

COMPREHENSIVE ANNUAL FINANCIAL REPORT

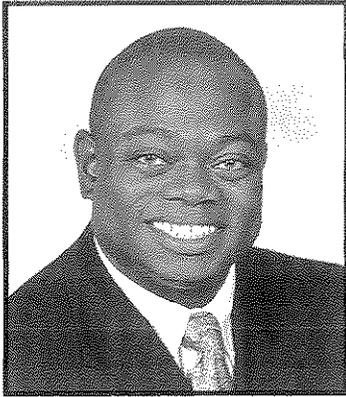
CITY OF SIGNAL HILL, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2006



**Prepared by
Department of Finance**

**Dennis MacArthur
Director of Finance**



Edward H. J. Wilson
Councilmember

ELECTED OFFICIALS



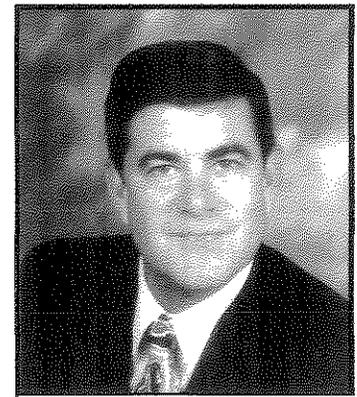
Ellen Ward
Councilmember



Larry Forester
Mayor



Tina L. Hansen
Vice Mayor



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 Farfing
Deborah Rich
David Aleshire
Kathy Sorensen
Gary Jones
Dennis MacArthur
Thomas Sonoff
Charlie Honeycutt

CITY OF SIGNAL HILL

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CITY OF SIGNAL HILL

2175 Cherry Avenue • Signal Hill, California 90755-3799

December 31, 2006

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, 2006 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. The City 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.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Signal Hill MD&A can be found immediately following the report of the independent auditors.

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, 2005.

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 schedules on Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information and Operating Information complying with GASB Pronouncement Number 44.

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 103 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 11,089, 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 decreased 40% over last year's near record high. Building permits issued during the current fiscal year totaled 187, down 33% from the previous year when 281 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.

Hillbrook Park, located in the southwestern portion of the City, was renovated during the Fiscal Year ended June 2006.

Activity in the City's Redevelopment Agency did not equal last year's level when the Agency acquired the final ten parcels to complete Phase 2 of the Las Brisas Revitalization Project. However, just like the calm before the storm, much of the activity was centered in the planning and legal process. The Agency is in the process of assembling additional properties to relocate the A & A batch process plant from the Auto Center. When that process is accomplished, a new dealership will be placed on the properties acquired to date.

The City of Signal Hill and its Redevelopment Agency was honored as the Grand Prize recipient of the Helen Putnam Award for Excellence for Housing Programs and Innovations at the California League of Cities Annual Conference. The Helen Putnam Award recognizes outstanding cities that deliver the highest quality and level of service in the effective manner possible. The City received the award for

the "Renaissance of Las Brisas." The new park created for the project is pictured on the front cover of this report.

Also as a result of the City's efforts to revitalize the Las Brisas neighborhood, a grant totaling \$226,155 was awarded from the California Department of Housing and Community Development Workforce Housing Reward Program. This program is through Proposition 46, a housing production bond approved by the voters in 2002. The Workforce Housing Reward grant is based on the number of building permits issued for affordable housing within a city in 2005. Signal Hill qualified for this program through the Las Brisas 2 development, which is currently under construction. The grant funding will be used to construct a new restroom facility at Signal Hill Park to replace the existing facilities. Only eleven cities in Los Angeles County received Workforce Housing funds, and only five cities, including Signal Hill, received more than \$200,000.

The Community Services Department continued to provide much needed services to the children of Signal Hill. Kids Kamp realized revenues totaling \$163,266 for the fiscal year. An extended care program was offered for the first time during April. The new program extended the hours of the program from 6:45 AM to 6 PM to allow working parents to participate in the Kids Kamp program. The Signal Library received a grant for \$10,500 from the Bill and Melinda Gates Foundation to replace all of its public access computers. The Library also sponsored special events like the Galileo Metronome. Designed for children age five and older, the chamber music program was founded Los Angeles Philharmonic violinist Paul Stein. It introduces children to timeless music and encourages them to get a close-up look at the musical instruments used by an orchestra.

The number of new construction permits issued totaled \$22.3 million during the fiscal year. Construction was completed on the new 139,000 square foot Home Depot building. This is the City's second Home Depot store and it will greatly enhance the City's sales revenues. Despite the completion of the residential units associated with the Hilltop Master Plan, which were constructed by the original developer, Comstock, the City is still seeing considerable residential construction. Various projects were approved during the year with construction starting on the eleven unit Villagio Project and the seventeen unit Hathaway Ridge Project. Both projects involve single-family residential units. Council also approved the Crescent Square project, which will result in 27 single-family dwellings near the Town Center West commercial area. Also approved was the 35-unit Pacific Crest condominium development on the southeast side of the City. Sixty affordable units were approved for the Las Brisas II project. Other projects completed by the City's Community Development Department include the expansion of the City's Target Store and the adoption of an ordinance requiring larger garages in new single-family homes.

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. Also a grant for \$14,977 was obtained to fund the City's "Click-It or Ticket" Program. The program is a national campaign aimed at getting drivers to buckle-up while operating their vehicles and issuing citations to those who don't. The Signal Hill Police Department participated in the campaign and wrote 362 tickets during a three-week period. Officers were assigned to the detail on an overtime basis, with funding provided through the California State Office of Transportation (OTS).

Planning continued throughout the year to implement the finding of the Blue Ribbon Public Safety Committee, which 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. As a result, the budget

adopted in June 2006 included funding for a new 18,500 square foot Police building estimated to cost \$10,534,600. The structure would be built over a four-year period.

Two new officers were added during the fiscal year as part of the plan to implement the findings of the citizen Blue Ribbon Committee. An additional two officers will be added in fiscal year 2006-2007, as well.

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 Redevelopment Agency received 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. Construction began on the new roof for the City's five million gallon reservoir located on the north end of the City. Approximately, \$250,000 was expended from the City's Water Utility Fund during the fiscal year with completion scheduled during fiscal year 2006-2007. Property was acquired next to the City's Corporate Yard to construct the new water well number nine. The area will be landscaped and a unit will be constructed to house the new well's pumping equipment. During the fiscal year, over \$960,000 was expended on the project.

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 completed 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 \$2.4 million during the fiscal year. The increase in reserves was designated to the City's contingency reserve increasing to \$6.9 million. The City Council reallocated \$6.9 million of its designations from the "obligation under the owner participation agreement" and the "note repayment" designations to the "economic uncertainties" and the police building reserve. Total reserves and designations of General Fund balance are currently in excess of \$23.6 million. Designation associated with General Fund contingencies and uncertainties total \$10.39 million, which represent 63% 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 2005-2006; 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 .70% (70 basis points) over last year's average rate. The increase was due to increasing rates on investments especially the rate that was earned by the state pool (LAIF) where the City has 48% of its portfolio. The portfolio's weighted average days to maturity are 262 days. Last year's weighted average days to maturity were 257 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 \$30.99 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, 2005. This was the 11th 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, 2005.

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 and Mike Matsumoto of Governmental Services Inc., for their significant role in the report preparation and our auditors, Diehl Evans & Company.

