and new evidence lockers. Also new carpet was installed throughout the entire police facility. The City's crossing guards were contracted out to gain flexibility and better coverage by selecting a large organization that specializes in that field. New video cameras were purchased and installed for all patrol vehicles and all officers were assigned to carry tasers while on duty.

The City established a National Pollution Discharge Elimination System (NPDES) trash fee through a September 2004 Protest Vote. The fee (collected through the City's water billing system) will partially offset the cost of State and Federal mandated environmental programs.

The City and its Public Works Department received the Project of the Year Award from the American Public Works Association for the Spring Street Widening Project. Completed last year, this project will open the northwest area of the City to development. Home Depot chose this area because the widening and its close freeway access and visibility.

Substantial improvements to the City's water utility system were made during the year. The Skyline Loop water line was completed at a cost of \$397,000. It provides the link between the two Hilltop Reservoirs and guarantees gravity feed connection between the two structures. Also the 21st Street Water Improvement Project was completed at a cost

of \$278,600. It was designed to complete the loop of the Zone II pressure zone which will give continuous pressure and improved circulation to the City's water delivery system.

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.

To guide strategic planning efforts in the future, the City started the process of updating its Strategic Plan. The City's first strategic plan was called Signal Hill 2000. Developed in 1991, all of its goals had been accomplished. The new plan will guide decision makers for the next five to seven years.

City reserves and designations of the General Fund's fund balance have increased by \$675,515 due to Council's decision to increase designations for the Police and Library Buildings by \$263,442 and \$377,153, respectively. Total reserves and designations of fund balance are currently in excess of \$21.5 million. Designation associated with General Fund contingencies and uncertainties total \$6.33 million, which represent 40% 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.

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 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 2004-2005; however, it did not reach the \$500,000 threshold requiring a single audit and, as a result, is not required to undergo a Single Audit. Under the provisions of the Single Audit Act, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the city has complied with applicable laws and regulation.

Budgetary Controls

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 3.52% for the year, up 1.14% (114 basis points) over last year's average rate. The increase was due to increasing rates on investments purchased. Also the City shifted its weight of its securities from the Local Agency Investment Fund (LAIF - a State pool), to various government securities that were earning in excess of the LAIF rate. This amount totaled 6.7 million and lengthened the average days to maturity. The portfolio's weighted average days to maturity are 257 days. Last year's weighted average days to maturity were 190 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 \$28.18 million. The City is well under its spending limitation and is not expected to reach that limit in the foreseeable future.

Independent Audit

The City's Municipal Code requires an annual audit by independent certified public accountants. The accounting firm of 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, 2004. This was the 10th 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, 2004. We will submit our 2005 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 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, for his significant role 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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Enow

Executive Director

California Society of
Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

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 statement
and in the underlying accounting system from which the reports were prepared.*

February 24, 2005

William A. Searles

Bill Thomas, CMAA
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

CITY OF SIGNAL HILL

JUNE 30, 2005

ELECTED OFFICIALS

Edward H. J. Wilson
Mayor

Larry Forester
Vice Mayor

Ellen Ward
Councilmember

Tina L. Hansen
Councilmember

Michael Noll
Councilmember

Kathleen Pacheco
City Clerk

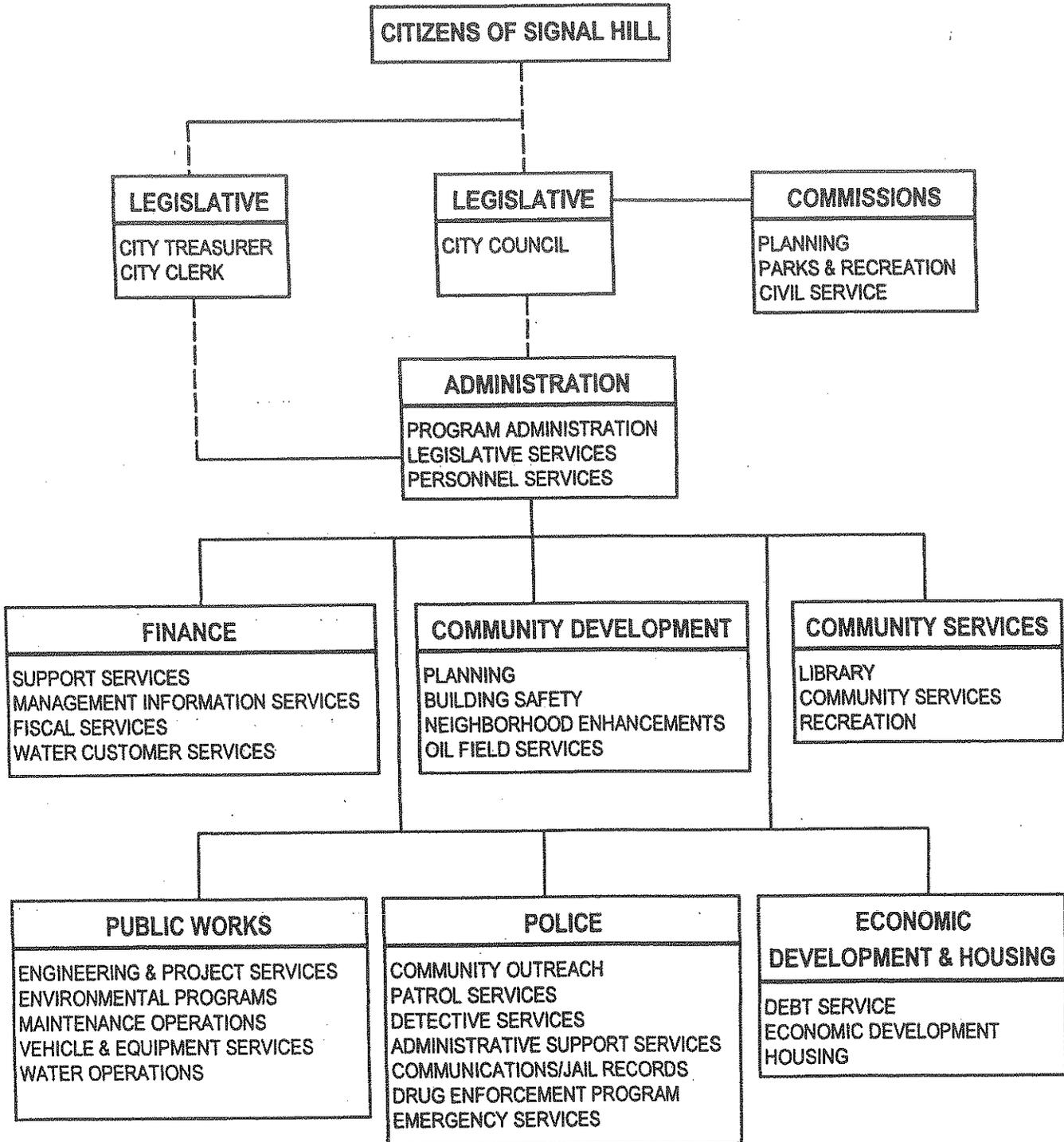
Emerson Fersch
City Treasurer

ADMINISTRATIVE PERSONNEL

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

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

CITY OF SIGNAL HILL ORGANIZATIONAL CHART





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

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100
IRVINE, CALIFORNIA 92606-4956
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

December 2, 2005

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, 2005, 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, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2005 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, 2005

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, 2005. 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 \$32,354,826. Of this amount a \$64,778,082 deficit was attributable to the redevelopment agency tax allocation bonds secured by future tax increment revenues.
- The City's total net assets increased by \$1,504,759 over last years' totals. Governmental activities contributed \$716,437, and business-type activities contributed \$788,322.
- At the close of the current fiscal year, the City's governmental activities reported combined ending balances of \$12,593,289, an increase of \$716,437 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 Basic 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, 2005

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 all of the City's capital assets and infrastructure. 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, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund 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 basic financial statements

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

Other information

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

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information (continued)

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Signal Hill's net assets at June 30, 2005 total \$32,354,826. Following is a condensed version of the government-wide statement of net assets.

**Table 1
Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004	Total 2005	Total 2004
Assets:						
Current and other assets	\$ 49,816,592	\$ 49,991,875	\$ 6,010,953	\$ 5,694,671	\$ 55,827,545	\$ 55,686,546
Capital assets, net	45,473,209	45,433,923	23,630,553	23,529,753	69,103,762	68,963,676
Total Assets	95,289,801	95,425,798	29,641,506	29,224,424	124,931,307	124,650,222
Liabilities:						
Current liabilities	10,534,579	8,918,957	607,923	702,778	11,142,502	9,621,735
Long-term liabilities	72,161,933	74,629,989	9,272,046	9,548,431	81,433,979	84,178,420
Total Liabilities	82,696,512	83,548,946	9,879,969	10,251,209	92,576,481	93,800,155
Net assets:						
Invested in capital assets, net of related debt	45,473,209	45,373,923	14,402,560	14,021,165	59,875,769	59,395,088
Restricted	7,155,524	11,460,431	2,404,580	2,248,951	9,560,104	13,709,382
Unrestricted	(40,035,444)	(44,957,502)	2,954,397	2,703,099	(37,081,047)	(42,254,403)
Total Net Assets	\$ 12,593,289	\$ 11,876,852	\$ 19,761,537	\$ 18,973,215	\$ 32,354,826	\$ 30,850,067

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

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 \$1.5 million in the fiscal year ended June 30, 2005. The increase was split between the governmental activities (\$0.7 million) and business-type activities (\$0.8 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 \$32,354,826 as of June 30, 2005. This represents an increase of \$1,504,759 over the prior year. This change is explained more fully below.

The City's total revenues were \$33,438,808. A significant portion of the City's revenue came from sales and use tax, accounting for 33.3% of total revenues, local property tax accounted for 28.3%, 16.2% was received for charges for services, and 7.2% came from capital grants and contributions.

The total cost of all City programs and services during fiscal year ended June 30, 2005 was \$31,934,049. Community development expenditures accounted for 18.6% of the total expenditures, 20.7% of expenditures were for police services, interest expense attributed to 11.4%, public works 17.6%, community services 3.6%, general government 16.1% and 10.5% was expended for business-type activities.

The difference between the City's total revenues and expenses, \$1,504,759, represented the increase in total net assets for 2005.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

Table 2
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,053,426	\$ 2,172,860	\$ 3,355,011	\$ 3,296,322	\$ 5,408,437	\$ 5,469,182
Operating grants and contributions	1,054,557	1,041,449	-	-	1,054,557	1,041,449
Capital grants and contributions	2,414,825	7,062,681	-	-	2,414,825	7,062,681
General revenues:						
Property taxes	9,451,029	9,242,938	-	-	9,451,029	9,242,938
Sales and use taxes	11,125,259	10,597,803	-	-	11,125,259	10,597,803
Other taxes	2,229,750	1,714,035	-	-	2,229,750	1,714,035
Investment income	912,377	385,085	109,297	29,091	1,021,674	414,176
Unrestricted grants and contributions	732,752	905,610	-	-	732,752	905,610
Miscellaneous	-	18,938	525	147	525	19,085
Total revenues	29,973,975	33,141,399	3,464,833	3,325,560	33,438,808	36,466,959
Expenses:						
General government	5,152,374	3,175,922	-	-	5,152,374	3,175,922
Community services	1,162,133	1,149,174	-	-	1,162,133	1,149,174
Police	6,598,920	5,733,010	-	-	6,598,920	5,733,010
Community development	5,939,510	2,921,540	-	-	5,939,510	2,921,540
Public works	5,636,076	6,119,571	-	-	5,636,076	6,119,571
Unallocated infrastructure depreciation	448,163	445,800	-	-	448,163	445,800
Interest on long-term liabilities	3,630,482	3,565,217	-	-	3,630,482	3,565,217
Water	-	-	3,366,391	3,497,862	3,366,391	3,497,862
Total Expenses	28,567,658	23,110,234	3,366,391	3,497,862	31,934,049	26,608,096
Increase in net assets before transfers	1,406,317	10,031,165	98,442	(172,302)	1,504,759	9,858,863
Transfers	(689,880)	-	689,880	-	-	-
Change in net assets	716,437	10,031,165	788,322	(172,302)	1,504,759	9,858,863
Net assets - beginning, restated	11,876,852	1,845,687	18,973,215	19,145,517	30,850,067	20,991,204
Net assets - ending	\$ 12,593,289	\$ 11,876,852	\$ 19,761,537	\$ 18,973,215	\$ 32,354,826	\$ 30,850,067

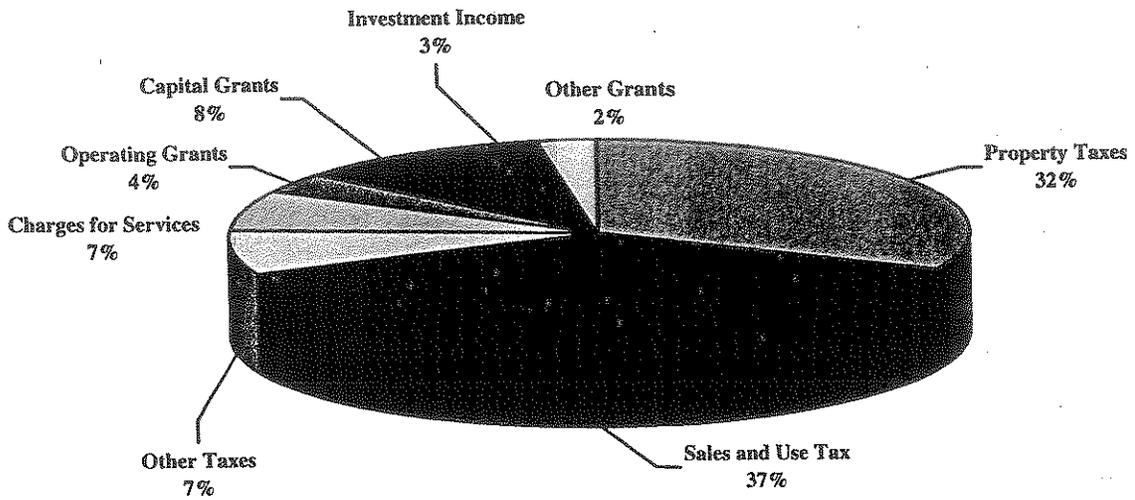
See independent auditors' report.

CITY OF SIGNAL HILL

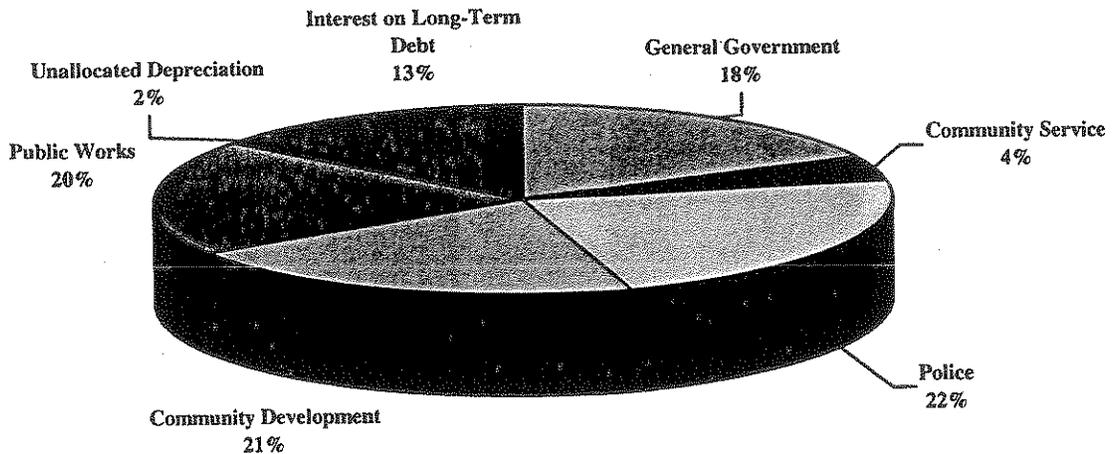
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

**Revenues by Source – Governmental Activities
Fiscal Year 2005**



**Expenditures – Governmental Activities
Fiscal Year 2005**

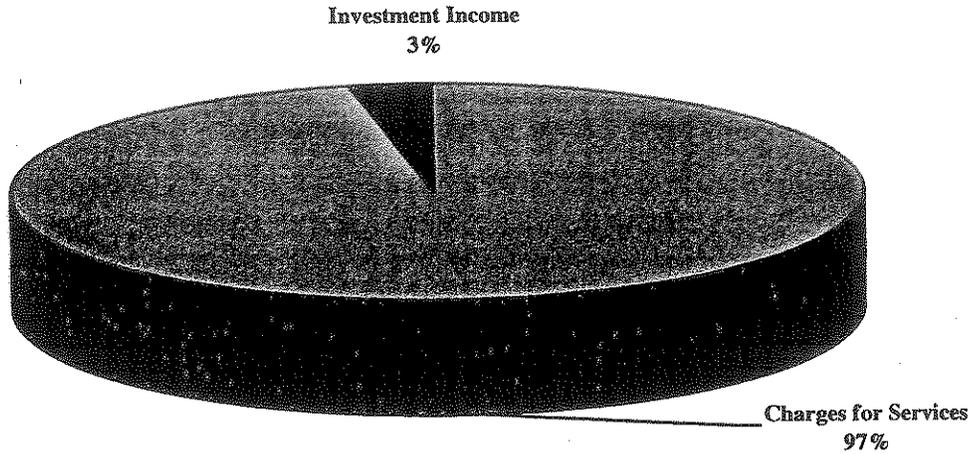


See independent auditors' report.

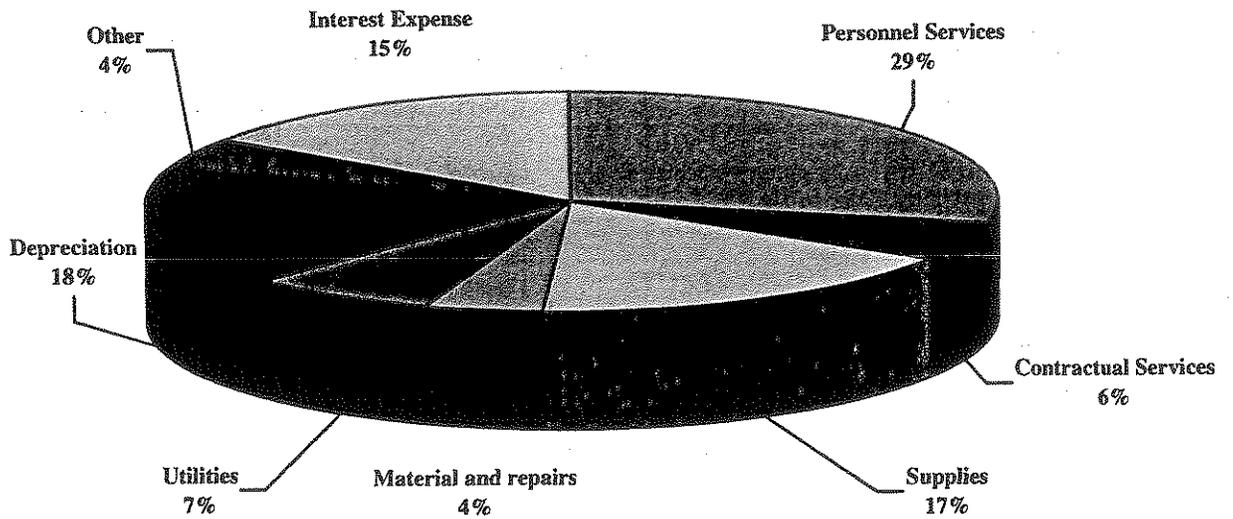
CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

Revenues by Sources – Business-type Activities
Fiscal Year 2005



Expenditures – Business-type Activities
Fiscal Year 2005



See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Assets (continued)

Governmental activities contributed to \$716,437 of the increase in net assets. The largest increase in revenues as compared to the prior year was attributable to sales and use tax and investment income. Investment income increased by \$527,292 or 136.9% due to the rise in interest rates. Property tax increased \$208,091 or 2.2%. Sales and use tax increased by \$527,456 or 5.0% over the prior year because of strong retail sales growth.

The City is conservative in its approach to adding new staff. Staff will only be added if new revenues are realized or conditions require additional staffing (such as public safety).

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, 2005, the expenses exceeded revenues with the City's total business-type activities having realized an overall increase in net assets of \$788,322.

The City's enterprise operation is comprised solely of a Water Fund. Operating revenues increased \$58,689, or 1.8% over the previous year. Operating expenses decreased \$135,600, or 4.6%.

Change in net assets consisted of an increase of \$788,322 for the year as compared to last year's \$172,302 decrease in net assets. The main reason for the increase was the \$689,880 transfer in. This balance came from Developer fees which are collected on new developer and can be used to pay for the expansion of the City's water distribution system. Total net assets at the end of the year were \$19,761,537, this represents a 4.1% increase in net assets. The City has ample coverage to pay its water-bonded indebtedness. The City's Water Utility Debt Service Coverage is 170%. This ratio is calculated by subtracting expenses (less depreciation) from revenues (including interest earnings) and dividing the result by the annual debt service (principal and interest). The City is required by the bond covenants to maintain a coverage ratio between 110% and 150%.

Financial Analysis of the City's Major Funds

The City's major funds for the fiscal year ended June 30, 2005 were the General Fund, Affordable Housing Special Revenue Fund, Debt Service Fund, Capital Improvement Capital Projects Fund, and Community Redevelopment Capital Projects Fund.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

General Fund

The General Fund fund balance increased by \$281,004, for an increase of 1.3%. Revenues increased by \$842,514, or 5.7%, and expenditures increased by \$2,517,783 or 19.5%. The majority of increases in expenditures can be attributed to a \$1,033,000 claim settlement with the California State Board of Equalization (SBOE), which is included as general government expenditure.

Affordable Housing Special Revenue Fund

The fund balance decreased by \$3,621,771 or 68%. The large decrease was due to a \$3.5M write-down of land for the Las Brisas phase II project.

Debt Service Fund

The Debt Service Fund fund balance increased by \$1,427,112. The largest contributor was the \$800K reduction in expenditures relating to the Office Depot DDA.

Capital Improvement Capital Projects Fund

The Public Works Department managed several projects during the fiscal year. Some of the larger projects include \$838,000 spent on Spring Street, \$410,000 spent on Calbrisas Park, and \$182,000 spent on street and traffic signal improvements on Cherry Avenue.

Community Redevelopment Capital Projects Fund

The Community Redevelopment Capital Projects Fund fund balance increased by \$56,227.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Year-to-date revenues, including transfers-in, totaled \$16.0 million. Total General Fund revenues and transfers in exceeded their adjusted budget amounts by \$686,477. Sales and use tax was the largest revenue source with over \$7.9 million in realized revenues. This amount was \$105,190 more than the adjusted budget.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Other revenues exceeding their adjusted budgets were intergovernmental revenues (\$415,615) and investment income (\$258,500). Almost all of the City's revenue categories exceeded their adjusted budget totals. The exception to this was other taxes, which were \$50,198 below budget.

Interest rates were vastly improved over the previous fiscal year. The City earned 3.52% on its investments during the fiscal year. This was an increase of 114 basis points (or 1.14%) over last year. Investment income totaled \$605,100.

General Fund expenditures totaled \$15.44 million. Expenditures were projected at \$15.06 million during the budget process. The expenditure under run from the final budget totaled \$112,000, or barely 1% under our projection. No departments exceeded their budget for fiscal year 2004-05 except for General Government Support Services. As explained previously, this overrun was caused by one-time claim expenditure with the SBOE. Historically, the City's expenditures will run 2-3% below the final budget projection.

Vacancies within the patrol and dispatch programs contributed significantly to the \$212,865, or 3.5%, budget under run within the Police Department. Public Works also had a significant favorable budget expenditure variance totaling \$494,040, or 12.1% under the final budgeted amount. The savings occurred in contract services for traffic maintenance and engineering and plan checks services.

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, 2005, totaled \$69,103,762, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in process.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

**Table 3
Capital Assets**

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004	Total 2005	Total 2004
Land	\$ 26,879,741	\$ 26,879,741	\$ 3,237,724	\$ 3,237,727	\$ 30,117,465	\$ 30,117,468
Water rights	-	-	790,773	821,153	790,773	821,153
Construction in progress	4,928,107	4,851,513	351,651	351,586	5,279,758	5,203,099
Buildings, equipment depreciable assets	4,193,381	3,782,526	19,250,405	19,119,287	23,443,786	22,901,813
Infrastructure	9,471,980	9,920,143	-	-	9,471,980	9,920,143
Total assets	\$ 45,473,209	\$ 45,433,923	\$ 23,630,553	\$ 23,529,753	\$ 69,103,762	\$ 68,963,676

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

DEBT ADMINISTRATION

**Table 4
Debt Administration**

	Governmental Activities 2005	Governmental Activities 2004	Business-type Activities 2005	Business-type Activities 2004	Total 2005	Total 2004
Tax allocation bonds	\$ 64,778,082	\$ 66,999,838	\$ -	\$ -	\$ 64,778,082	\$ 66,999,838
Note payable	4,569,669	4,820,050	-	-	4,569,669	4,820,050
Loans payable	2,000,000	2,060,000	604,760	680,355	2,604,760	2,740,355
Certificates payable	-	-	8,623,233	8,828,233	8,623,233	8,828,233
Insurance deposits payable	-	-	-	1,517	-	1,517
Compensated absences	814,182	750,101	44,053	38,326	858,235	788,427
Total long-term liabilities	\$ 72,161,933	\$ 74,629,989	\$ 9,272,046	\$ 9,548,431	\$ 81,433,979	\$ 84,178,420

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

DEBT ADMINISTRATION (continued)

At year-end, the City had six issues of bonded indebtedness outstanding in its governmental funds totaling \$64.778 million. All six issues were rated AAA by Standard and Poor's and Aaa by Moody's. The City's bonded indebtedness per capita is \$5,915 (excluding the water revenue bonds). Bonded debt as a percent of incremental assessed value is 7.46%. The City's Redevelopment Agency has not entered into any tax sharing agreements with other governmental agencies/districts concerning its Redevelopment Projects. The City is well under its \$208.86 million legal debt margin.

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 and continued growth in residential construction, revenues from sales and use tax are expected to exceed fiscal year 2004-2005 budgeted amounts by \$714,000, 4.86%.
- Due to the development of the hilltop property values within the City should continue to increase.
- The State of California's continued fiscal issues will result in a reduction in funds passed-through to the City totaling \$348,600 for the City and \$786,400 for the City's Redevelopment Agency. The payments made will go to the State's Education Revenue Augmentation Fund to help fund k-12 education.
- Rates for the City's retirement system (CalPERS) have been budgeted to increase by \$469,202, or 32% over fiscal year 2004-2005 actual. We are anticipating that rates will stabilize by fiscal year 2006-2007.