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, 2005

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



President

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Signal Hill



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

February 24, 2006

William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

CITY OF SIGNAL HILL

JUNE 30, 2006

ELECTED OFFICIALS

Larry Forester
Mayor

Tina L. Hansen
Vice Mayor

Ellen Ward
Councilmember

Edward H.J. Wilson
Councilmember

Michael Noll
Councilmember

Kathleen Pacheco
City Clerk

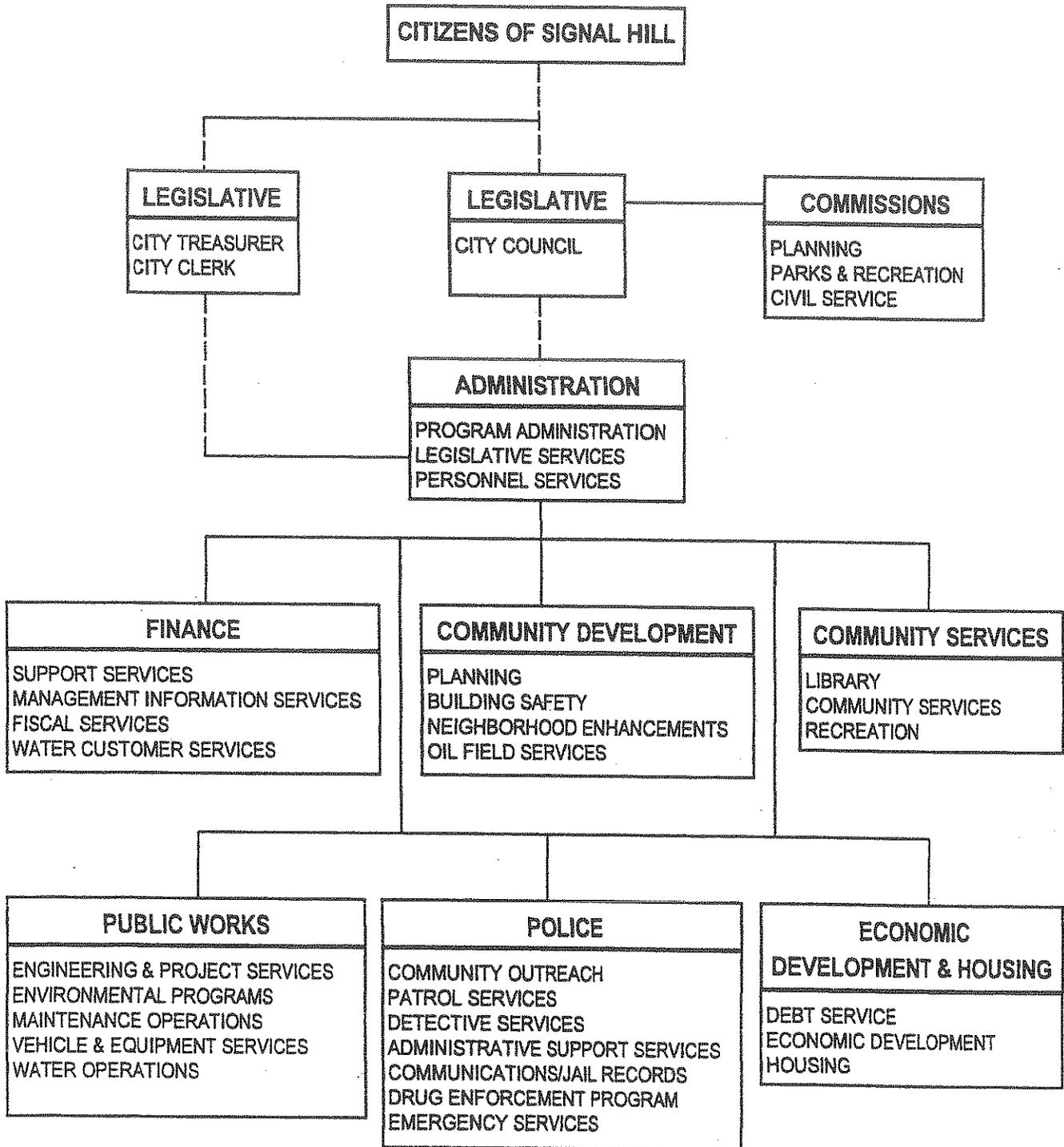
Emerson Fersch
City Treasurer

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
Thomas Sonoff
Charlie Honeycutt

CITY OF SIGNAL HILL ORGANIZATIONAL CHART





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

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

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*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

November 16, 2006

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, 2006, 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, 2006, 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 November 16, 2006 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 to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information 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.

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, 2006

This discussion and analysis section of the City of Signal Hill's (the City) comprehensive annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2006. 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 \$41,706,735. Of this amount a \$62,551,326 deficit was attributable to the redevelopment agency tax allocation bonds secured by future tax increment revenues.
- The City's total net assets increased by \$9,351,909 over last years' totals. Governmental activities contributed \$8,873,701, and business-type activities contributed \$478,208.
- At the close of the current fiscal year, the City's governmental activities reported combined ending balances of \$21,466,990, an increase of \$8,873,701 in comparison to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the 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, and personnel), community services, police, community development and public works. 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, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City, 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, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (continued)

Proprietary funds

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

Enterprise funds

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

Internal service funds

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

Fiduciary funds

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

Notes to the basic financial statements

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

Other information

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

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (continued)

Other information (continued)

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City's net assets at June 30, 2006 total \$41,706,735. Following is a condensed version of the government-wide statement of net assets.

**Table 1
Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total 2006	Total 2005
Assets:						
Current and other assets	\$ 49,924,542	\$ 49,816,592	\$ 5,575,582	\$ 6,010,953	\$ 55,500,124	\$ 55,827,545
Capital assets, net	<u>44,079,816</u>	<u>45,473,209</u>	<u>24,251,152</u>	<u>23,630,553</u>	<u>68,330,968</u>	<u>69,103,762</u>
Total Assets	<u>94,004,358</u>	<u>95,289,801</u>	<u>29,826,734</u>	<u>29,641,506</u>	<u>123,831,092</u>	<u>124,931,307</u>
Liabilities:						
Current Liabilities	3,275,664	10,534,579	543,615	607,923	3,819,279	11,142,502
Long-term Liabilities	<u>69,261,704</u>	<u>72,161,933</u>	<u>9,043,374</u>	<u>9,272,046</u>	<u>78,305,078</u>	<u>81,433,979</u>
Total Liabilities	<u>72,537,368</u>	<u>82,696,512</u>	<u>9,586,989</u>	<u>9,879,969</u>	<u>82,124,357</u>	<u>92,576,481</u>
Net assets:						
Invested in capital assets, net of related debt	44,079,816	45,473,209	15,413,792	14,402,560	59,493,608	59,875,769
Restricted	8,982,838	7,155,524	688,852	2,404,580	9,671,690	9,560,104
Unrestricted	<u>(31,595,664)</u>	<u>(40,035,444)</u>	<u>4,137,101</u>	<u>2,954,397</u>	<u>(27,458,563)</u>	<u>(37,081,047)</u>
Total Net Assets	<u>\$ 21,466,990</u>	<u>\$ 12,593,289</u>	<u>\$ 20,239,745</u>	<u>\$ 19,761,537</u>	<u>\$ 41,706,735</u>	<u>\$ 32,354,826</u>

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

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 (the 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. Although completed public facilities and Joint Agency-Private Partnership projects are transferred to the City 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's net assets increased by \$9,351,909 in the fiscal year ended June 30, 2006. The increase was split between the governmental activities (\$8,873,701) and business-type activities (\$478,208).

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 \$41,706,735 as of June 30, 2006. This represents an increase of \$9,351,909 over the prior year. This change is explained more fully below.

The City's total revenues were \$39,117,059. A significant portion of the City's revenue came from sales and use tax, accounting for 31.02% of total revenues, local property tax accounted for 29.13%, 14.41% was received for charges for services, and 6.97% came from capital grants and contributions.

The total cost of all City programs and services during fiscal year ended June 30, 2006 was \$29,765,150. Community development expenditures accounted for 13.16% of the total expenditures, 22.50% of expenditures were for police services, interest expense attributed to 11.77%, public works 19.87%, community services 3.99%, general government 13.81% and 13.63% was expended for business-type activities.

The difference between the City's total revenues and expenses, \$9,351,909, represented the increase in total net assets for 2006.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Table 2
Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business- Type Activities 2006	Business- Type Activities 2005	Total 2006	Total 2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,203,630	\$ 2,053,426	\$ 3,433,082	\$ 3,355,011	\$ 5,636,712	\$ 5,408,437
Operating grants and contributions	3,178,092	1,054,557	-	-	3,178,092	1,054,557
Capital grants and contributions	2,727,708	2,414,825	-	-	2,727,708	2,414,825
General revenues:						
Property taxes	11,393,493	9,451,029	-	-	11,393,493	9,451,029
Sales taxes	12,014,671	11,125,259	-	-	12,014,671	11,125,259
Other taxes	2,202,432	2,229,750	-	-	2,202,432	2,229,750
Investment income	1,067,132	912,377	114,532	109,297	1,181,664	1,021,674
Unrestricted grants and contributions	763,911	732,752	-	-	763,911	732,752
Miscellaneous	18,376	-	-	525	18,376	525
Total revenues	35,569,445	29,973,975	3,547,614	3,464,833	39,117,059	33,438,808
Expenses:						
General government	4,110,386	5,152,374	-	-	4,110,386	5,152,374
Community services	1,188,690	1,162,133	-	-	1,188,690	1,162,133
Police	6,630,574	6,598,920	-	-	6,630,574	6,598,920
Community development	3,876,951	5,939,510	-	-	3,876,951	5,939,510
Public works	5,914,779	5,636,076	-	-	5,914,779	5,636,076
Unallocated infrastructure depreciation	482,310	448,163	-	-	482,310	448,163
Interest on long-term liabilities	3,503,568	3,630,482	-	-	3,503,568	3,630,482
Water	-	-	4,057,892	3,366,391	4,057,892	3,366,391
Total Expenses	25,707,258	28,567,658	4,057,892	3,366,391	29,765,150	31,934,046
Increase (decrease) in net assets before transfers	9,862,187	1,406,317	(510,278)	98,442	9,351,909	1,504,759
Transfers	(988,486)	(689,880)	988,486	689,880	-	-
Change in net assets	8,873,701	716,437	478,208	788,322	9,351,909	1,504,759
Net assets - beginning	12,593,289	11,876,852	19,761,537	18,973,215	32,354,826	30,850,067
Net assets - ending	\$ 21,466,990	\$ 12,593,289	\$ 20,239,745	\$ 19,761,537	\$ 41,706,735	\$ 32,354,826

See independent auditors' report.

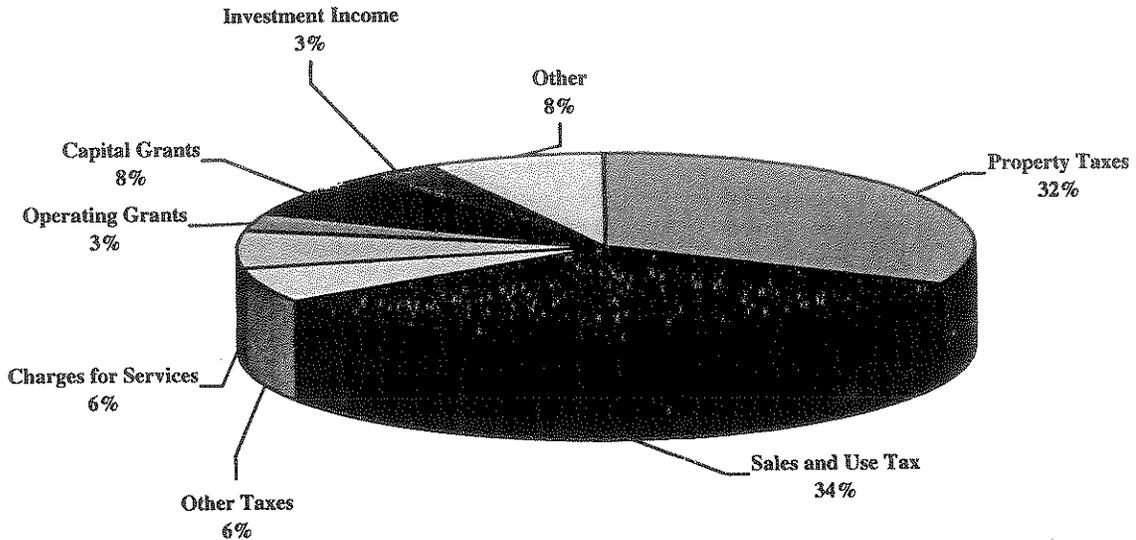
CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

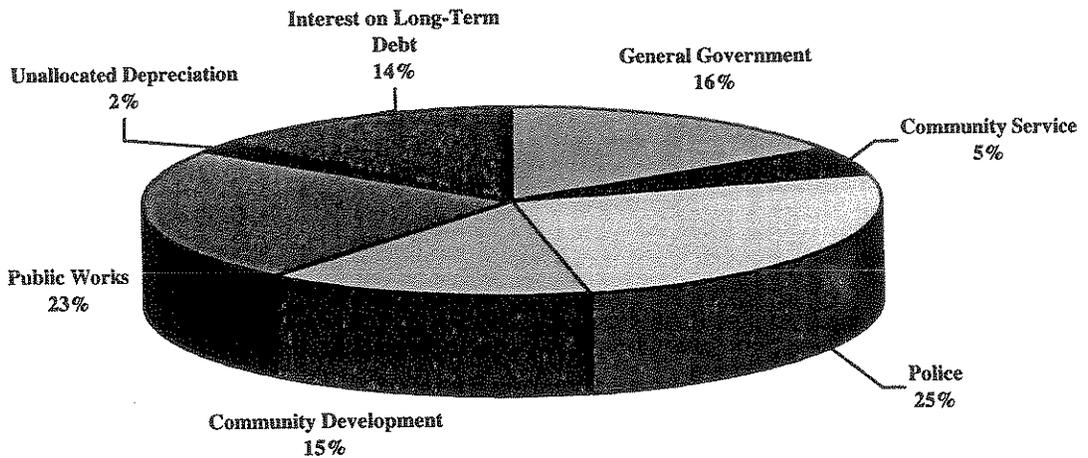
Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Revenues by Source – Governmental Activities
Fiscal Year 2006**



**Expenditures – Governmental Activities
Fiscal Year 2006**



See independent auditors' report.

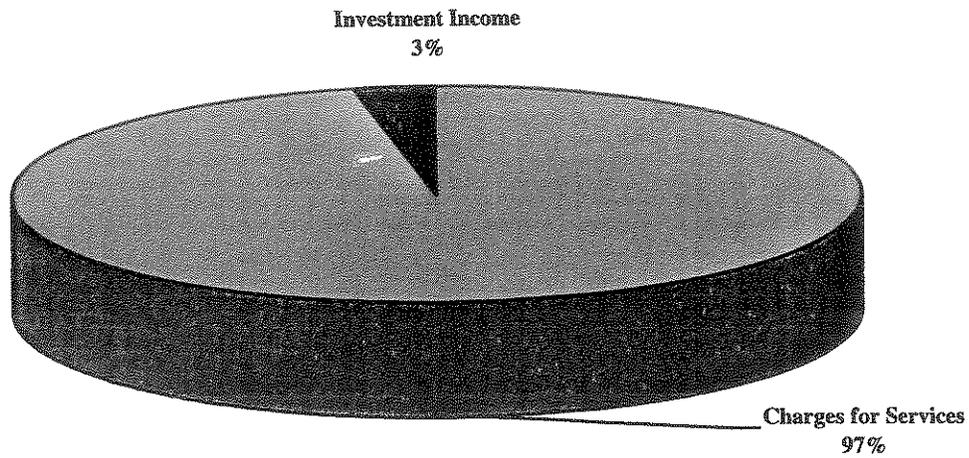
CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

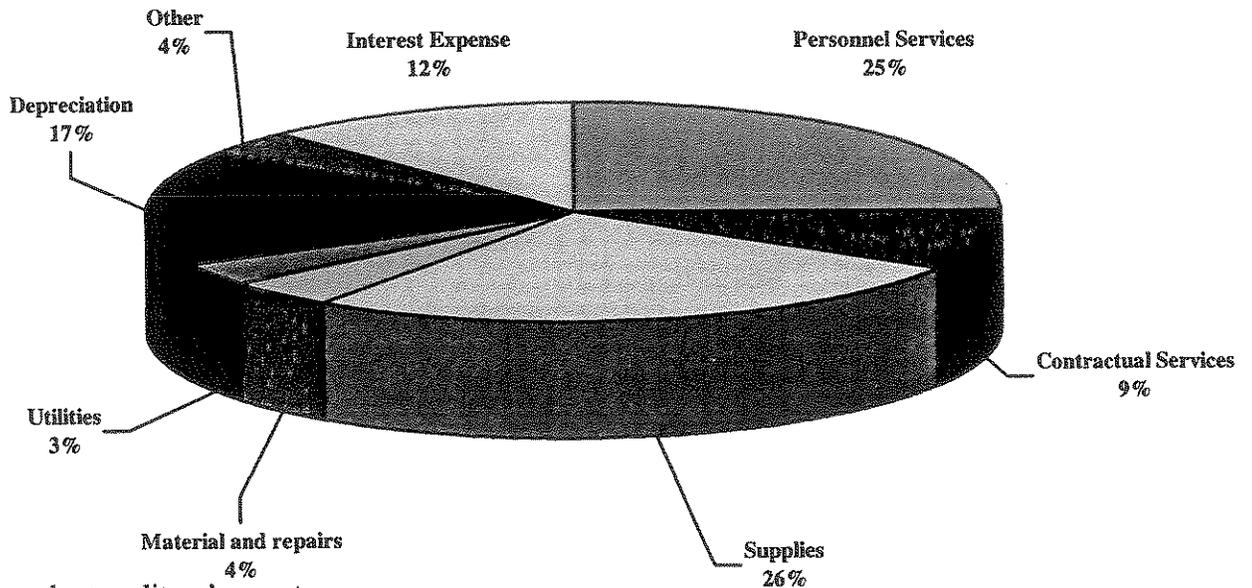
Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Revenues by Sources – Business-type Activities
Fiscal Year 2006**



**Expenditures – Business-type Activities
Fiscal Year 2006**



See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Assets (continued)

Governmental activities contributed to \$8,873,701 of the increase in net assets. The largest increases in revenues as compared to the prior year were attributable to property tax, sales tax, and miscellaneous income. Property tax increased \$1,942,464 or 20.55%. Sales tax increased by \$889,412 or 7.99% over the prior year because of strong retail sales growth. Operating grants and contributions increased by \$2,123,535 due primarily to a \$2 million contribution by Signal Hill Petroleum to develop land for residential housing near the Town Center West commercial center.

Expenditures decreased \$2,168,899 primarily as a result of a decrease in expenditures for housing. In the prior fiscal year, major expenditures were made for a low income housing project. Increases in operating expenditures were kept minimal due primarily to the City's conservative 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, 2006, the expenses exceeded revenues with the City's total business-type activities having realized an overall increase in net assets of \$478,208.