The fiscal year 2005-2006 Annual Budget includes a new National Pollution Discharge Elimination System (NPDES) Trash Reduction Fee, which was approved by Signal Hill property owners to fund current and future trash reduction projects. The budget also includes funding for two additional police officers, a part-time parking control aide and a part-time library aide. The City has prepared a 5 year forecast to assess the economic health of the City and to help estimate the cost of future needs.

The new budget also reflects funding for capital improvement projects totaling \$4,399,250 of which \$2,088,700 is for water projects, \$180,050 for Community Development Block Grant projects and \$2,130,500 for street, park and building improvement projects within the Capital Improvement Capital Projects Fund. The vast majority of these projects are funded by grants and impact fees.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2005

REQUESTS FOR INFORMATION

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

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments (Note 2)	\$ 40,817,782	\$ 5,145,955	\$ 45,963,737
Receivables:			
Accounts	1,778,372	557,179	2,335,551
Taxes	365	-	365
Accrued interest	388,649	37,101	425,750
Rehabilitation loans	17,354	-	17,354
Due from other governments	847,934	-	847,934
Internal balances	(60,648)	60,648	-
Inventory	13,634	-	13,634
Deposits	1,121,837	-	1,121,837
Deferred charges	1,374,882	210,070	1,584,952
Land and improvements held for resale	3,516,431	-	3,516,431
Capital assets (Note 3):			
Land	26,879,741	3,237,724	30,117,465
Construction in progress	4,928,107	351,651	5,279,758
Infrastructure, net	9,471,980	-	9,471,980
Water rights, net	-	790,773	790,773
Source of supply, net	-	9,227,290	9,227,290
Pumping plant, net	-	433,640	433,640
Transmission/distribution, net	-	7,835,033	7,835,033
Depreciable structures and improvements, net	3,342,163	793,955	4,136,118
Depreciable equipment, net	851,218	960,487	1,811,705
TOTAL ASSETS	<u>95,289,801</u>	<u>29,641,506</u>	<u>124,931,307</u>
LIABILITIES:			
Accounts payable	841,338	222,431	1,063,769
Accrued liabilities	1,044,168	-	1,044,168
Accrued interest payable	1,073,011	80,426	1,153,437
Owner participation agreement payable	6,199,444	-	6,199,444
Refundable deposits	116,013	305,066	421,079
Unearned revenue	1,260,605	-	1,260,605
Noncurrent liabilities (Note 4):			
Due within one year	2,790,270	317,027	3,107,297
Due in more than one year	69,371,663	8,955,019	78,326,682
TOTAL LIABILITIES	<u>82,696,512</u>	<u>9,879,969</u>	<u>92,576,481</u>
NET ASSETS:			
Invested in capital assets, net of related debt	45,473,209	14,402,560	59,875,769
Restricted for:			
Debt service	239	2,404,580	2,404,819
Capital improvements	3,455,469	-	3,455,469
Special purposes	1,999,290	-	1,999,290
Low and moderate income housing	1,700,526	-	1,700,526
Unrestricted	(40,035,444)	2,954,397	(37,081,047)
TOTAL NET ASSETS	<u>\$ 12,593,289</u>	<u>\$ 19,761,537</u>	<u>\$ 32,354,826</u>

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

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2005

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,152,374	\$ 163,668	\$ -	\$ -
Community services	1,162,133	267,988	27,834	77,008
Police	6,598,920	408,517	422,316	-
Community development	5,939,510	6,800	111,913	1,087,566
Public works	5,636,076	1,206,453	492,494	1,250,251
Unallocated infrastructure depreciation	448,163	-	-	-
Interest on long-term liabilities	3,630,482	-	-	-
Total governmental activities	28,567,658	2,053,426	1,054,557	2,414,825
Business-type activity:				
Water	3,366,391	3,355,011	-	-
Total	\$ 31,934,049	\$ 5,408,437	\$ 1,054,557	\$ 2,414,825

General revenues:

Taxes:

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

Investment income

Unrestricted grants and contributions

Gain on disposition of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (Note 3)

Net assets at end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (4,988,706)	\$ -	\$ (4,988,706)
(789,303)	-	(789,303)
(5,768,087)	-	(5,768,087)
(4,733,231)	-	(4,733,231)
(2,686,878)	-	(2,686,878)
(448,163)	-	(448,163)
(3,630,482)	-	(3,630,482)
(23,044,850)	-	(23,044,850)
-	(11,380)	(11,380)
(23,044,850)	(11,380)	(23,056,230)
9,451,029	-	9,451,029
11,125,259	-	11,125,259
461,843	-	461,843
951,898	-	951,898
816,009	-	816,009
912,377	109,297	1,021,674
732,752	-	732,752
-	525	525
(689,880)	689,880	-
23,761,287	799,702	24,560,989
716,437	788,322	1,504,759
11,876,852	18,973,215	30,850,067
\$ 12,593,289	\$ 19,761,537	\$ 32,354,826

CITY OF SIGNAL HILL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
ASSETS			
Cash and investments	\$ 18,805,999	\$ 601,653	\$ 10,648,968
Restricted cash and investments	-	17	239
Accounts receivable	1,703,819	-	-
Taxes receivable	-	-	-
Accrued interest receivable	186,862	2,828	94,559
Due from other funds	99,055	-	-
Due from other governments	738,367	-	-
Advances to other funds	2,650,822	255,934	-
Deposits	1,837	952,710	-
Rehabilitation loans receivable	-	-	-
Land held for resale	-	-	-
TOTAL ASSETS	\$ 24,186,761	\$ 1,813,142	\$ 10,743,766
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 349,868	\$ 103,455	\$ 282,448
Accrued liabilities	1,036,155	7,961	-
Deferred revenue	1,561,390	-	-
Due to other funds	-	-	-
Owner participation agreement payable	-	-	6,199,444
Refundable deposits	107,263	1,200	7,550
Advances from other funds	-	-	2,650,822
TOTAL LIABILITIES	3,054,676	112,616	9,140,264
FUND BALANCES:			
Reserved	2,289,449	1,208,661	239
Unreserved:			
General fund	18,842,636	-	-
Special revenue fund	-	491,865	-
Capital projects fund	-	-	-
Debt service fund	-	-	1,603,263
TOTAL FUND BALANCES	21,132,085	1,700,526	1,603,502
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,186,761	\$ 1,813,142	\$ 10,743,766

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Capital Improvement	Community Redevelopment		
\$ 858,148	\$ 3,088,387	\$ 5,844,726	\$ 39,847,881
-	26	-	282
-	-	74,553	1,778,372
-	-	365	365
-	30,330	64,866	379,445
-	-	-	99,055
78,309	-	31,258	847,934
-	-	-	2,906,756
-	-	167,290	1,121,837
-	-	17,354	17,354
-	3,516,431	-	3,516,431
<u>\$ 936,457</u>	<u>\$ 6,635,174</u>	<u>\$ 6,200,412</u>	<u>\$ 50,515,712</u>
\$ 27,228	\$ 4,768	\$ 51,621	\$ 819,388
-	-	52	1,044,168
868,570	10,530	34,142	2,474,632
-	-	99,055	99,055
-	-	-	6,199,444
-	-	-	116,013
-	-	314,934	2,965,756
<u>895,798</u>	<u>15,298</u>	<u>499,804</u>	<u>13,718,456</u>
-	3,516,457	-	7,014,806
-	-	-	18,842,636
-	-	5,700,608	6,192,473
40,659	3,103,419	-	3,144,078
-	-	-	1,603,263
<u>40,659</u>	<u>6,619,876</u>	<u>5,700,608</u>	<u>36,797,256</u>
<u>\$ 936,457</u>	<u>\$ 6,635,174</u>	<u>\$ 6,200,412</u>	<u>\$ 50,515,712</u>

This page intentionally left blank

CITY OF SIGNAL HILL

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

June 30, 2005

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

Fund balances - total governmental funds		\$ 36,797,256
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 26,879,741	
Construction in progress	4,928,107	
Infrastructure, net of \$9,877,954 accumulated depreciation	9,471,980	
Structures and improvements, net of \$6,133,223 accumulated depreciation	3,286,102	
Equipment, net of \$1,306,527 accumulated depreciation	<u>220,508</u>	
Total capital assets used in governmental activities		44,786,438
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, 2005 totaled:		1,214,027
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.		1,649,239
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, 2005 are:		
Accrued interest on long-term debt		(1,073,011)
Tax allocation bonds	\$ 65,580,000	
Less: Deferred charges on refunding (amortized as interest expense)	(677,993)	
Less: Deferred charges for issuance costs (amortized over life of debt)	(1,374,882)	
Less: Issuance discounts (amortized as interest expense)	(123,925)	
Note payable	4,569,669	
Loans payable	2,000,000	
Compensated absences	<u>807,791</u>	
Total long-term liabilities		<u>(70,780,660)</u>
Net assets of governmental activities		<u>\$ 12,593,289</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, 2005

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
REVENUES:			
Property taxes	\$ 362,174	\$ 1,816,965	\$ 7,267,861
Sales and use tax	7,905,190	-	-
Other taxes	3,780,302	-	-
Licenses and permits	428,570	-	-
Intergovernmental revenues	1,129,365	-	-
Charges for services	1,018,642	-	-
Fines and forfeitures	215,657	-	-
Investment income	605,100	3,330	180,422
Developer fees	-	-	-
Other revenue	210,741	103,211	134,743
TOTAL REVENUES	15,655,741	1,923,506	7,583,026
EXPENDITURES:			
Current:			
General government	3,701,086	256,972	995,434
Community service	1,130,008	-	-
Police	5,922,685	-	-
Community development	904,827	-	-
Public works	3,569,460	-	-
Capital outlay	211,014	4,089,338	-
Debt service:			
Owner participation agreement	-	-	437,377
Principal retirement	-	-	2,535,382
Interest	-	-	3,424,347
Fiscal agent fees	-	-	19,265
TOTAL EXPENDITURES	15,439,080	4,346,310	7,411,805
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	216,661	(2,422,804)	171,221
OTHER FINANCING SOURCES (USES):			
Transfers in	374,030	-	1,255,891
Transfers out	(309,687)	(1,198,967)	-
TOTAL OTHER FINANCING SOURCES (USES)	64,343	(1,198,967)	1,255,891
NET CHANGE IN FUND BALANCES	281,004	(3,621,771)	1,427,112
FUND BALANCES AT BEGINNING OF YEAR	20,851,081	5,322,297	176,390
FUND BALANCES AT END OF YEAR	\$ 21,132,085	\$ 1,700,526	\$ 1,603,502

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

Capital Projects Funds		Other	Total
Capital	Community	Governmental	Governmental
Improvement	Redevelopment	Funds	Funds
\$	\$	\$	\$
-	-	-	9,447,000
-	-	-	7,905,190
-	-	476,202	4,256,504
-	-	-	428,570
1,013,512	-	767,318	2,910,195
-	-	1,674	1,020,316
-	-	68,270	283,927
-	71,341	153,865	1,014,058
-	-	867,046	867,046
77,008	555,620	-	1,081,323
<u>1,090,520</u>	<u>626,961</u>	<u>2,334,375</u>	<u>29,214,129</u>
-	98,326	6,550	5,058,368
-	-	-	1,130,008
-	-	416,060	6,338,745
-	-	217,914	1,122,741
-	-	113,740	3,683,200
1,818,381	415,484	656,945	7,191,162
-	-	-	437,377
-	-	60,000	2,595,382
-	-	2,145	3,426,492
-	-	-	19,265
<u>1,818,381</u>	<u>513,810</u>	<u>1,473,354</u>	<u>31,002,740</u>
<u>(727,861)</u>	<u>113,151</u>	<u>861,021</u>	<u>(1,788,611)</u>
714,060	-	27,729	2,371,710
-	(56,924)	(1,496,012)	(3,061,590)
<u>714,060</u>	<u>(56,924)</u>	<u>(1,468,283)</u>	<u>(689,880)</u>
(13,801)	56,227	(607,262)	(2,478,491)
<u>54,460</u>	<u>6,563,649</u>	<u>6,307,870</u>	<u>39,275,747</u>
<u>\$ 40,659</u>	<u>\$ 6,619,876</u>	<u>\$ 5,700,608</u>	<u>\$ 36,797,256</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, 2005

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

Net change in fund balances - total governmental funds		\$ (2,478,491)
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 (\$726,164) exceeded depreciation (\$617,776) in the current period:		108,388
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	\$ 2,595,382	
Amortization of deferred charges	(56,453)	
Amortization of issuance costs	(75,336)	
Amortization of bond discounts	<u>(6,791)</u>	
		2,456,802
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	\$ (46,144)	
Net change in compensated absences	<u>(61,501)</u>	
		(107,645)
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.		732,828
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.		<u>4,555</u>
Change in net assets of governmental activities		<u><u>\$ 716,437</u></u>

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

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

ASSETS	Business-type Activity Water Enterprise Fund		Governmental Activity
	Current Year	Prior Year	Vehicle and Equipment Internal Service Fund
CURRENT ASSETS:			
Cash and investments	\$ 5,145,955	\$ 4,795,959	\$ 969,619
Accounts receivable	557,179	565,294	-
Accrued interest receivable	37,101	33,482	9,204
Inventory	-	-	13,634
TOTAL CURRENT ASSETS	5,740,235	5,394,735	992,457
NONCURRENT ASSETS:			
Advance to other funds	59,000	73,750	-
Deferred charges	210,070	219,908	-
Capital assets, net of accumulated depreciation:			
Proprietary capital assets	31,911,716	31,207,060	2,142,821
Less allowance for depreciation/amortization	(8,281,163)	(7,677,307)	(1,456,050)
TOTAL NONCURRENT ASSETS	23,899,623	23,823,411	686,771
TOTAL ASSETS	29,639,858	29,218,146	1,679,228
LIABILITIES			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	222,431	266,780	21,950
Accrued liabilities	-	55,668	-
Accrued interest payable	80,426	82,104	-
Refundable deposits	305,066	298,226	-
Certificates payable - current portion	215,000	210,000	-
TOTAL CURRENT LIABILITIES	822,923	912,778	21,950
LONG-TERM LIABILITIES:			
Insurance deposit payable	-	1,517	-
Loan payable	604,760	680,355	-
Certificates payable (net of unamortized discount)	8,408,233	8,618,233	-
Compensated absences	44,053	38,326	6,391
TOTAL LONG-TERM LIABILITIES	9,057,046	9,338,431	6,391
TOTAL LIABILITIES	9,879,969	10,251,209	28,341
NET ASSETS:			
Invested in capital assets, net of related debt	14,402,560	14,021,165	686,771
Restricted for debt service	2,404,580	2,248,951	-
Unrestricted	2,952,749	2,696,821	964,116
TOTAL NET ASSETS	19,759,889	\$ 18,966,937	\$ 1,650,887
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,648		
Net assets of business-type activity	<u>\$ 19,761,537</u>		

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

CITY OF SIGNAL HILL

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

For the year ended June 30, 2005

	Business-type Activity Water Enterprise Fund		Governmental Activity
	Current Year	Prior Year	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:			
Charges for services	\$ 3,355,011	\$ 3,296,322	\$ 448,250
TOTAL OPERATING REVENUES	3,355,011	3,296,322	448,250
OPERATING EXPENSES:			
Personnel services	961,007	891,093	171,312
Contractual services	190,511	167,611	1,672
Supplies	567,692	673,211	9,704
Material and repairs	146,947	203,618	94,826
Utilities	247,827	250,032	1,700
Depreciation/amortization	603,855	672,360	192,722
Other	139,108	134,622	3,407
TOTAL OPERATING EXPENSES	2,856,947	2,992,547	475,343
OPERATING INCOME (LOSS)	498,064	303,775	(27,093)
NONOPERATING REVENUES (EXPENSES):			
Investment income	105,997	29,091	21,337
Rental income	3,300	-	-
Interest expense	(501,239)	(511,159)	-
Fiscal agent fees	(3,575)	(3,625)	-
Gain on disposal of assets	525	147	5,681
TOTAL NONOPERATING REVENUES (EXPENSES)	(394,992)	(485,546)	27,018
INCOME (LOSS) BEFORE TRANSFERS	103,072	(181,771)	(75)
TRANSFERS IN	689,880	-	-
CHANGE IN NET ASSETS	792,952	(181,771)	(75)
TOTAL NET ASSETS AT BEGINNING OF YEAR, AS RESTATED (NOTE 3)	18,966,937	19,148,708	1,650,962
TOTAL NET ASSETS AT END OF YEAR	\$ 19,759,889	\$ 18,966,937	\$ 1,650,887
Change in net assets - Enterprise fund	\$ 792,952		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(4,630)		
Change in net assets of business-type activity	\$ 788,322		

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, 2005

	Business-type Activity Water Enterprise Fund		Governmental Activity
	Current Year	Prior Year	Vehicle and Equipment Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,363,125	\$ 3,282,235	\$ -
Receipts from quasi-external transactions	-	-	467,187
Payments to suppliers	(1,010,949)	(1,169,514)	(112,151)
Payments to employees	(1,331,110)	(855,613)	(173,434)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,021,066</u>	<u>1,257,108</u>	<u>181,602</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advance repayment from other funds	14,750	14,750	-
Transfers in	839,880	150,000	-
Transfers out	(150,000)	(150,000)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>704,630</u>	<u>14,750</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Rental receipts	3,300	-	-
Proceeds from disposition of capital assets	525	147	5,776
Repayment of loan	(75,595)	(75,595)	-
Acquisition of property, plant and equipment	(704,654)	(437,892)	(123,715)
Principal paid	(205,000)	(200,000)	-
Interest paid	(493,079)	(497,920)	-
Fiscal agent fees	(3,575)	(3,625)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,478,078)</u>	<u>(1,214,885)</u>	<u>(117,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	102,378	33,326	19,223
NET INCREASE IN CASH AND CASH EQUIVALENTS	349,996	90,299	82,886
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,795,959</u>	<u>4,705,660</u>	<u>886,733</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,145,955</u>	<u>\$ 4,795,959</u>	<u>\$ 969,619</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, 2005

	Business-type Activity		Governmental
	Transit	Enterprise Fund	Activity
	Current	Prior	Vehicle and
	Year	Year	Equipment
			Internal Service
			Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 498,064	\$ 303,775	\$ (27,093)
Depreciation/amortization	603,855	672,360	192,722
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	8,115	(14,087)	18,937
(Increase) decrease in inventory	-	31,713	3,891
Increase (decrease) in accounts payable	(44,349)	220,452	(4,733)
Increase (decrease) in accrued liabilities	(55,669)	31,706	(4,703)
Increase (decrease) in refundable deposits	6,840	7,415	-
Increase (decrease) in insurance deposit payable	(1,517)	-	-
Increase (decrease) in compensated absences	5,727	3,774	2,581
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,021,066	\$ 1,257,108	\$ 181,602
NONCASH INVESTING, CAPITAL			
AND FINANCING ACTIVITIES:			
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 FUND

June 30, 2005

	<u>Special Deposit Agency Fund</u>
ASSETS:	
Cash and investments	<u>\$ 980,691</u>
LIABILITIES:	
Refundable deposits	<u>\$ 980,691</u>

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

This page intentionally left blank

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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, 2005

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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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, 2005

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, 2005

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 \$282 are restricted in the Affordable Housing Special Revenue Fund, the Debt Service Fund and the Community Redevelopment Capital Projects Fund in accordance with bond indentures. Cash and investments totaling \$2,485,006 are restricted in the Water Enterprise Fund. Of this amount \$710,712 represents cash and investments held by a trustee for payment of the City's 1996 Certificates of Participation, and \$1,774,294 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 \$12,462 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/amortized using the straight-line method over the following estimated useful lives:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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 totaled \$1,374,882, net of accumulated amortization, as of June 30, 2005. The costs are amortized on a straight-line basis through 2024. Amortization expense totaled \$75,336 for the year ended June 30, 2005.

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, 2005

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 2004-2005, deposits of \$808,524 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, 2005

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2005 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Assets</u>	Fiduciary Fund Statement of <u>Net Assets</u>	<u>Total</u>
Cash and investments	\$ 45,963,737	\$ 980,691	\$ 46,944,428

Cash and investments at June 30, 2005 consisted of the following:

Cash on hand	\$ 3,325
Deposits with financial institutions	477,506
Investments	<u>46,463,597</u>
Total Cash and Investments	<u>\$ 46,944,428</u>

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Investment Authorized by the California Government Code and the City's Investment Policy
(Continued):

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	40%
Banker's Acceptances	180 days	40%	10%
Time Certificate of Deposits	5 years	25%	None
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	2%	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 40,000,000

N/A - Not Applicable

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

Investments Authorized by Debt Agreements:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 25,316,411	\$ -	\$ -	\$ 25,316,411
U.S. Government Sponsored Enterprise Securities:				
FHLMC	-	1,456,475	-	1,456,475
FHLB	1,874,903	5,053,544	1,988,120	8,916,567
FNMA	4,448,719	1,988,307	3,635,288	10,072,314
Held by Bond Trustee:				
Money Market Mutual Funds	11,672	-	-	11,672
FHLB	-	690,158	-	690,158
	<u>\$ 31,651,705</u>	<u>\$ 9,188,484</u>	<u>\$ 5,623,408</u>	<u>\$ 46,463,597</u>

Disclosures Relating to Credit Risk:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

<u>Investment Type</u>	<u>Total as of June 30, 2005</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Unrated</u>
Local Agency Investment Fund	\$ 25,316,411	(1)	\$ -	\$ 25,316,411
U.S. Government Sponsored Enterprise Securities:				
FHLMC	1,456,475	AAA	1,456,475	-
FHLB	8,916,567	AAA	8,916,567	-
FNMA	10,072,314	AAA	10,072,314	-
Held by Bond Trustee:				
Money Market Mutual Funds	11,672	A	11,672	-
FHLB	<u>690,158</u>	AAA	<u>690,158</u>	-
Total	<u>\$ 46,463,597</u>		<u>\$ 21,147,186</u>	<u>\$ 25,316,411</u>

(1) Not Applicable

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$ 8,916,567
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	10,072,314

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2005, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$100,000 and the remaining balances were collateralized under California Law.

Investment in State Investment Pool:

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

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005 was as follows:

Governmental Activities:

	Balance at July 1, 2004 <u>As Restated (1)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 26,879,741	\$ -	\$ -	\$ 26,879,741
Construction in progress	<u>4,851,513</u>	<u>76,594</u>	<u>-</u>	<u>4,928,107</u>
Total capital assets, not being depreciated	<u>31,731,254</u>	<u>76,594</u>	<u>-</u>	<u>31,807,848</u>
Capital assets, being depreciated:				
Structures and improvements	9,132,643	494,452	-	9,627,095
Equipment and furniture	1,478,102	179,690	-	1,657,792
Vehicles and major equipment	1,784,465	99,145	(79,316)	1,804,294
Infrastructure	<u>19,349,934</u>	<u>-</u>	<u>-</u>	<u>19,349,934</u>
Total capital assets, being depreciated	<u>31,745,144</u>	<u>773,287</u>	<u>(79,316)</u>	<u>32,439,115</u>
Less accumulated depreciation for:				
Structure and improvements	(6,172,953)	(111,979)	-	(6,284,932)
Equipment and furniture	(1,351,481)	(69,209)	-	(1,420,690)
Vehicle and major equipment	(1,088,250)	(181,149)	79,221	(1,190,178)
Infrastructure	<u>(9,429,791)</u>	<u>(448,163)</u>	<u>-</u>	<u>(9,877,954)</u>
Total accumulated depreciation	<u>(18,042,475)</u>	<u>(810,500)</u>	<u>79,221</u>	<u>(18,773,754)</u>
Total capital assets, being depreciated, net	<u>13,702,669</u>	<u>(37,213)</u>	<u>(95)</u>	<u>13,665,361</u>
Total governmental activities capital, net	<u>\$ 45,433,923</u>	<u>\$ 39,381</u>	<u>\$ (95)</u>	<u>\$ 45,473,209</u>

(1) The beginning balance for land was decreased by \$418,715 for property that was reported twice. The beginning balances for infrastructure and related accumulated depreciation were increased by \$307,115 and \$53,420, respectively, for the net book value of storm drains and catch basins not reported previously.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

3. CAPITAL ASSETS (CONTINUED):

Capital asset activity for the year ended June 30, 2005 was as follows (Continued):

Business-type Activity:

	Balance at July 1, 2004 As Restated (2)	Additions	Deletions	Balance at June 30, 2005
Capital assets, not being depreciated				
Land	\$ 3,237,727	\$ -	\$ (3)	\$ 3,237,724
Construction in progress	351,586	675,706	(675,641)	351,651
Total capital assets, not being depreciated	3,589,313	675,706	(675,644)	3,589,375
Capital assets, being depreciated:				
Water rights	1,215,186	-	-	1,215,186
Reservoirs and tanks	10,287,223	-	-	10,287,223
Wells	937,390	-	-	937,390
Mains	9,226,657	675,641	-	9,902,298
Pumps	953,070	-	-	953,070
Fire hydrants	664,867	7,870	-	672,737
Meters	464,326	17,248	-	481,574
Services	1,449,220	-	-	1,449,220
Structures	1,049,775	-	-	1,049,775
Equipment and furniture	1,370,033	3,834	-	1,373,867
Total capital assets, being depreciated	27,617,747	704,593	-	28,322,340
Less accumulated depreciation/ amortization for:				
Water rights	(394,033)	(30,380)	-	(424,413)
Reservoirs and tanks	(1,218,964)	(214,284)	-	(1,433,248)
Wells	(543,229)	(20,846)	-	(564,075)
Mains	(3,304,203)	(190,460)	-	(3,494,663)
Pumps	(496,200)	(23,230)	-	(519,430)
Fire hydrants	(450,175)	(24,170)	-	(474,345)
Meters	(158,593)	(48,185)	-	(206,778)
Services	(466,030)	(28,980)	-	(495,010)
Structures	(232,500)	(23,320)	-	(255,820)
Equipment and furniture	(413,380)	-	-	(413,380)
Total accumulated depreciation	(7,677,307)	(603,855)	-	(8,281,162)
Total capital assets, being depreciated, net	19,940,440	100,738	-	20,041,178
Total business-type activity capital assets, net	\$ 23,529,753	\$ 776,444	\$ (675,644)	\$ 23,630,553

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

3. CAPITAL ASSETS (CONTINUED):

Business-type Activity (Continued):

(2) The beginning balance of the business-type activity capital assets has been decreased by \$394,033 for accumulated amortization of water rights prior to July 1, 2004 not previously recorded. Beginning net assets of the business-type activity, on the Statement of Activities, has also been decreased for this prior period adjustment. Also, on the Statement of Revenues, Expenses and Changes in Net Assets of Proprietary Funds, the prior year information has been restated for the effects of this adjustment.