The City's enterprise operation is comprised solely of a Water Fund. Operating revenues increased \$78,071, or 2.33%, over the previous year. Rates did not change during the fiscal year. The increase in revenues resulted from the growth in our customer base and increases in consumption levels. Operating expenses increased \$691,501, or 20.54%. The increase in operating expenses resulted from the purchases of more expensive imported bulk water. Due to the shut down of the City's main reservoir for repairs, water had to be purchased directly from the Central Basin Water District.

Change in net assets consisted of an increase of \$478,208 for the year as compared to last year's \$788,322 increase in net assets. The main reason for the increase in net assets was the \$988,486 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 \$20,239,745, this represents a 2.42% increase in net assets. The City has ample coverage to pay its water-bonded indebtedness. The City's Water Utility Debt Service Coverage is 139%. This is 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%.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Financial Analysis of the City's Major Funds

The City's major funds for the fiscal year ended June 30, 2006 were the General Fund, Affordable Housing Special Revenue Fund, Debt Service Fund, Capital Improvements Capital Projects Fund, and Community Redevelopment Capital Projects Fund.

General Fund

The General Fund's fund balance increased by \$2,445,100, for an increase of 11.6%. Revenues increased by \$2,002,744, or 12.8%, and expenditures decreased by \$358,900 or 2.3%. The majority of increases in revenues can be attributed to a \$4.1 million increase in sales tax revenues. The increase was attributed to a new Home Depot retail outlet and a one time sales tax audit adjustment received from the State Board of Equalization.

Affordable Housing Special Revenue Fund

The fund balance increased by \$1,544,178 or 90.8%. A contribution by a single developer totaling \$2 million was the major reason for the increase.

Debt Service Fund

The Debt Service Fund fund balance increased by \$2,090,711. Increases totaling \$117 million in assessed valuation resulted in \$1.5 million in additional property taxes over the previous year. This increase was offset partially by an increase in debt services expenditures totaling \$870,000 due to an increase in payments under the terms of the Price Note. Net transfers totaling \$1.4 million brought the total increase to fund balance to over \$2 million.

Capital Improvement Capital Project Fund

Capital expenditures within the Capital Improvement Capital Project Fund totaled \$972,208 for the fiscal year. Some of the larger projects include \$169,464 spent on the Citywide Annual Pavement Management Program, \$143,783 spent on Spring Street thereby concluding this four year project, \$111,485 expended on the Hamilton Bowl Trash Reduction Project, \$133,460 spent on Hillbrook Park Improvements and \$85,418 spent on preliminary planning and design for the new Police and Library building concepts.

Community Redevelopment Capital Project Fund

The Community Redevelopment Capital Project Fund fund balance increased by \$108,687.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

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

Year-to-date revenues, including transfers-in, totaled \$18,002,261. Total General Fund revenues and transfers in exceeded their adjusted budget amounts by \$1,783,501. Sales and use tax was the largest revenue source with \$11,963,398 in realized revenues. This amount was \$763,398 more than the adjusted budget. The favorable variance was attributable to a favorable economy, a newly open big box retailer and a one time audit settlement from the California State Board of Equalization regarding sales tax revenues from a leasing company.

Other revenues exceeding their adjusted budgets were investment earnings (\$361,021 over budget) and intergovernmental revenues (\$287,342 over budget). Almost all of the City's revenue categories exceeded their adjusted budget totals. The exception to this was licenses and permits, which were \$98,427 below budget. We are starting to see a slowing in the housing sector.

Interest rates continued to improve over the previous fiscal year. Interest income totaled \$711,021. This was a \$105,921 or a 17.5% increase over last fiscal year. The increase was due to improved investment rates and strategies by the City to increase yields through longer maturity durations.

General Fund expenditures totaled \$15,080,180. Expenditures were projected at \$16,388,100 during the budget process. The expenditure under run from the final budget totaled \$1,307,920, or 8.67% under our projection. All departments came in under their budgets for fiscal year 2005-06 1). The under run in budget was caused primarily vacant positions in most City departments. The largest under runs were in the Public Works (\$502,119) and Police Department (\$417,173). The City Council authorized the hiring of two additional police officers in the 2005-2006 budget. The recruitment for police officers is a long process because of the intense screening process and testing that occurs. Historically, the City's expenditures will run 3% below the final budget projection.

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, 2006, totaled \$68,330,938, net of accumulated 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, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

**Table 3
Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total 2006	Total 2005
Land	\$ 27,673,385	\$ 26,879,741	\$ 3,237,724	\$ 3,237,724	\$ 30,911,109	\$ 30,117,465
Construction in progress	329,104	4,928,107	1,332,203	351,651	1,661,307	5,279,758
Buildings, equipment depreciable assets	4,355,914	4,193,381	18,920,832	19,250,405	23,276,746	23,443,786
Water rights	-	-	760,393	790,773	760,393	790,773
Infrastructure	11,721,413	9,471,980	-	-	11,721,413	9,471,980
Totals	<u>\$ 44,079,816</u>	<u>\$ 45,473,209</u>	<u>\$ 24,251,152</u>	<u>\$ 23,630,553</u>	<u>\$ 68,330,968</u>	<u>\$ 69,103,762</u>

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

Debt Administration

At year-end, the City had six issues of bonded indebtedness outstanding in its governmental funds totaling \$62,551,326, net of deferred amounts. All six issues were rated AAA by Standard and Poors and Aaa by Moody's. The City's bonded indebtedness per capita is \$5,640 (excluding the water revenue bonds). 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 \$233.7 million legal debt margin.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

**Table 4
Debt Administration**

	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
	2006	2005	2006	2005		
Tax allocation bonds	\$ 62,551,326	\$ 64,778,082	\$ -	\$ -	\$ 62,551,326	\$ 64,778,082
Note payable	3,971,534	4,569,669	-	-	3,971,534	4,569,669
Loans payable	2,000,000	2,000,000	529,165	604,760	2,529,165	2,604,760
Certificates payable	-	-	-	8,623,233	-	8,623,233
Water revenue refunding bonds						
net of deferred amounts	-	-	8,474,927	-	8,474,927	-
Compensated absences	738,844	814,182	39,282	44,053	778,126	858,235
Totals	\$ 69,261,704	\$ 72,161,933	\$ 9,043,374	\$ 9,272,046	\$ 78,305,078	\$ 81,433,979

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City is anticipating continued appreciation in its assessed valuation for fiscal year 2006-07. The City's 15.2 percent growth rate will make it the fourth fastest appreciating real estate market in Los Angeles County based upon the County Assessor's estimates. As a result, we are anticipating continued growth for the City's property tax revenues for the General Fund and its Redevelopment Agency Debt Service Fund.

Due to a projected stable local economy and continued growth in the numbers of retailers within the City, revenues from sales and use tax for fiscal year 2006-2007 are expected to exceed fiscal year 2005-2006 original budgeted amounts by \$300,000, or 3%.

- Overall revenues for 2006-2007 are expected to increase 3.3% over last year's budgeted amounts.
- Interest rates are expected to level off in the 5% range boosting the City's investment earnings. 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.

See independent auditors' report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

- Rates for the City's retirement system (CalPERS) have been budgeted to increase by \$167,800, or 10% over fiscal year 2005-2006 actual. We are starting to see the retirement rates stabilize for both our safety and miscellaneous categories.

The 2006-2007 Annual Budget includes the addition of two new police officers. This will bring the total of new officers added to the department to four since June of 2005. The addition of the final two police officers will be considered next year on the "pay as you go" policy adopted by the City Council. The Police Department is also requesting the addition of a commercial vehicle enforcement program. The new budget includes a part-time, private security services for Hilltop, Discovery Well and Reservoir Parks scheduled for the week ends. This private security service will assist the Police Department in patrolling and enforcing curfews in our parks.

The budget includes a financing plan for the construction of a new police station. With the defeat of Proposition H last November (which sought to establish a utility user tax), the plan to build both a 24,000 square foot police station and a 12,000 square foot library were put on hold. Council directed staff to develop alternative plans for the police station and library. The financing plan contained with the 2006-2007 Annual Budget calls for a smaller, one story police facility and places the library plans on hold.

The new 18,500 square foot facility is estimated to cost \$10,534,600. The plan will include sufficient area to expand the station in the future. Staff will propose that a Police Facility Impact Fee fund this future expansion.

The new budget also reflects funding for capital projects totaling \$5,623,850 of which \$899,000 is for water projects, \$165,050 for Community Development Block Grant projects and \$4,559,800 for street, park and building improvement projects within the Capital Improvement Capital Projects Fund. Grants and impact fees fund the vast majority of these projects.

REQUESTS FOR INFORMATION

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

See independent auditors' report.