Depreciation/Amortization Expense:

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

Governmental activities:	
General government	\$ 10,250
Community services	1,047
Police	29,901
Community development	858
Public works	127,559
Internal service fund depreciation charged to programs	<u>192,722</u>
Allocated depreciation	362,337
Unallocated infrastructure depreciation	<u>448,163</u>
Total depreciation expense - governmental activities	<u>\$ 810,500</u>
Business-type activity:	
Water	<u>\$ 603,855</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance at July 1, 2004	Additions	Deletions	Balance at June 30, 2005	Due Within One Year
Governmental activities:					
Bonds payable:					
1993 TABs Series B	\$ 14,375,000	\$ -	\$ -	\$ 14,375,000	\$ -
2001 TABs	12,885,000	-	(470,000)	12,415,000	485,000
2003 TABs Series A	23,080,000	-	(920,000)	22,160,000	1,010,000
2003 TABs Series B	3,170,000	-	(600,000)	2,570,000	615,000
2003 TABs Series C	11,130,000	-	(160,000)	10,970,000	70,000
2003 TABs Series D	3,225,000	-	(135,000)	3,090,000	110,000
Less deferred amounts:					
For issuance discounts	(130,716)	-	6,791	(123,925)	-
On refunding	(734,446)	-	56,453	(677,993)	-
Total bonds payable	66,999,838	-	(2,221,756)	64,778,082	2,290,000
Note payable	4,820,050	-	(250,381)	4,569,669	225,257
Loans payable	2,000,000	-	-	2,000,000	-
Section 108 loan payable	60,000	-	(60,000)	-	-
Compensated absences	750,101	71,595	(7,514)	814,182	275,013
 Total governmental activities	 <u>\$ 74,629,989</u>	 <u>\$ 71,595</u>	 <u>\$ (2,539,651)</u>	 <u>\$ 72,161,933</u>	 <u>\$ 2,790,270</u>
Business-type activity:					
Certificates payable	\$ 8,940,000	\$ -	\$ (210,000)	\$ 8,730,000	\$ 215,000
Less deferred amount:					
For issuance discount	(111,767)	-	5,000	(106,767)	-
Total certificates payable	8,828,233	-	(205,000)	8,623,233	215,000
Loan payable	680,355	-	(75,595)	604,760	75,595
Insurance deposits payable	1,517	-	(1,517)	-	-
Compensated absences	38,326	5,727	-	44,053	26,432
 Total business-type activity	 <u>\$ 9,548,431</u>	 <u>\$ 5,727</u>	 <u>\$ (282,112)</u>	 <u>\$ 9,272,046</u>	 <u>\$ 317,027</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

A. 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.

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, 2005, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ -	\$ 754,688	\$ 754,688
2007	-	754,687	754,687
2008	-	754,688	754,688
2009	-	754,687	754,687
2010	-	754,688	754,688
2011 - 2015	-	3,773,437	3,773,437
2016 - 2020	6,410,000	3,123,225	9,533,225
2021 - 2024	7,965,000	864,281	8,829,281
Totals	<u>\$ 14,375,000</u>	<u>\$ 11,534,381</u>	<u>\$ 25,909,381</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

B. 2001 Tax Allocation Bonds:

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

Principal amounts on \$13,880,000 of serial bonds mature annually each October 1, 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, 2005, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	540,000	427,605	967,605
2011 - 2015	2,975,000	1,824,543	4,799,543
2016 - 2020	3,545,000	1,164,680	4,709,680
2021 - 2024	3,340,000	314,555	3,654,555
Totals	<u>\$ 12,415,000</u>	<u>\$ 5,602,175</u>	<u>\$ 18,017,175</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

C. 2003 Tax Allocation Bonds - Series A:

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

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

Principal amounts on the 2003 A Bonds mature annually each October 1, 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, 2005, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,820,000	695,124	2,515,124
2011 - 2015	10,985,000	2,361,412	13,346,412
2016 - 2020	3,820,000	560,096	4,380,096
2021 - 2024	<u>1,370,000</u>	<u>139,802</u>	<u>1,509,802</u>
Totals	<u>\$ 22,160,000</u>	<u>\$ 6,852,945</u>	<u>\$ 29,012,945</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

D. 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, 2005, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 2,570,000</u>	<u>\$ 190,036</u>	<u>\$ 2,760,036</u>

E. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

E. 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, 2005, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 70,000	\$ 457,133	\$ 527,133
2007	75,000	455,682	530,682
2008	75,000	454,182	529,182
2009	75,000	452,589	527,589
2010	80,000	450,705	530,705
2011 - 2015	425,000	2,214,602	2,639,602
2016 - 2020	4,715,000	1,795,421	6,510,421
2021 - 2024	<u>5,455,000</u>	<u>501,272</u>	<u>5,956,272</u>
Totals	<u>\$ 10,970,000</u>	<u>\$ 6,781,586</u>	<u>\$ 17,751,586</u>

F. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2005, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	130,000	146,752	276,752
2011 - 2015	625,000	636,156	1,261,156
2016 - 2020	395,000	494,098	889,098
2021 - 2025	<u>1,470,000</u>	<u>344,747</u>	<u>1,814,747</u>
Totals	<u>\$ 3,090,000</u>	<u>\$ 2,269,151</u>	<u>\$ 5,359,151</u>

G. 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, 2005, the outstanding balance of this note was \$4,569,669.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

G. 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, 2005 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 332,887	\$ 443,313	\$ 776,200
2007	374,630	424,857	799,487
2008	438,629	384,843	823,472
2009	509,060	339,116	848,176
2010	589,730	283,891	873,621
2011 - 2013	<u>2,324,733</u>	<u>437,249</u>	<u>2,761,982</u>
Totals	<u>\$ 4,569,669</u>	<u>\$ 2,313,269</u>	<u>\$ 6,882,938</u>

H. 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, 2005, accrued unpaid interest totaled \$125,000.

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, 2005, accrued unpaid interest totaled \$98,986.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

I. 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. The loan was paid in full as of June 30, 2005.

J. Compensated Absences:

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

K. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

K. Certificates Payable (Continued):

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 \$710,712 at June 30, 2005.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2005, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	265,000	429,810	694,810
2011 - 2015	1,550,000	1,913,425	3,463,425
2016 - 2020	2,030,000	1,416,810	3,446,810
2021 - 2025	2,665,000	761,808	3,426,808
2026 - 2027	<u>1,285,000</u>	<u>74,242</u>	<u>1,359,242</u>
Totals	<u>\$ 8,730,000</u>	<u>\$ 6,439,585</u>	<u>\$15,169,585.</u>

L. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

L. Proprietary Loan Payable (Continued):

The annual requirements to amortize outstanding indebtedness as of June 30, 2005, are as follows:

Year Ending June 30,	Principal
2006	\$ 75,595
2007	75,595
2008	75,595
2009	75,595
2010	75,595
2011 - 2013	226,785
Totals	<u>\$ 604,760</u>

M. Operating Lease Obligations:

- (1). The Agency is leasing land used for an Auto Center under an operating lease dated June 30, 1988. The term of the lease expires November 30, 2055. The current period rental payments, which are classified as project costs, were \$210,200.

Future minimum rental payments are due as follows:

Year Ending June 30,	
2006	\$ 216,908
2007	221,700
2008	223,100
2009	224,100
2010	224,100
2011 - 2015	1,185,125
2016 - 2020	1,252,435
2021 - 2025	1,327,650
2026 - 2030	1,400,475
2031 - 2035	1,483,025
2036 - 2040	1,558,290
2041 - 2045	1,642,435
2046 - 2050	1,727,400
2051 - 2055	1,804,165
2056	150,876
Total	<u>\$ 14,641,784</u>

The operating lease covers three parcels of land, which are subleased to auto dealers. For the year ended June 30, 2005, the Agency received \$237,309 in rental payments to offset the Agency's lease payments to the lessor.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

4. LONG-TERM LIABILITIES (CONTINUED):

M. Operating Lease Obligations (Continued):

(2). The Agency is leasing land for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires December 31, 2055. The current period rental payments, which are classified as project costs, were \$204,483.

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

Year Ending <u>June 30,</u>	
2006	\$ 207,504
2007	207,504
2008	207,504
2009	207,504
2010	210,718
2011 - 2015	1,071,961
2016 - 2020	1,104,012
2021 - 2025	1,137,127
2026 - 2030	1,171,243
2031 - 2035	1,206,377
2036 - 2040	1,242,567
2041 - 2045	1,279,847
2046 - 2050	1,318,244
2051 - 2055	<u>1,357,795</u>
Total minimum lease payments	<u>\$ 11,929,907</u>

The operating lease covers five parcels of land, which are subleased to auto dealers. For the year ended June 30, 2005, the Agency received \$258,312 in rental payments to offset the Agency's lease payments to lessor.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2005, is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 99,055</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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

Due To/From Other Funds (Continued):

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	\$ 2,650,822
Affordable Housing		
Special Revenue	Other Governmental Funds	255,934
Water Enterprise	Other Governmental Funds	<u>59,000</u>
		<u>\$ 2,965,756</u>

- A. 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. The total balance due at June 30, 2005 is \$2,650,822.
- B. 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, 2005 is \$255,934.
- C. 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, 2005 was \$59,000.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 374,030
Debt Service Fund	Affordable Housing Special Revenue Fund	1,198,967
	Community Redevelopment Capital Projects Fund	56,924
Capital Improvement	General Fund	281,958
	Other Governmental Funds	432,102
Other Governmental Funds	General Fund	27,729
Water Enterprise	Other Governmental Funds	689,880
		<u>\$ 3,061,590</u>

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

6. INDIVIDUAL FUND DISCLOSURES:

Expenditures Exceeding Appropriations:

For the year ended June 30, 2005, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

General Fund:	
General Government - City Treasurer	\$ 3,336
General Government - Program administration	31,869
General Government - Support services	950,537
Community Development - Neighborhood enhancement	7,511
Public Works - Building maintenance	4,592
Debt Service Fund:	
General Government - Program administration	66,756
Debt Service - Interest	183,162
Other Governmental Funds:	
HCDA Grant Special Revenue Fund - CDBG program	911
Water Development Special Revenue Fund - Public works	21
Domestic Preparedness Grant Special Revenue Fund - Capital outlay	5,225
TRAP Special Revenue Fund - Investigative services	2,545
HELP Loan Special Revenue Fund - Planning services	507

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.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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.

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 2004-05 was 6.339% for local miscellaneous members and 33.209% 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

7. PENSION PLAN (CONTINUED):

Annual Pension Cost:

For fiscal year 2004-05, the City's actual and contributed pension cost was \$1,470,498. The required contribution for fiscal year 2004-05 was determined as part of the June 30, 2002 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.

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>			
6/30/03	\$ 271,958	100%	\$ -
6/30/04	272,322	100%	-
6/30/05	526,998	100%	-
<u>Safety Employees</u>			
6/30/03	\$ 421,678	100%	\$ -
6/30/04	604,948	100%	-
6/30/05	943,500	100%	-

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

7. PENSION PLAN (CONTINUED):

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

Actuarial Valuation Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Liability (Excess Assets) (A-B)	Funded Ratio (B/A)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(A-B)/C]
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 %

6/30/04:

Information is not available.

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 \$452,208 for fiscal year 2004-05, and covered approximately 70 individuals.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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, 2005, the employees contributed \$11,529 and the City contributed \$2,417 to the plan.

On May 15, 2001, the City Council authorized establishment of a 401(a) Deferred Compensation Plans for its management and middle management employees. The Plans are qualified defined contribution plans under Section 401(a) of the Internal Revenue Code. Management and middle management employees will place their City-paid contributions which total 2% and 1.5%, respectively, of salary into the Plans. Management employees are required to match the 2% City contribution with a 4% employee contribution, and middle management employees are required to match the 1.5% City contribution with a 3% employee contribution. For the year ended June 30, 2005, the employees contributed \$59,441 and the City contributed \$17,237 to the Plans.

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 \$12,331 for the fiscal year ended June 30, 2005.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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 BALANCES:

A City may establish "reserves" of fund balances 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, 2005 are tabulated below followed by explanations as to the nature and purpose of each reserve.

	General Fund	Affordable Housing Special Revenue Fund	Debt Service Fund	Community Redevelopment Capital Projects Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
RESERVES:				
Land and improvements held for resale or lease	\$ -	\$ -	\$ -	\$ 3,516,431
Debt service	-	17	239	-
Advances	2,287,612	255,934	-	-
Deposits	<u>1,837</u>	<u>952,710</u>	<u>-</u>	<u>-</u>
TOTAL RESERVES	<u>\$ 2,289,449</u>	<u>\$ 1,208,661</u>	<u>\$ 239</u>	<u>\$ 3,516,431</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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

DESIGNATIONS:	General Fund	Affordable Housing Special Revenue Fund	Other Governmental Funds
Contingencies	\$ 4,137,348	\$ -	\$ -
Equipment replacement	489,458	-	-
Insurance premium increases	487,520	-	-
Continuing appropriations	6,699	-	-
Special revenue purposes	-	491,865	5,700,608
Capital improvements	875,086	-	-
Economic uncertainties	1,734,534	-	-
Obligation under owner participation agreement	6,108,357	-	-
Note repayment	808,833	-	-
Emergency Operations Center	1,389,143	-	-
Library expansion	894,602	-	-
Park expansion	137,123	-	-
Law enforcement high technology acquisitions	48,212	-	-
PERS reserve	1,139,665	-	-
Building and land acquisition	36,056	-	-
Motor vehicle in lieu	400,000	-	-
OPEB Reserve	100,000	-	-
NPDES Trash Reduction	50,000	-	-
TOTAL DESIGNATIONS	<u>\$ 18,842,636</u>	<u>\$ 491,865</u>	<u>\$ 5,700,608</u>

- 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.
- C. Reserved for Advances - A reserve for advances has been set aside to indicate that such advances are not an "available spendable resource".

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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

- 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).
- U. Designated for OPEB Reserve - These funds are designated to fund future costs associated with retired employee health benefits.
- V. Designated for NPDES Trash Reduction - These funds are designated to pay future costs associated with State and Federal mandated environmental programs.

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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2005

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, 2005

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, 2005

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 \$1,135,172 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, 2005, the City has paid the first component of the agreement, in full in the amount of \$202,140. Also, as of June 30, 2005, the City paid \$228,497 to the District pursuant to 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. During the year ended June 30, 2005, the Agency received \$60,000 in rental income from these leases. 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, 2005

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 (OPIA) dated September 19, 1996, the Authority is required to pay a developer a formulated amount based on the sales tax generated at a site developed within the City of Signal Hill. The 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, 2005, the Agency made no payments pursuant to this agreement to the Authority and has accrued an additional liability of \$1,242,897. As of June 30, 2005, the outstanding liability totaled \$7,004,964. The Agency disputed the amount of the liability and has previously requested the developer to investigate the manner in which sales tax revenue was reported to the California State Board of Equalization (CSBOE).

The CSBOE conducted numerous audits since 1998. A settlement was reached in November 2005. Under the terms of the agreement, it was agreed that Office Depot overpaid the City of Signal Hill by \$1,033,750. These sales tax amounts should have been paid to the City of Long Beach. As a result, the amount due to Office Depot under the OPIA within the Agency's financial statements was adjusted to \$6,199,444, or a decrease of \$805,520. During fiscal year 2005-06, the CSBOE will reallocate \$1,033,750 in sales taxes from the City of Signal Hill to the City of Long Beach. The City has reflected this liability for fiscal year 2004-05 by recording a claims payable within its General Fund totaling \$1,033,750.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

This page intentionally left blank

CITY OF SIGNAL HILL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 332,400	\$ 332,400	\$ 362,174	\$ 29,774
Sales and use tax	7,800,000	7,800,000	7,905,190	105,190
Other taxes	3,830,500	3,830,500	3,780,302	(50,198)
Licenses and permits	370,810	370,810	428,570	57,760
Intergovernmental revenues	676,250	713,750	1,129,365	415,615
Charges for services	912,450	971,250	1,018,642	47,392
Fines and forfeitures	109,550	194,550	215,657	21,107
Investment income	346,600	346,600	605,100	258,500
Other revenue	118,200	140,700	210,741	70,041
TOTAL REVENUES	14,496,760	14,700,560	15,655,741	955,181
EXPENDITURES:				
GENERAL GOVERNMENT:				
City Council	199,850	199,850	177,866	21,984
City Treasurer	13,300	13,300	16,636	(3,336)
City Clerk	120,400	120,400	114,606	5,794
Program administration	368,300	382,900	414,769	(31,869)
Legislative services	201,400	213,280	191,572	21,708
Personnel services	224,600	233,950	217,115	16,835
Support services	974,450	988,350	1,938,887	(950,537)
Fiscal services	542,250	559,050	539,603	19,447
Management information services	120,200	117,200	90,032	27,168
TOTAL GENERAL GOVERNMENT	2,764,750	2,828,280	3,701,086	(872,806)
COMMUNITY SERVICES:				
Library programs and services	309,500	312,500	307,653	4,847
Community support and services	287,550	287,550	260,320	27,230
Recreation	690,400	691,850	562,035	129,815
TOTAL COMMUNITY SERVICES	1,287,450	1,291,900	1,130,008	161,892
POLICE:				
Patrol services	3,185,500	3,181,300	3,116,870	64,430
Investigative services	863,150	865,650	833,185	32,465
Support services	1,089,400	1,085,000	1,063,337	21,663
Emergency and disaster services	14,550	24,450	12,786	11,664
Community outreach	39,600	40,600	29,872	10,728
Communications	543,000	548,900	534,289	14,611
Records	422,150	389,650	332,346	57,304
TOTAL POLICE	6,157,350	6,135,550	5,922,685	212,865

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, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	\$ 319,400	\$ 319,400	\$ 302,123	\$ 17,277
Neighborhood enhancement	144,300	144,300	151,811	(7,511)
Building and safety	397,800	397,800	330,971	66,829
Oil field services	120,550	120,550	119,922	628
TOTAL COMMUNITY DEVELOPMENT	<u>982,050</u>	<u>982,050</u>	<u>904,827</u>	<u>77,223</u>
PUBLIC WORKS:				
Engineering and project services	555,650	614,450	555,560	58,890
Building maintenance	382,350	387,350	391,942	(4,592)
Environmental programs	624,150	639,950	522,354	117,596
Sewer operations	295,900	295,900	295,792	108
Park maintenance	756,100	834,100	696,431	137,669
Street maintenance operations	1,245,050	1,291,750	1,107,381	184,369
TOTAL PUBLIC WORKS	<u>3,859,200</u>	<u>4,063,500</u>	<u>3,569,460</u>	<u>494,040</u>
CAPITAL OUTLAY	<u>10,000</u>	<u>249,800</u>	<u>211,014</u>	<u>38,786</u>
TOTAL EXPENDITURES	<u>15,060,800</u>	<u>15,551,080</u>	<u>15,439,080</u>	<u>112,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(564,040)</u>	<u>(850,520)</u>	<u>216,661</u>	<u>1,067,181</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	630,854	642,734	374,030	(268,704)
Transfers out	<u>(1,741,854)</u>	<u>(2,330,354)</u>	<u>(309,687)</u>	<u>2,020,667</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,111,000)</u>	<u>(1,687,620)</u>	<u>64,343</u>	<u>1,751,963</u>
NET CHANGE IN FUND BALANCE	<u>(1,675,040)</u>	<u>(2,538,140)</u>	<u>281,004</u>	<u>2,819,144</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>20,851,081</u>	<u>20,851,081</u>	<u>20,851,081</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 19,176,041</u>	<u>\$ 18,312,941</u>	<u>\$ 21,132,085</u>	<u>\$ 2,819,144</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget (Positive Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,575,000	\$ 1,575,000	\$ 1,816,965	\$ 241,965
Investment income	38,150	38,150	3,330	(34,820)
Other revenue	400	400	103,211	102,811
TOTAL REVENUES	<u>1,613,550</u>	<u>1,613,550</u>	<u>1,923,506</u>	<u>309,956</u>
EXPENDITURES:				
General government:				
Program administration	280,400	285,400	256,972	28,428
Capital outlay	4,754,800	5,219,700	4,089,338	1,130,362
TOTAL EXPENDITURES	<u>5,035,200</u>	<u>5,505,100</u>	<u>4,346,310</u>	<u>1,158,790</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,421,650)</u>	<u>(3,891,550)</u>	<u>(2,422,804)</u>	<u>1,468,746</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,401,400)	(1,401,400)	(1,198,967)	202,433
Debt issuance	1,000,000	1,000,000	-	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(401,400)</u>	<u>(401,400)</u>	<u>(1,198,967)</u>	<u>(797,567)</u>
NET CHANGE IN FUND BALANCE	<u>(3,823,050)</u>	<u>(4,292,950)</u>	<u>(3,621,771)</u>	<u>671,179</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>5,322,297</u>	<u>5,322,297</u>	<u>5,322,297</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,499,247</u>	<u>\$ 1,029,347</u>	<u>\$ 1,700,526</u>	<u>\$ 671,179</u>

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

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

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 comparison is presented in the other supplemental information for the Law Enforcement Block Grant Special Revenue Fund since no budget was adopted for this fund.
- 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, 2005, based on calculations by City management, proceeds of taxes did not exceed appropriations.

See independent auditors' report.

OTHER MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

This page intentionally left blank

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 6,155,000	\$ 6,155,000	\$ 7,267,861	\$ 1,112,861
Investment income	8,500	8,500	180,422	171,922
Other revenue	34,236	34,236	134,743	100,507
TOTAL REVENUES	6,197,736	6,197,736	7,583,026	1,385,290
EXPENDITURES:				
General government:				
Program administration	928,678	928,678	995,434	(66,756)
Debt service:				
Owner participation agreement	1,150,000	1,150,000	437,377	712,623
Principal retirement	2,654,415	2,654,415	2,535,382	119,033
Interest	3,241,185	3,241,185	3,424,347	(183,162)
Fiscal agent fees	25,000	25,000	19,265	5,735
TOTAL EXPENDITURES	7,999,278	7,999,278	7,411,805	587,473
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,801,542)	(1,801,542)	171,221	1,972,763
OTHER FINANCING SOURCES:				
Transfers in	2,609,850	2,609,850	1,255,891	(1,353,959)
NET CHANGE IN FUND BALANCE	808,308	808,308	1,427,112	618,804
FUND BALANCE AT BEGINNING OF YEAR	176,390	176,390	176,390	-
FUND BALANCE AT END OF YEAR	\$ 984,698	\$ 984,698	\$ 1,603,502	\$ 618,804

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,129,900	\$ 2,738,722	\$ 1,013,512	\$ (1,725,210)
Other revenue	-	-	77,008	77,008
TOTAL REVENUES	1,129,900	2,738,722	1,090,520	(1,648,202)
EXPENDITURES:				
Capital outlay	2,122,050	4,483,472	1,818,381	2,665,091
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(992,150)	(1,744,750)	(727,861)	1,016,889
OTHER FINANCING SOURCES:				
Transfers in	992,150	1,744,750	714,060	(1,030,690)
NET CHANGE IN FUND BALANCE	-	-	(13,801)	(13,801)
FUND BALANCE AT BEGINNING OF YEAR	54,460	54,460	54,460	-
FUND BALANCE AT END OF YEAR	\$ 54,460	\$ 54,460	\$ 40,659	\$ (13,801)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 75,300	\$ 75,300	\$ 71,341	\$ (3,959)
Other revenue	579,900	579,900	555,620	(24,280)
TOTAL REVENUES	655,200	655,200	626,961	(28,239)
EXPENDITURES:				
General government:				
Program administration	130,750	211,050	98,326	112,724
Capital outlay	415,700	415,700	415,484	216
Debt service:				
Bond issuance costs	1,000,000	1,000,000	-	1,000,000
TOTAL EXPENDITURES	1,546,450	1,626,750	513,810	1,112,940
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(891,250)	(971,550)	113,151	1,084,701
OTHER FINANCING USES:				
Transfers out	(58,450)	(58,450)	(56,924)	1,526
NET CHANGE IN FUND BALANCE	(949,700)	(1,030,000)	56,227	1,086,227
FUND BALANCE AT BEGINNING OF YEAR	6,563,649	6,563,649	6,563,649	-
FUND BALANCE AT END OF YEAR	\$ 5,613,949	\$ 5,533,649	\$ 6,619,876	\$ 1,086,227

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, 2005

		Special Revenue Funds	
		Asset Seizure	Park Development
ASSETS			
Cash and investments		\$ 63,524	\$ 879,929
Accounts receivable		131	-
Taxes receivable		-	-
Accrued interest receivable		618	9,943
Due from other governments		-	-
Deposits		-	-
Rehabilitation loans receivable		-	-
	TOTAL ASSETS	\$ 64,273	\$ 889,872
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	314,934
	TOTAL LIABILITIES	-	314,934
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		64,273	574,938
Undesignated		-	-
	TOTAL FUND BALANCES (DEFICITS)	64,273	574,938
	TOTAL LIABILITIES AND FUND BALANCES	\$ 64,273	\$ 889,872

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ -	\$ 19,521	\$ 307,978	\$ 264,991	\$ 873,101	\$ 38,305
-	37,038	6,661	-	-	-	3,100
-	-	-	-	-	-	-
-	262	253	2,939	2,781	8,475	343
14,470	-	-	-	-	-	-
-	-	-	-	-	-	-
17,354	-	-	-	-	-	-
<u>\$ 31,824</u>	<u>\$ 37,300</u>	<u>\$ 26,435</u>	<u>\$ 310,917</u>	<u>\$ 267,772</u>	<u>\$ 881,576</u>	<u>\$ 41,748</u>
\$ 4,757	\$ -	\$ -	\$ 27,277	\$ -	\$ -	\$ -
52	-	-	-	-	-	-
17,354	-	-	-	-	-	-
9,661	32,419	-	-	-	-	-
-	-	-	-	-	-	-
<u>31,824</u>	<u>32,419</u>	<u>-</u>	<u>27,277</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	4,881	26,435	283,640	267,772	881,576	41,748
-	-	-	-	-	-	-
-	4,881	26,435	283,640	267,772	881,576	41,748
<u>\$ 31,824</u>	<u>\$ 37,300</u>	<u>\$ 26,435</u>	<u>\$ 310,917</u>	<u>\$ 267,772</u>	<u>\$ 881,576</u>	<u>\$ 41,748</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2005