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments (Note 2)	\$ 40,199,607	\$ 4,008,966	\$ 44,208,573
Receivables:			
Accounts	3,479,914	550,485	4,030,399
Taxes	17,734	-	17,734
Accrued interest	492,464	45,210	537,674
Rehabilitation loans	17,354	-	17,354
Due from other governments	555,680	-	555,680
Internal balances	(44,548)	44,548	-
Inventory	30,982	-	30,982
Deposits	2,653	-	2,653
Deferred charges	1,299,546	237,521	1,537,067
Land and improvements held for resale	3,871,725	-	3,871,725
Restricted assets:			
Cash and investments (Note 2)	1,431	688,852	690,283
Capital assets (Note 3):			
Land	27,673,385	3,237,724	30,911,109
Construction in progress	329,104	1,332,203	1,661,307
Infrastructure, net	11,721,413	-	11,721,413
Water rights, net	-	760,393	760,393
Source of supply, net	-	9,290,906	9,290,906
Pumping plant, net	-	410,410	410,410
Transmission/distribution, net	-	7,556,665	7,556,665
Depreciable structures and improvements, net	3,247,711	770,630	4,018,341
Depreciable equipment, net	1,108,203	892,221	2,000,424
TOTAL ASSETS	<u>94,004,358</u>	<u>29,826,734</u>	<u>123,831,092</u>
LIABILITIES:			
Accounts payable	625,760	199,963	825,723
Accrued liabilities	261,079	1,072	262,151
Accrued interest payable	1,086,733	31,593	1,118,326
Due to other governments	7,961	-	7,961
Owner participation agreement payable	1,096,703	-	1,096,703
Refundable deposits	190,629	310,987	501,616
Unearned revenue	6,799	-	6,799
Noncurrent liabilities (Note 4):			
Due within one year	3,024,901	374,800	3,399,701
Due in more than one year	66,236,803	8,668,574	74,905,377
TOTAL LIABILITIES	<u>72,537,368</u>	<u>9,586,989</u>	<u>82,124,357</u>
NET ASSETS:			
Invested in capital assets, net of related debt	44,079,816	15,413,792	59,493,608
Restricted for:			
Debt service	1,431	688,852	690,283
Capital improvements	3,635,609	-	3,635,609
Special purposes	1,927,481	-	1,927,481
Low and moderate income housing	3,418,317	-	3,418,317
Unrestricted	(31,595,664)	4,137,101	(27,458,563)
TOTAL NET ASSETS	<u>\$ 21,466,990</u>	<u>\$ 20,239,745</u>	<u>\$ 41,706,735</u>

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

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,110,386	\$ 134,824	\$ -	\$ -
Community services	1,188,690	259,995	56,800	97,584
Police	6,630,574	537,831	473,303	-
Community development	3,876,951	7,145	2,048,671	1,178,790
Public works	5,914,779	1,263,835	599,318	1,451,334
Unallocated infrastructure depreciation	482,310	-	-	-
Interest on long-term liabilities	3,503,568	-	-	-
Total governmental activities	25,707,258	2,203,630	3,178,092	2,727,708
Business-type activity:				
Water	4,057,892	3,433,082	-	-
Total	\$ 29,765,150	\$ 5,636,712	\$ 3,178,092	\$ 2,727,708

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

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
\$ (3,975,562)	\$ -	\$ (3,975,562)
(774,311)	-	(774,311)
(5,619,440)	-	(5,619,440)
(642,345)	-	(642,345)
(2,600,292)	-	(2,600,292)
(482,310)	-	(482,310)
(3,503,568)	-	(3,503,568)
<u>(17,597,828)</u>	<u>-</u>	<u>(17,597,828)</u>
-	(624,810)	(624,810)
<u>(17,597,828)</u>	<u>(624,810)</u>	<u>(18,222,638)</u>
11,393,493	-	11,393,493
12,014,671	-	12,014,671
411,998	-	411,998
774,345	-	774,345
1,016,089	-	1,016,089
1,067,132	114,532	1,181,664
763,911	-	763,911
18,376	-	18,376
(988,486)	988,486	-
<u>26,471,529</u>	<u>1,103,018</u>	<u>27,574,547</u>
8,873,701	478,208	9,351,909
<u>12,593,289</u>	<u>19,761,537</u>	<u>32,354,826</u>
<u>\$ 21,466,990</u>	<u>\$ 20,239,745</u>	<u>\$ 41,706,735</u>

CITY OF SIGNAL HILL
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
ASSETS			
Cash and investments	\$ 20,016,555	\$ 2,757,461	\$ 6,344,714
Restricted cash and investments	-	106	1,083
Accounts receivable	2,040,477	256,821	1,027,283
Taxes receivable	-	-	-
Accrued interest receivable	276,966	11,980	68,658
Due from other funds	83,191	-	-
Due from other governments	469,963	-	-
Advances to other funds	2,650,822	227,497	-
Deposits	2,653	-	-
Rehabilitation loans receivable	-	-	-
Land held for resale	-	-	-
	\$ 25,540,627	\$ 3,253,865	\$ 7,441,738
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 394,738	\$ -	\$ -
Accrued liabilities	261,079	-	-
Deferred revenue	1,118,196	-	-
Due to other funds	-	-	-
Due to other governments	-	7,961	-
Owner participation agreement payable	-	-	1,096,703
Refundable deposits	189,429	1,200	-
Advances from other funds	-	-	2,650,822
	1,963,442	9,161	3,747,525
FUND BALANCES:			
Reserved	2,290,265	227,603	1,083
Unreserved:			
General fund	21,286,920	-	-
Special revenue funds	-	3,017,101	-
Debt service funds	-	-	3,693,130
Capital projects funds	-	-	-
	23,577,185	3,244,704	3,694,213
TOTAL FUND BALANCES	23,577,185	3,244,704	3,694,213
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,540,627	\$ 3,253,865	\$ 7,441,738

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Capital Improvement	Community Redevelopment		
\$ 833,992	\$ 2,868,845	\$ 6,416,919	\$ 39,238,486
-	242	-	1,431
69,512	-	85,821	3,479,914
-	-	17,734	17,734
-	44,313	78,192	480,109
-	-	-	83,191
75,021	-	10,696	555,680
-	-	-	2,878,319
-	-	-	2,653
-	-	17,354	17,354
-	3,871,725	-	3,871,725
<u>\$ 978,525</u>	<u>\$ 6,785,125</u>	<u>\$ 6,626,716</u>	<u>\$ 50,626,596</u>
\$ 86,472	\$ 56,562	\$ 55,857	\$ 593,629
-	-	-	261,079
60,515	-	17,354	1,196,065
-	-	83,191	83,191
-	-	-	7,961
-	-	-	1,096,703
-	-	-	190,629
-	-	271,747	2,922,569
<u>146,987</u>	<u>56,562</u>	<u>428,149</u>	<u>6,351,826</u>
-	3,871,967	-	6,390,918
-	-	-	21,286,920
-	-	6,198,567	9,215,668
-	-	-	3,693,130
831,538	2,856,596	-	3,688,134
<u>831,538</u>	<u>6,728,563</u>	<u>6,198,567</u>	<u>44,274,770</u>
<u>\$ 978,525</u>	<u>\$ 6,785,125</u>	<u>\$ 6,626,716</u>	<u>\$ 50,626,596</u>

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CITY OF SIGNAL HILL

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

June 30, 2006

Fund balances - total governmental funds		\$ 44,274,770
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$ 27,673,385	
Construction in progress	329,104	
Infrastructure, net of \$10,360,264 accumulated depreciation	11,721,413	
Structures and improvements, net of \$6,233,170 accumulated depreciation	3,195,835	
Equipment, net of \$1,361,989 accumulated depreciation	<u>447,166</u>	
Total capital assets used in governmental activities		43,366,903
<p>Certain receivables will be collected after year-end, but are not available soon enough to pay for current-period expenditures, and therefore are offset by deferred revenue in the funds. Those receivables at June 30, 2006 totaled:</p>		
		1,189,266
<p>Internal Service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>		
		1,678,995
<p>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, 2006 are:</p>		
Accrued interest on long-term debt		(1,086,733)
Tax allocation bonds	\$ (63,290,000)	
Less: Deferred charges on refunding (amortized as interest expense)	621,540	
Less: Deferred charges for issuance costs (amortized over life of debt)	1,299,546	
Less: Issuance discounts (amortized as interest expense)	117,134	
Note payable	(2,000,000)	
Loans payable	(3,971,534)	
Compensated absences	<u>(732,897)</u>	
Total long-term liabilities		<u>(67,956,211)</u>
Net assets of governmental activities		<u>\$ 21,466,990</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, 2006

	General	Affordable Housing Special Revenue Fund	(110/111) Debt Service Fund
REVENUES:			
Property taxes	\$ 404,789	\$ 2,196,909	\$ 8,787,634
Sales and use tax	11,963,398	-	-
Other taxes	1,426,172	-	-
Licenses and permits	348,283	-	-
Intergovernmental revenues	1,013,942	-	-
Charges for services	1,234,684	-	-
Fines and forfeitures	250,951	-	-
Investment income	711,021	8,088	190,953
Developer fees	-	-	-
Other revenue	305,245	2,014,400	28,564
TOTAL REVENUES	17,658,485	4,219,397	9,007,151
EXPENDITURES:			
Current:			
General government	2,785,562	119,062	945,566
Community services	1,175,240	-	-
Police	6,243,702	-	-
Community development	1,037,440	-	-
Public works	3,727,781	-	-
Capital outlay	110,455	975,578	-
Debt service:			
Owner participation agreement	-	-	1,096,703
Principal retirement	-	-	2,888,135
Interest	-	-	3,334,000
Fiscal agent fees	-	-	17,266
TOTAL EXPENDITURES	15,080,180	1,094,640	8,281,670
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,578,305	3,124,757	725,481
OTHER FINANCING SOURCES (USES):			
Transfers in	343,776	-	1,580,579
Transfers out	(476,981)	(1,580,579)	(215,349)
TOTAL OTHER FINANCING SOURCES (USES)	(133,205)	(1,580,579)	1,365,230
NET CHANGE IN FUND BALANCES	2,445,100	1,544,178	2,090,711
FUND BALANCES AT BEGINNING OF YEAR	21,132,085	1,700,526	1,603,502
FUND BALANCES AT END OF YEAR	\$ 23,577,185	\$ 3,244,704	\$ 3,694,213

DIFFERS from Ag FS because LT Debt (Advances = 2,650,822)

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

Agency doesn't carry Advances, - 24 - instead records them as LT Debt.