		<u>Special Revenue Funds (Continued)</u>	
		<u>Water Development</u>	<u>Traffic Impact</u>
ASSETS			
Cash and investments		\$ 1,863,871	\$ 904,108
Accounts receivable		-	-
Taxes receivable		-	-
Accrued interest receivable		24,502	9,741
Due from other governments		-	-
Deposits		-	-
Rehabilitation loans receivable		-	-
		<hr/>	<hr/>
TOTAL ASSETS		<u>\$ 1,888,373</u>	<u>\$ 913,849</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	-
		<hr/>	<hr/>
TOTAL LIABILITIES		-	-
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		1,888,373	913,849
Undesignated		-	-
		<hr/>	<hr/>
TOTAL FUND BALANCES (DEFICITS)		<u>1,888,373</u>	<u>913,849</u>
		<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 1,888,373</u>	<u>\$ 913,849</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
\$ 186,960	\$ 37,685	\$ 105,783	\$ 500	\$ -	\$ -	\$ 1,256
-	-	-	-	-	-	-
-	365	-	-	-	-	-
3,497	207	1,135	58	-	-	-
-	-	-	-	-	-	16,788
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 190,457</u>	<u>\$ 38,257</u>	<u>\$ 106,918</u>	<u>\$ 558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,044</u>
\$ -	\$ 292	\$ -	\$ -	\$ 405	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	16,788
-	-	-	-	28,583	421	16,788
-	-	-	-	-	-	-
-	292	-	-	28,988	421	33,576
190,457	37,965	106,918	558	-	-	-
-	-	-	-	(28,988)	(421)	(15,532)
190,457	37,965	106,918	558	(28,988)	(421)	(15,532)
<u>\$ 190,457</u>	<u>\$ 38,257</u>	<u>\$ 106,918</u>	<u>\$ 558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,044</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2005

		<u>Special Revenue Funds (Continued)</u>	
		<u>Brownsfield Grant</u>	<u>Housing Impact</u>
ASSETS			
Cash and investments		\$ -	\$ 297,032
Accounts receivable		24,418	3,205
Taxes receivable		-	-
Accrued interest receivable		-	-
Due from other governments		-	-
Deposits		-	167,290
Rehabilitation loans receivable		-	-
		<hr/>	<hr/>
TOTAL ASSETS		<u>\$ 24,418</u>	<u>\$ 467,527</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 18,890	\$ -
Accrued liabilities		-	-
Deferred revenue		-	-
Due to other funds		11,183	-
Advances from other funds		-	-
		<hr/>	<hr/>
TOTAL LIABILITIES		<u>30,073</u>	<u>-</u>
FUND BALANCES:			
Unreserved:			
Designated for special revenue purposes		-	467,527
Undesignated		(5,655)	-
		<hr/>	<hr/>
TOTAL FUND BALANCES (DEFICITS)		<u>(5,655)</u>	<u>467,527</u>
		<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 24,418</u>	<u>\$ 467,527</u>

See independent auditors' report.

Special Revenue Funds (Continued)		Total Nonmajor Governmental Funds	
HELP Loan			
\$	182	\$	5,844,726
	-		74,553
	-		365
	112		64,866
	-		31,258
	-		167,290
	-		17,354
<u>\$</u>	<u>294</u>	<u>\$</u>	<u>6,200,412</u>

\$	-	\$	51,621
	-		52
	-		34,142
	-		99,055
	-		314,934
	-		499,804

	294		5,751,204
	-		(50,596)
	294		5,700,608
<u>\$</u>	<u>294</u>	<u>\$</u>	<u>6,200,412</u>

CITY OF SIGNAL HILL

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

For the year ended June 30, 2005

	Special Revenue Funds	
	Asset Seizure	Park Development
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	1,048	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	1,429	21,184
Developer fees	-	329,751
TOTAL REVENUES	<u>2,477</u>	<u>350,935</u>
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,477</u>	<u>350,935</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	(183,260)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(183,260)</u>
NET CHANGE IN FUND BALANCES	2,477	167,675
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>61,796</u>	<u>407,263</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 64,273</u>	<u>\$ 574,938</u>

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ -	\$ -	\$ 150,092	\$ -	\$ 163,637	\$ -
98,090	201,075	-	-	-	-	12,418
-	-	-	1,674	-	-	-
-	-	68,270	-	-	-	-
-	1,129	683	6,699	6,800	17,203	740
-	-	-	-	-	-	-
<u>98,090</u>	<u>202,204</u>	<u>68,953</u>	<u>158,465</u>	<u>6,800</u>	<u>180,840</u>	<u>13,158</u>
-	-	-	-	-	-	4,500
-	-	-	-	-	-	-
36,769	-	-	146,402	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,000	-	-	-	-	-	-
2,145	-	-	-	-	-	-
<u>98,914</u>	<u>-</u>	<u>-</u>	<u>146,402</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
(824)	202,204	68,953	12,063	6,800	180,840	8,658
824	-	-	-	-	-	-
-	(223,866)	(60,000)	-	(38,528)	-	-
824	(223,866)	(60,000)	-	(38,528)	-	-
-	(21,662)	8,953	12,063	(31,728)	180,840	8,658
-	26,543	17,482	271,577	299,500	700,736	33,090
<u>\$ -</u>	<u>\$ 4,881</u>	<u>\$ 26,435</u>	<u>\$ 283,640</u>	<u>\$ 267,772</u>	<u>\$ 881,576</u>	<u>\$ 41,748</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, 2005

	Special Revenue Funds (Continued)	
	Water Development	Traffic Impact
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	56,820	22,891
Developer fees	209,700	339
TOTAL REVENUES	266,520	23,230
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	80,471	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	80,471	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	186,049	23,230
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(689,879)	(99,867)
TOTAL OTHER FINANCING SOURCES (USES)	(689,879)	(99,867)
NET CHANGE IN FUND BALANCES	(503,830)	(76,637)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	2,392,203	990,486
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 1,888,373	\$ 913,849

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
\$ 124,528	\$ 37,945	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	100,000	-	117,309	498	111,813
-	-	-	-	-	-	-
7,298	739	2,691	9	-	-	-
-	-	-	-	-	-	-
<u>131,826</u>	<u>38,684</u>	<u>102,691</u>	<u>9</u>	<u>117,309</u>	<u>498</u>	<u>111,813</u>
2,050	-	-	-	-	-	-
-	-	95,819	-	60,181	919	127,345
-	-	-	-	-	-	-
-	33,269	-	-	-	-	-
-	-	-	-	58,025	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,050</u>	<u>33,269</u>	<u>95,819</u>	<u>-</u>	<u>118,206</u>	<u>919</u>	<u>127,345</u>
<u>129,776</u>	<u>5,415</u>	<u>6,872</u>	<u>9</u>	<u>(897)</u>	<u>(421)</u>	<u>(15,532)</u>
-	-	-	-	-	-	26,905
<u>(200,612)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(200,612)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,905</u>
(70,836)	5,415	6,872	9	(897)	(421)	11,373
<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>
<u>\$ 190,457</u>	<u>\$ 37,965</u>	<u>\$ 106,918</u>	<u>\$ 558</u>	<u>\$ (28,988)</u>	<u>\$ (421)</u>	<u>\$ (15,532)</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, 2005

	Special Revenue Funds (Continued)	
	Brownfields Grant	Housing Impact
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	125,067	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	-	6,883
Developer fees	-	327,256
TOTAL REVENUES	<u>125,067</u>	<u>334,139</u>
EXPENDITURES:		
Current:		
General government	-	-
Police	131,796	-
Community development	-	-
Public works	-	-
Capital outlay	-	598,920
Debt service:		
Principal retirement	-	-
Interest	-	-
TOTAL EXPENDITURES	<u>131,796</u>	<u>598,920</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,729)</u>	<u>(264,781)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(6,729)	(264,781)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>1,074</u>	<u>732,308</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ (5,655)</u>	<u>\$ 467,527</u>

See independent auditors' report.

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
HELP Loan	
\$ -	\$ 476,202
-	767,318
-	1,674
-	68,270
667	153,865
-	867,046
<u>667</u>	<u>2,334,375</u>
-	6,550
-	416,060
34,743	217,914
-	113,740
-	656,945
-	60,000
-	2,145
<u>34,743</u>	<u>1,473,354</u>
<u>(34,076)</u>	<u>861,021</u>
-	27,729
-	<u>(1,496,012)</u>
-	<u>(1,468,283)</u>
(34,076)	(607,262)
<u>34,370</u>	<u>6,307,870</u>
<u>\$ 294</u>	<u>\$ 5,700,608</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 500	\$ 500	\$ 1,048	\$ 548
Investment income	750	750	1,429	679
 TOTAL REVENUES	 1,250	 1,250	 2,477	 1,227
 FUND BALANCE AT BEGINNING OF YEAR	 61,796	 61,796	 61,796	 -
 FUND BALANCE AT END OF YEAR	 \$ 63,046	 \$ 63,046	 \$ 64,273	 \$ 1,227

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 17,500	\$ 17,500	\$ 21,184	\$ 3,684
Developer fees	915,900	915,900	329,751	(586,149)
TOTAL REVENUES	933,400	933,400	350,935	(582,465)
EXPENDITURES:				
Community development:				
Recreation	25,000	25,000	-	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	908,400	908,400	350,935	(557,465)
OTHER FINANCING USES:				
Transfers out	(336,250)	(341,050)	(183,260)	157,790
NET CHANGE IN FUND BALANCE	572,150	567,350	167,675	(399,675)
FUND BALANCE AT BEGINNING OF YEAR	407,263	407,263	407,263	-
FUND BALANCE AT END OF YEAR	\$ 979,413	\$ 974,613	\$ 574,938	\$ (399,675)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 108,003	\$ 108,003	\$ 98,090	\$ (9,913)
EXPENDITURES:				
Community development:				
CDBG program	35,858	35,858	36,769	(911)
Capital outlay	10,000	10,000	-	10,000
Debt service:				
Principal retirement	60,000	60,000	60,000	-
Interest	2,145	2,145	2,145	-
TOTAL EXPENDITURES	108,003	108,003	98,914	9,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(824)	(824)
OTHER FINANCING SOURCES:				
Transfers in	-	-	824	824
NET CHANGE IN FUND BALANCE	-	-	-	-
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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 190,500	\$ 190,500	\$ 201,075	\$ 10,575
Investment income	1,000	1,000	1,129	129
TOTAL REVENUES	191,500	191,500	202,204	10,704
OTHER FINANCING USES:				
Transfers out	(186,000)	(186,000)	(223,866)	(37,866)
NET CHANGE IN FUND BALANCE	5,500	5,500	(21,662)	(27,162)
FUND BALANCE AT BEGINNING OF YEAR	26,543	26,543	26,543	-
FUND BALANCE AT END OF YEAR	\$ 32,043	\$ 32,043	\$ 4,881	\$ (27,162)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 60,000	\$ 60,000	\$ 68,270	\$ 8,270
Investment income	150	150	683	533
TOTAL REVENUES	60,150	60,150	68,953	8,803
OTHER FINANCING USES:				
Transfers out	(60,000)	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	150	150	8,953	8,803
FUND BALANCE AT BEGINNING OF YEAR	17,482	17,482	17,482	-
FUND BALANCE AT END OF YEAR	\$ 17,632	\$ 17,632	\$ 26,435	\$ 8,803

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 145,800	\$ 145,800	\$ 150,092	\$ 4,292
Charges for services	1,375	1,375	1,674	299
Investment income	6,000	6,000	6,699	699
TOTAL REVENUES	153,175	153,175	158,465	5,290
EXPENDITURES:				
Community development:				
Public transportation	159,959	160,159	146,402	13,757
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,784)	(6,984)	12,063	19,047
FUND BALANCE AT BEGINNING OF YEAR	271,577	271,577	271,577	-
FUND BALANCE AT END OF YEAR	\$ 264,793	\$ 264,593	\$ 283,640	\$ 19,047

See independent auditors' report.

CITY OF SIGNAL HILL

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

CABLE TELEVISIONING SPECIAL REVENUE FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 7,000	\$ 7,000	\$ 6,800	\$ (200)
OTHER FINANCING USES:				
Transfers out	(40,000)	(51,880)	(38,528)	13,352
NET CHANGE IN FUND BALANCE	(33,000)	(44,880)	(31,728)	13,152
FUND BALANCE AT BEGINNING OF YEAR	299,500	299,500	299,500	-
FUND BALANCE AT END OF YEAR	<u>\$ 266,500</u>	<u>\$ 254,620</u>	<u>\$ 267,772</u>	<u>\$ 13,152</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 162,400	\$ 162,400	\$ 163,637	\$ 1,237
Investment income	13,750	13,750	17,203	3,453
TOTAL REVENUES	176,150	176,150	180,840	4,690
OTHER FINANCING USES:				
Transfers out	(15,000)	(15,000)	-	15,000
NET CHANGE IN FUND BALANCE	161,150	161,150	180,840	19,690
FUND BALANCE AT BEGINNING OF YEAR	700,736	700,736	700,736	-
FUND BALANCE AT END OF YEAR	\$ 861,886	\$ 861,886	\$ 881,576	\$ 19,690

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 10,000	\$ 10,000	\$ 12,418	\$ 2,418
Investment income	650	650	740	90
TOTAL REVENUES	10,650	10,650	13,158	2,508
EXPENDITURES:				
General government:				
City Council	4,500	4,500	4,500	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,150	6,150	8,658	2,508
FUND BALANCE AT BEGINNING OF YEAR	33,090	33,090	33,090	-
FUND BALANCE AT END OF YEAR	\$ 39,240	\$ 39,240	\$ 41,748	\$ 2,508

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 56,820	\$ 6,820
Developer fees	1,007,000	1,007,000	209,700	(797,300)
TOTAL REVENUES	1,057,000	1,057,000	266,520	(790,480)
EXPENDITURES:				
Public works:				
Engineering and project services	-	80,450	80,471	(21)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,057,000	976,550	186,049	(790,501)
OTHER FINANCING USES:				
Transfers out	(981,750)	(1,091,150)	(689,879)	401,271
NET CHANGE IN FUND BALANCE	75,250	(114,600)	(503,830)	(389,230)
FUND BALANCE AT BEGINNING OF YEAR	2,392,203	2,392,203	2,392,203	-
FUND BALANCE AT END OF YEAR	\$ 2,467,453	\$ 2,277,603	\$ 1,888,373	\$ (389,230)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 20,000	\$ 20,000	\$ 22,891	\$ 2,891
Developer fees	353,850	353,850	339	(353,511)
TOTAL REVENUES	373,850	373,850	23,230	(350,620)
OTHER FINANCING USES:				
Transfers out	(361,000)	(336,000)	(99,867)	236,133
NET CHANGE IN FUND BALANCE	12,850	37,850	(76,637)	(114,487)
FUND BALANCE AT BEGINNING OF YEAR	990,486	990,486	990,486	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,003,336</u>	<u>\$ 1,028,336</u>	<u>\$ 913,849</u>	<u>\$ (114,487)</u>

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 120,900	\$ 120,900	\$ 124,528	\$ 3,628
Investment income	3,000	3,000	7,298	4,298
TOTAL REVENUES	123,900	123,900	131,826	7,926
EXPENDITURES:				
General government:				
City Council	2,050	2,050	2,050	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	121,850	121,850	129,776	7,926
OTHER FINANCING USES:				
Transfers out	(82,200)	(266,500)	(200,612)	65,888
NET CHANGE IN FUND BALANCE	39,650	(144,650)	(70,836)	73,814
FUND BALANCE AT BEGINNING OF YEAR	261,293	261,293	261,293	-
FUND BALANCE AT END OF YEAR	\$ 300,943	\$ 116,643	\$ 190,457	\$ 73,814

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 37,900	\$ 37,900	\$ 37,945	\$ 45
Investment income	500	500	739	239
TOTAL REVENUES	38,400	38,400	38,684	284
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	36,040	37,890	33,269	4,621
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,360	510	5,415	4,905
FUND BALANCE AT BEGINNING OF YEAR	32,550	32,550	32,550	-
FUND BALANCE AT END OF YEAR	\$ 34,910	\$ 33,060	\$ 37,965	\$ 4,905

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	2,691	2,691
TOTAL REVENUES	100,000	100,000	102,691	2,691
EXPENDITURES:				
Police:				
Patrol services	149,300	149,300	95,819	53,481
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,300)	(49,300)	6,872	56,172
FUND BALANCE AT BEGINNING OF YEAR	100,046	100,046	100,046	-
FUND BALANCE AT END OF YEAR	\$ 50,746	\$ 50,746	\$ 106,918	\$ 56,172

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 140,000	\$ 117,309	\$ (22,691)
EXPENDITURES:				
Police:				
Domestic preparedness	-	87,200	60,181	27,019
Capital outlay	-	52,800	58,025	(5,225)
TOTAL EXPENDITURES	-	140,000	118,206	21,794
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(897)	(897)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(28,091)	(28,091)	(28,091)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (28,091)	\$ (28,091)	\$ (28,988)	\$ (897)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 2,615	\$ 498	\$ (2,117)
EXPENDITURES:				
Police:				
Patrol services	-	1,500	919	581
Capital outlay	-	1,115	-	1,115
TOTAL EXPENDITURES	-	2,615	919	1,696
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(421)	(421)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ (421)	\$ (421)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 124,800	\$ 124,800	\$ 111,813	\$ (12,987)
EXPENDITURES:				
Police:				
Investigative services	124,800	124,800	127,345	(2,545)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(15,532)	(15,532)
OTHER FINANCING SOURCES:				
Transfers in	-	-	26,905	26,905
NET CHANGE IN FUND BALANCE	-	-	11,373	11,373
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(26,905)	(26,905)	(26,905)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (26,905)	\$ (26,905)	\$ (15,532)	\$ 11,373

See independent auditors' report.

CITY OF SIGNAL HILL

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

BROWNSFIELDS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 400,000	\$ 125,067	\$ (274,933)
EXPENDITURES:				
Police:				
Patrol services	-	400,000	131,796	268,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(6,729)	(6,729)
FUND BALANCE AT BEGINNING OF YEAR	1,074	1,074	1,074	-
FUND BALANCE AT END OF YEAR	\$ 1,074	\$ 1,074	\$ (5,655)	\$ (6,729)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 5,000	\$ 5,000	\$ 6,883	\$ 1,883
Developer fees	-	275,000	327,256	52,256
TOTAL REVENUES	5,000	280,000	334,139	54,139
EXPENDITURES:				
Capital outlay	700,000	894,870	598,920	295,950
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(695,000)	(614,870)	(264,781)	350,089
FUND BALANCE AT BEGINNING OF YEAR	732,308	732,308	732,308	-
FUND BALANCE AT END OF YEAR	\$ 37,308	\$ 117,438	\$ 467,527	\$ 350,089

See independent auditors' report.

CITY OF SIGNAL HILL

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

HELP LOAN SPECIAL REVENUE FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 750	\$ 750	\$ 667	\$ (83)
TOTAL REVENUES	750	750	667	(83)
EXPENDITURES:				
Community development:				
Planning services	34,236	34,236	34,743	(507)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,486)	(33,486)	(34,076)	(590)
FUND BALANCE AT BEGINNING OF YEAR	34,370	34,370	34,370	-
FUND BALANCE AT END OF YEAR	\$ 884	\$ 884	\$ 294	\$ (590)

See independent auditors' report.

This page intentionally left blank

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, 2005

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
ASSETS:				
Cash and investments	<u>\$ 884,509</u>	<u>\$ 767,669</u>	<u>\$ (671,487)</u>	<u>\$ 980,691</u>
LIABILITIES:				
Refundable deposits	<u>\$ 884,509</u>	<u>\$ 767,669</u>	<u>\$ (671,487)</u>	<u>\$ 980,691</u>

See independent auditors' report.

CITY OF SIGNAL HILL

GOVERNMENT-WIDE EXPENSES BY PROGRAM

Last Three Fiscal Years

Fiscal Year	General Government	Community Services	Police	Community 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
2004 - 05	5,152,374	1,162,133	6,598,920	5,939,510	5,636,076	3,630,482	448,163	3,366,391	31,934,049

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 Three Fiscal Years

Fiscal Year	Program Revenues			General Revenues			Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	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
2004 - 05	5,408,437	1,054,557	2,414,825	22,806,038	1,021,674	733,277	33,438,808

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.

CITY OF SIGNAL HILL

SCHEDULE OF EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS (1)

Last Ten Fiscal Years

Fiscal Year	General Government	Community Services	Public Safety	Community Development	Public Works	Capital Outlay	Debt Service	Other Expenditures	Totals
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
2004 - 05	5,058,368	1,130,008	6,338,745	1,122,741	3,683,200	7,191,162	6,478,516	-	31,002,740

(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
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
2004 - 05	21,608,694	428,570	2,910,195	1,020,316	283,927	1,014,058	1,948,369	29,214,129

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

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
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	105,163,212	1,392,367,912	1,392,367,912

Source: HdL Coren & Cone

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
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	360,249	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

<u>Fiscal Year</u>	<u>County</u>	<u>LA County Flood Control District</u>	<u>County Sanitation District #29</u>	<u>Metropolitan Water District</u>	<u>Long Beach Unified School District</u>	<u>General</u>	<u>Totals</u>
1995 - 96	0.001814	0.000963	0.008434	0.008900	-	1.000000	ⁱ 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	1.066033

Source: Los Angeles County Auditor Controller

CITY OF SIGNAL HILL

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2005

	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
OVERLAPPING DEBT:			
Los Angeles County Detention Facilities 1987 Debt Service	\$ 16,205,000	0.078%	\$ 12,597
Los Angeles County Flood Control (Storm Drain Bonds No. 4 DS)	1,990,000	0.079%	1,569
Los Angeles County Flood Control Refunding Bonds 1993 Debt Service	275,000	0.079%	217
* Metropolitan Water District City of Long Beach Area 1108 DS	419,390,000	0.000%	1,623
* Central Basin Municipal Water District 1114 DS	419,390,000	0.198%	829,163
Long Beach Community College District 2002 Series A 2003 DS	35,800,000	1.817%	650,434
Long Beach Unified School District 1999 Series E DS	60,000,000	3.885%	2,331,265
Long Beach Unified School District 1999 Series F DS	100,000,000	2.964%	2,963,514
Long Beach Unified School District 1999 Series A DS	23,100,000	1.817%	419,750
Long Beach Unified School District 1999 Series B DS	28,220,000	1.817%	512,785
Long Beach Unified School District 1999 Series C DS	57,010,000	1.817%	1,035,928
Long Beach Unified School District 1999 Series D DS	39,055,000	1.817%	709,668
Long Beach Unified School District 1999 Series E DS	59,300,000	1.817%	1,077,540
TOTAL OVERLAPPING DEBT			\$ 10,546,053

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

2004 - 05 Assessed Valuation: \$523,657,439 (after deducting \$868,710,473 redevelopment increment)

DEBT TO ASSESSED VALUATION RATIOS:

Direct Debt.....	0.00%
Overlapping Debt.....	2.01%
Total Debt.....	2.01%

CITY OF SIGNAL HILL
SCHEDULE OF LEGAL DEBT MARGIN

June 30, 2005

ASSESSED VALUATION	<u>\$ 1,392,367,912</u>
DEBT LIMIT - 15% OF ASSESSED VALUATION	\$ 208,855,187
AMOUNT OF DEBT APPLICABLE TO DEBT LIMITATION:	
TOTAL BONDED DEBT	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 208,855,187</u>

CITY OF SIGNAL HILL
DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Square Miles (1)</u>	<u>Population (2)</u>	<u>Population Percentage Change</u>
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	3.01%

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

<u>Fiscal Year</u>	<u>Building Permits Issued</u>	<u>Percentage Change</u>	<u>Estimated Valuation</u>	<u>Percentage Change</u>
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	215.70%	36,921,196	1.41%

(1) Bank deposit information is not available.

CITY OF SIGNAL HILL

SCHEDULE OF TOP 25 SALES TAX PRODUCERS

June 30, 2005

Taxpayer	Type of Business
A & A Ready Mixed Concrete	Contractors
All Roofing Material Long Beach	Lumber/Building Materials
Altair Gases and Equipment	Drugs/Chemicals
Black Gold Pump & Supply	Petroleum Prod/Equipment
Boulevard Buick Pontiac GMC Truck	New Motor Vehicle Dealers
Cherry Arco Am Pm	Service Stations
Chevron	Service Stations
Costco	Discount Department Stores
Financial Services Vehicle Trust	Auto Lease
Gaines Electric Supply	Plumbing/Electrical Supplies
Glenn Thomas Dodge	New Motor Vehicle Dealers
Heating & Colling Supply	Contractors
Home Depot	Lumber/Building Materials
Howard's Appliances	Radio/Appliance Stores
Long Beach BMW	New Motor Vehicle Dealers
Long Beach Chrysler Jeep	New Motor Vehicle Dealers
Long Beach Honda	New Motor Vehicle Dealers
Mercedes Benz of Long Beach	New Motor Vehicle Dealers
Office Depot	Office Supplies/Furniture
Office Depot Business Services	Office Supplies/Furniture
P B I Market Equipment	Farm Products/Equipment
Petsmart	Specialty Stores
Schaiers Nissan of Long Beach	New Motor Vehicle Dealers
Target	Discount Department Stores
Toys - R - Us	Specialty Stores

Percent of City Fiscal Year Total Paid by Top 25 Accounts = 81.27%

CITY OF SIGNAL HILL
PRINCIPAL TAXPAYERS

June 30, 2005

Taxpayer	Type of Business	Number of Parcels	Assessed Valuation	Percentage of Assessed Valuation
Long Beach Acquisition Corporation	Cable Right-of-Way	2	\$ 27,348,141	2.0%
LBSH Development	Office/Industrial	1	25,000,000	1.8%
Signal Hill Petroleum	Mineral Rights	35	21,755,341	1.6%
Arco Terminal Services Corporation	Oil Storage	3	21,630,038	1.6%
Costco Wholesale Corporation	Discount Retail	4	18,074,416	1.3%
PL Signal Hill	Commercial Development	1	16,811,469	1.2%
MCC Pacific Valves / Flowseal	Manufacturer	4	13,573,380	1.0%
Town Center West LLC	Commercial Development	8	10,593,755	0.8%
Eastman Inc.	Business Office Products	1	10,457,052	0.8%
Town Center Signal Hill LLC	Office Buildings	2	10,200,807	0.7%
	TOTAL	<u>61</u>	<u>\$ 175,444,399</u>	<u>14.3%</u>

Source: HdL Coren & Cone, Los Angeles County Assessor 2004/05 Combined Tax Rolls

CITY OF SIGNAL HILL

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2005

GENERAL INFORMATION:

Date of Incorporation	1924
Form of Government	Council - Manager Charter City

POPULATION

10,951

AREA - Land

Square Miles: 2.2 Acres: 1,408

FIRE PROTECTION:

Number of stations	1
Number of fire hydrants	459
(The City of Signal Hill receives fire protection from the County of Los Angeles)	

POLICE PROTECTION:

Number of stations	1
Number of cells	8
Number of sworn police officers	32
Number of patrol vehicles	9

MUNICIPAL WATER DEPARTMENT:

Number of water services	2,800
Miles of lines and mains	34
Number of reservoirs	3 - 7.5 million gallons
Number of wells	2
Annual gallons supplied	763 million gallons

PUBLIC SERVICE:

Miles of streets	35.7
Number of street trees	3,200
Number of vehicles maintained	76

RECREATION AND CULTURE:

Number of parks	9
Area of parks	23.03 acres
Number of libraries	1
Number of volumes	25,000
Number of community centers	1
Number of bandstands	1
Number of baseball diamonds	1
Number of basketball courts	2

NUMBER OF CITY EMPLOYEES:

Full - time	102
Part - time (expressed as full-time equivalents)	24.32