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
\$ -	\$ -	\$ -	\$ 11,389,332
-	-	-	11,963,398
-	-	446,739	1,872,911
-	-	-	348,283
1,175,074	-	795,865	2,984,881
-	-	1,114	1,235,798
-	-	108,292	359,243
-	91,084	183,669	1,184,815
-	-	1,304,571	1,304,571
2,512	556,315	-	2,907,036
<u>1,177,586</u>	<u>647,399</u>	<u>2,840,250</u>	<u>35,550,268</u>
-	303,631	1,523	4,155,344
-	-	-	1,175,240
-	-	342,878	6,586,580
-	-	149,204	1,186,644
-	-	32,870	3,760,651
972,208	450,430	382,534	2,891,205
-	-	-	1,096,703
-	-	-	2,888,135
-	-	-	3,334,000
-	-	-	17,266
<u>972,208</u>	<u>754,061</u>	<u>909,009</u>	<u>27,091,768</u>
<u>205,378</u>	<u>(106,662)</u>	<u>1,931,241</u>	<u>8,458,500</u>
585,501	215,349	40,021	2,765,226
-	-	(1,473,303)	(3,746,212)
<u>585,501</u>	<u>215,349</u>	<u>(1,433,282)</u>	<u>(980,986)</u>
790,879	108,687	497,959	7,477,514
40,659	6,619,876	5,700,608	36,797,256
<u>\$ 831,538</u>	<u>\$ 6,728,563</u>	<u>\$ 6,198,567</u>	<u>\$ 44,274,770</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, 2006

Net change in fund balances - total governmental funds		\$ 7,477,514
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays (\$769,491) exceeded depreciation (\$642,801) in the current period:</p>		126,690
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items are as follows:</p>		
Principal payments	\$ 2,888,135	
Amortization of deferred charges	(56,453)	
Amortization of issuance costs	(75,336)	
Amortization of bond discounts	(6,791)	
	2,749,555	2,749,555
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net change in accrued interest	\$ (13,722)	
Net change in compensated absences	74,894	
	61,172	61,172
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Conversely, collection of these revenues are reported in the governmental funds, but not in the Statement of Activities since they have been recognized in previous years.</p>		(24,761)
<p>The Statement of Activities reports losses arising from the disposition of capital assets. Conversely, governmental funds do not report any gain or loss on such dispositions.</p>		(1,546,225)
<p>Internal service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The net revenue of the internal service fund is reported with governmental activities.</p>		29,756
Change in net assets of governmental activities		\$ 8,873,701

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

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2006

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 4,008,966	\$ 961,121
Restricted cash and investments	688,852	-
Accounts receivable	550,485	-
Accrued interest receivable	45,210	12,355
Inventory	-	30,982
TOTAL CURRENT ASSETS	<u>5,293,513</u>	<u>1,004,458</u>
NONCURRENT ASSETS:		
Advance to other funds	44,250	-
Deferred charges	237,521	-
Capital assets:		
Land	3,237,724	-
Construction in progress	1,332,203	-
Depreciable assets, net of accumulated depreciation	19,681,225	712,913
TOTAL NONCURRENT ASSETS	<u>24,532,923</u>	<u>712,913</u>
TOTAL ASSETS	<u>29,826,436</u>	<u>1,717,371</u>
LIABILITIES		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	199,963	32,131
Accrued liabilities	1,072	-
Accrued interest payable	31,593	-
Refundable deposits	310,987	-
Current portion of long-term liabilities	374,800	-
TOTAL CURRENT LIABILITIES	<u>918,415</u>	<u>32,131</u>
LONG-TERM LIABILITIES:		
Loan payable	453,570	-
Certificates payable	8,194,927	-
Compensated absences	20,077	5,947
TOTAL LONG-TERM LIABILITIES	<u>8,668,574</u>	<u>5,947</u>
TOTAL LIABILITIES	<u>9,586,989</u>	<u>38,078</u>
NET ASSETS:		
Invested in capital assets, net of related debt	15,413,792	712,913
Restricted for debt service	688,852	-
Unrestricted	4,136,803	966,380
TOTAL NET ASSETS	<u>20,239,447</u>	<u>\$ 1,679,293</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	298	
Net assets of business-type activity	<u>\$ 20,239,745</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, 2006

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 3,433,082	\$ 460,115
TOTAL OPERATING REVENUES	<u>3,433,082</u>	<u>460,115</u>
OPERATING EXPENSES:		
Personnel services	1,011,128	183,410
Contractual services	356,305	3,319
Supplies	1,058,516	16,524
Material and repairs	170,305	59,527
Utilities	133,525	1,700
Depreciation/amortization	688,636	199,468
Other	143,553	4,199
TOTAL OPERATING EXPENSES	<u>3,561,968</u>	<u>468,147</u>
OPERATING LOSS	<u>(128,886)</u>	<u>(8,032)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	113,332	25,562
Rental income	1,200	-
Interest expense	(485,534)	-
Fiscal agent fees	(3,625)	-
Gain (loss) on disposal of assets	(5,415)	18,376
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(380,042)</u>	<u>43,938</u>
INCOME (LOSS) BEFORE TRANSFERS	(508,928)	35,906
TRANSFERS IN	1,138,486	-
TRANSFERS OUT	<u>(150,000)</u>	<u>(7,500)</u>
CHANGE IN NET ASSETS	479,558	28,406
TOTAL NET ASSETS AT BEGINNING OF YEAR		<u>1,650,887</u>
TOTAL NET ASSETS AT END OF YEAR		<u>\$ 1,679,293</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(1,350)</u>	
Change in net assets of business-type activity	<u>\$ 478,208</u>	

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

CITY OF SIGNAL HILL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,446,897	\$ -
Receipts from interfund services provided	-	460,115
Payments to suppliers	(1,884,672)	(92,436)
Payments to employees	(1,014,827)	(183,854)
	<u>547,398</u>	<u>183,825</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advance repayment from other funds	14,750	-
Transfers in	1,138,486	-
Transfers out	(150,000)	(7,500)
	<u>1,003,236</u>	<u>(7,500)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposition of capital assets	-	19,306
Proceeds from issuance of refunding debt	8,985,000	-
Payment to advance refunding escrow agent	(8,753,154)	-
Payment of discount on refunding debt	(10,594)	-
Payment of bond issuance costs	(238,494)	-
Acquisition of property, plant and equipment	(1,314,651)	(226,540)
Principal paid	(290,595)	-
Interest paid	(477,881)	-
Fiscal agent fees	(3,625)	-
	<u>(2,103,994)</u>	<u>(207,234)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	105,223	22,411
	<u>105,223</u>	<u>22,411</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(448,137)	(8,498)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
	5,145,955	969,619
CASH AND CASH EQUIVALENTS - END OF YEAR		
	<u>\$ 4,697,818</u>	<u>\$ 961,121</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, 2006

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (128,886)	\$ (8,032)
Rental income	1,200	-
Depreciation/amortization	688,636	199,468
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	6,694	-
(Increase) decrease in inventory	-	(17,348)
Increase (decrease) in accounts payable	(22,468)	10,181
Increase (decrease) in accrued liabilities	1,072	-
Increase (decrease) in refundable deposits	5,921	-
Increase (decrease) in insurance deposit payable	-	-
Increase (decrease) in compensated absences	(4,771)	(444)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 547,398	\$ 183,825
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Deferred charge and bond discount amortization charged to interest expense	\$ 16,664	\$ -

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND

June 30, 2006

	Special Deposit Agency Fund
ASSETS:	
Cash and investments	<u>\$ 1,145,593</u>
LIABILITIES:	
Refundable deposits	<u>\$ 1,145,593</u>

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

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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, 2006

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 \$1,431 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 \$688,852 are restricted in the Water Enterprise Fund in accordance with bond indentures.

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, 2006

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:

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

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

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

J. Deferred Charges:

Deferred bond issue costs totaled \$1,299,546, net of accumulated amortization, as of June 30, 2006. The costs are amortized on a straight-line basis through 2024. Amortization expense totaled \$75,336 for the year ended June 30, 2006.

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, 2006

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 2005-2006, deposits of \$727,879 were recorded as an insurance expenditure.

M. 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2006 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	\$ 44,208,573	\$ 1,145,593	\$ 45,354,166
Restricted cash and investments	<u>690,283</u>	<u>-</u>	<u>690,283</u>
Total Cash and Investments	<u>\$ 44,898,856</u>	<u>\$ 1,145,593</u>	<u>\$ 46,044,449</u>

Cash and investments at June 30, 2006 consisted of the following:

Cash on hand	\$ 3,325
Deposits with financial institutions	283,329
Investments	<u>45,757,795</u>
Total Cash and Investments	<u>\$ 46,044,449</u>

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

2. CASH AND INVESTMENTS (CONTINUED):

Investments 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, 2006

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	\$ 21,457,216	\$ -	\$ -	\$ 21,457,216
U.S. Government Sponsored Enterprise Securities:				
FHLMC	1,461,601	-	4,375,016	5,836,617
FHLB	6,465,743	-	5,747,092	12,212,835
FNMA	1,993,370	3,567,474	-	5,560,844
Held by Bond Trustee:				
Money Market Mutual Funds	24,472	-	-	24,472
U.S. Government Sponsored Enterprise Securities:				
FHLMC	-	-	665,811	665,811
	<u>\$ 31,402,402</u>	<u>\$ 3,567,474</u>	<u>\$ 10,787,919</u>	<u>\$ 45,757,795</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 Standard 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, 2006

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total as of June 30, 2006	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Fund	\$ 21,457,216	(1)	\$ -	\$ 21,457,216
U.S. Government Sponsored Enterprise Securities:				
FHLMC	5,836,617	AAA	5,836,617	-
FHLB	12,212,835	AAA	12,212,835	-
FNMA	5,560,844	AAA	5,560,844	-
Held by Bond Trustee:				
Money Market Mutual Funds	24,472	A	24,472	-
U.S. Government Sponsored Enterprise Securities:				
FHLMC	<u>665,811</u>	AAA	<u>665,811</u>	<u>-</u>
Total	<u>\$ 45,757,795</u>		<u>\$ 24,300,579</u>	<u>\$ 21,457,216</u>

(1) Not Applicable - Not Rated

Concentration of Credit Risk:

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 6,502,428
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	12,212,835
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	5,560,844

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, 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. The FHLMC investment held by bond trustee is uninsured, unregistered and not held in the City's name.

Investment in State Investment Pool:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 26,879,741	\$ 793,644	\$ -	\$ 27,673,385
Construction in progress	<u>4,928,107</u>	<u>468,011</u>	<u>(5,067,014)</u>	<u>329,104</u>
Total capital assets, not being depreciated	<u>31,807,848</u>	<u>1,261,655</u>	<u>(5,067,014)</u>	<u>28,002,489</u>
Capital assets, being depreciated:				
Structures and improvements	9,627,095	19,360	(9,680)	9,636,775
Equipment and furniture	1,657,792	289,419	-	1,947,211
Vehicles and major equipment	1,804,294	219,241	(97,830)	1,925,705
Infrastructure	<u>19,349,934</u>	<u>2,731,743</u>	<u>-</u>	<u>22,081,677</u>
Total capital assets, being depreciated	<u>32,439,115</u>	<u>3,259,763</u>	<u>(107,510)</u>	<u>35,591,368</u>
Less accumulated depreciation for:				
Structure and improvements	(6,284,932)	(109,214)	5,082	(6,389,064)
Equipment and furniture	(1,420,690)	(62,304)	-	(1,482,994)
Vehicle and major equipment	(1,190,178)	(188,441)	96,900	(1,281,719)
Infrastructure	<u>(9,877,954)</u>	<u>(482,310)</u>	<u>-</u>	<u>(10,360,264)</u>
Total accumulated depreciation	<u>(18,773,754)</u>	<u>(842,269)</u>	<u>101,982</u>	<u>(19,514,041)</u>
Total capital assets, being depreciated, net	<u>13,665,361</u>	<u>2,417,494</u>	<u>(5,528)</u>	<u>16,077,327</u>
Total governmental activities capital, net	<u>\$ 45,473,209</u>	<u>\$ 3,679,149</u>	<u>\$(5,072,542)</u>	<u>\$ 44,079,816</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

3. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Capital assets, not being depreciated				
Land	\$ 3,237,724	\$ -	\$ -	\$ 3,237,724
Construction in progress	351,651	1,282,317	(301,765)	1,332,203
Total capital assets, not being depreciated	<u>3,589,375</u>	<u>1,282,317</u>	<u>(301,765)</u>	<u>4,569,927</u>
Capital assets, being depreciated:				
Water rights	1,215,186	-	-	1,215,186
Reservoirs and tanks	10,287,223	301,765	-	10,588,988
Wells	937,390	-	-	937,390
Mains	9,902,298	-	(4,325)	9,897,973
Pumps	953,070	-	-	953,070
Fire hydrants	672,737	11,391	-	684,128
Meters	481,574	14,835	(1,090)	495,319
Services	1,449,220	-	-	1,449,220
Structures	1,049,775	-	-	1,049,775
Equipment and furniture	1,373,867	6,107	-	1,379,974
Total capital assets, being depreciated	<u>28,322,340</u>	<u>334,098</u>	<u>(5,415)</u>	<u>28,651,023</u>
Less accumulated depreciation/ amortization for:				
Water rights	(424,413)	(30,380)	-	(454,793)
Reservoirs and tanks	(1,433,248)	(217,303)	-	(1,650,551)
Wells	(564,075)	(20,846)	-	(584,921)
Mains	(3,494,663)	(197,218)	-	(3,691,881)
Pumps	(519,430)	(23,230)	-	(542,660)
Fire hydrants	(474,345)	(23,237)	-	(497,582)
Meters	(206,778)	(49,740)	-	(256,518)
Services	(495,010)	(28,984)	-	(523,994)
Structures	(255,820)	(23,325)	-	(279,145)
Equipment and furniture	(413,380)	(74,373)	-	(487,753)
Total accumulated depreciation	<u>(8,281,162)</u>	<u>(688,636)</u>	<u>-</u>	<u>(8,969,798)</u>
Total capital assets, being depreciated, net	<u>20,041,178</u>	<u>(354,538)</u>	<u>(5,415)</u>	<u>19,681,225</u>
Total business-type activity capital assets, net	<u>\$ 23,630,553</u>	<u>\$ 927,779</u>	<u>\$ (307,180)</u>	<u>\$ 24,251,152</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

3. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

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

Governmental activities:	
General government	\$ 2,500
Community services	377
Police	36,411
Public works	121,203
Internal service fund depreciation charged to programs	<u>199,468</u>
Allocated depreciation	359,959
Unallocated infrastructure depreciation	<u>482,310</u>
Total depreciation expense - governmental activities	<u>\$ 842,269</u>
Business-type activity:	
Water	<u>\$ 688,636</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance at July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2006</u>	Due Within One <u>Year</u>
Governmental activities:					
Bonds payable:					
1993 TABs Series B	\$ 14,375,000	\$ -	\$ -	\$ 14,375,000	\$ -
2001 TABs	12,415,000	-	(485,000)	11,930,000	495,000
2003 TABs Series A	22,160,000	-	(1,010,000)	21,150,000	1,030,000
2003 TABs Series B	2,570,000	-	(615,000)	1,955,000	630,000
2003 TABs Series C	10,970,000	-	(70,000)	10,900,000	75,000
2003 TABs Series D	3,090,000	-	(110,000)	2,980,000	115,000
Less deferred amounts:					
For issuance discounts	(123,925)	-	6,791	(117,134)	-
On refunding	<u>(677,993)</u>	<u>-</u>	<u>56,453</u>	<u>(621,540)</u>	<u>-</u>
Total bonds payable	64,778,082	-	(2,226,756)	62,551,326	2,345,000
Note payable	4,569,669	-	(598,135)	3,971,534	436,072
Loans payable	2,000,000	-	-	2,000,000	-
Compensated absences	<u>814,182</u>	<u>425,168</u>	<u>(500,506)</u>	<u>738,844</u>	<u>243,829</u>
Total governmental activities	<u>\$ 72,161,933</u>	<u>\$ 425,168</u>	<u>\$ (3,325,397)</u>	<u>\$ 69,261,704</u>	<u>\$ 3,024,901</u>
Business-type activity:					
Certificates payable	\$ 8,730,000	\$ -	\$ (8,730,000)	\$ -	\$ -
2006 Water revenue refunding bonds	-	8,985,000	-	8,985,000	280,000
Less deferred amounts:					
For issuance discount	(106,767)	(10,594)	106,810	(10,551)	-
On refunding	<u>-</u>	<u>(501,569)</u>	<u>2,047</u>	<u>(499,522)</u>	<u>-</u>
Total certificates payable	8,623,233	8,472,837	(8,621,143)	8,474,927	280,000
Loan payable	604,760	-	(75,595)	529,165	75,595
Compensated absences	<u>44,053</u>	<u>30,519</u>	<u>(35,290)</u>	<u>39,282</u>	<u>19,205</u>
Total business-type activity	<u>\$ 9,272,046</u>	<u>\$ 8,503,356</u>	<u>\$ (8,732,028)</u>	<u>\$ 9,043,374</u>	<u>\$ 374,800</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ -	\$ 754,687	\$ 754,687
2008	-	754,688	754,688
2009	-	754,687	754,687
2010	-	754,688	754,688
2011	-	754,687	754,687
2012 - 2016	-	3,773,437	3,773,437
2017 - 2021	8,245,000	2,738,531	10,983,531
2022 - 2024	6,130,000	494,288	6,624,288
Totals	<u>\$ 14,375,000</u>	<u>\$ 10,779,693</u>	<u>\$ 25,154,693</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	555,000	408,574	963,574
2012 - 2016	3,080,000	1,708,189	4,788,189
2017 - 2021	3,675,000	1,007,755	4,682,755
2022 - 2024	2,550,000	179,260	2,729,260
Totals	<u>\$ 11,930,000</u>	<u>\$ 5,113,494</u>	<u>\$ 17,043,494</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,875,000	633,839	2,508,839
2012 - 2016	11,760,000	1,907,122	13,667,122
2017 - 2021	1,490,000	440,309	1,930,309
2022 - 2024	<u>1,050,000</u>	<u>80,040</u>	<u>1,130,040</u>
Totals	<u>\$ 21,150,000</u>	<u>\$ 6,045,321</u>	<u>\$ 27,195,321</u>

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 630,000	\$ 60,339	\$ 690,339
2008	650,000	38,962	688,962
2009	<u>675,000</u>	<u>13,534</u>	<u>688,534</u>
Totals	<u>\$ 1,955,000</u>	<u>\$ 112,835</u>	<u>\$ 2,067,835</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.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	80,000	448,465	528,465
2012 - 2016	440,000	2,199,493	2,639,493
2017 - 2021	5,895,000	1,576,394	7,471,394
2022 - 2024	<u>4,180,000</u>	<u>286,944</u>	<u>4,466,944</u>
Totals	<u>\$ 10,900,000</u>	<u>\$ 6,324,454</u>	<u>\$ 17,224,454</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.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	140,000	140,096	280,096
2012 - 2016	600,000	604,148	1,204,148
2017 - 2021	360,000	471,523	831,523
2022 - 2025	<u>1,390,000</u>	<u>259,233</u>	<u>1,649,233</u>
Totals	<u>\$ 2,980,000</u>	<u>\$ 2,098,735</u>	<u>\$ 5,078,735</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, 2006, the outstanding balance of this note was \$3,971,534.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 436,072	\$ 363,571	\$ 799,643
2008	471,588	354,232	825,820
2009	545,742	305,039	850,781
2010	630,318	246,178	876,496
2011	723,655	179,333	902,988
2012 - 2013	<u>1,164,159</u>	<u>115,891</u>	<u>1,280,050</u>
Totals	<u>\$ 3,971,534</u>	<u>\$ 1,564,244</u>	<u>\$ 5,535,778</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, 2006, accrued unpaid interest totaled \$155,000.

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, 2006, accrued unpaid interest totaled \$128,986.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

4. LONG-TERM LIABILITIES (CONTINUED):

I. Compensated Absences:

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

J. 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 represented 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 were designed to be sufficient in both time and amount to pay the principal and interest with respect to the Certificates. On June 1, 2006, these Certificates were paid in full with proceeds from the 2006 Water Revenue Refunding Bonds.

K. 2006 Water Revenue Refunding Bonds:

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$501,569. This difference, reported as a reduction from bonds payable, is being amortized on a straight-line basis as interest expense through the year 2027. The Agency completed the advance refunding to reduce its total debt service over the next 21 years by \$720,626 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$440,930.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

4. LONG-TERM LIABILITIES (CONTINUED):

K. 2006 Water Revenue Refunding Bonds (Continued):

The 2006 Bonds are made up of serial bonds maturing annually each November 1 through the calendar year 2022, in amounts ranging from \$280,000 to \$530,000, and term bonds maturing on November 1, 2024 and 2026. The term bonds are subject to mandatory sinking fund payments commencing November 1, 2023 and 2025, respectively. Interest is payable semiannually on May 1 and November 1. The serial bonds bear interest at rates ranging from 4.00% to 4.60% and the term bonds bear interest at 4.60% and 4.625%.

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 280,000	\$ 351,191	\$ 631,191
2008	290,000	372,226	662,226
2009	300,000	360,426	660,426
2010	310,000	348,226	658,226
2011	325,000	335,526	660,526
2012 - 2016	1,825,000	1,468,138	3,293,138
2017 - 2021	2,235,000	1,041,847	3,276,847
2022 - 2026	2,785,000	478,814	3,263,814
2027	<u>635,000</u>	<u>14,684</u>	<u>649,684</u>
Totals	<u>\$ 8,985,000</u>	<u>\$ 4,771,078</u>	<u>\$ 13,756,078</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.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

4. LONG-TERM LIABILITIES (CONTINUED):

L. Proprietary Loan Payable (Continued):

The annual requirements to amortize outstanding indebtedness as of June 30, 2006, are as follows:

Year Ending June 30,	Principal
2007	\$ 75,595
2008	75,595
2009	75,595
2010	75,595
2011	75,595
2012 - 2013	151,190
Total	<u>\$ 529,165</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,	
2007	\$ 221,700
2008	223,100
2009	224,100
2010	224,100
2011	232,325
2012 - 2016	1,198,819
2017 - 2021	1,266,882
2022 - 2026	1,342,443
2027 - 2031	1,416,257
2032 - 2036	1,498,674
2037 - 2041	1,574,419
2042 - 2046	1,659,432
2047 - 2051	1,743,349
2052 - 2056	1,599,276
Total	<u>\$ 14,424,876</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

4. LONG-TERM LIABILITIES (CONTINUED):

M. Operating Lease Obligations (Continued):

(1) (Continued):

The operating lease covers three parcels of land, which are subleased to auto dealers. For the year ended June 30, 2006, the Agency received \$243,003 in rental payments to offset the Agency's lease payments to the lessor.

(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 \$207,504.

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

Year Ending <u>June 30,</u>	
2007	\$ 207,504
2008	207,504
2009	207,504
2010	210,718
2011	213,831
2012 - 2016	1,078,271
2017 - 2021	1,110,614
2022 - 2026	1,143,930
2027 - 2031	1,178,249
2032 - 2036	1,213,594
2037 - 2041	1,250,001
2042 - 2046	1,287,504
2047 - 2051	1,326,131
2052 - 2055	<u>1,087,048</u>
Total minimum lease payments	<u>\$ 11,722,403</u>

The operating lease covers five parcels of land, which are subleased to auto dealers. For the year ended June 30, 2006, the Agency received \$258,312 in rental payments to offset the Agency's lease payments to lessor.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2006, is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 83,191</u>

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

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 2,650,822
Affordable Housing Special Revenue	Other Governmental Funds	227,497
Water Enterprise	Other Governmental Funds	<u>44,250</u>
		<u>\$ 2,922,569</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, 2006 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, 2006 is \$227,497.

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CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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

Advances From/To Other Funds (Continued):

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, 2006 was \$44,250.

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 186,276
	Water Enterprise Fund	150,000
	Vehicle and Equipment	
	Internal Service Fund	7,500
Debt Service Fund	Affordable Housing Special Revenue Fund	1,580,579
Capital Improvement Capital Projects Fund	General Fund	436,960
	Other Governmental Funds	148,541
Community Redevelopment Capital Projects Fund	Debt Service Fund	215,349
Other Governmental Funds	General Fund	40,021
Water Enterprise Fund	Other Governmental Funds	<u>1,138,486</u>
		<u>\$ 3,903,712</u>

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

6. INDIVIDUAL FUND DISCLOSURES:

Expenditures Exceeding Appropriations:

For the year ended June 30, 2006, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

General Fund:	
General Government - City clerk	\$ 11,569
General Government - Program administration	52,094
Police - Community outreach	5,209
Community Development - Neighborhood enhancement	8,044
Public Works - Building maintenance	5,738
Affordable Housing Special Revenue Fund:	
Capital outlay	898,178
Debt Service Fund:	
General Government - Program administration	24,166
Debt Service - Interest	578,250
Community Redevelopment Capital Projects Fund:	
General Government - Program administration	56,531
Other Governmental Special Revenue Funds:	
HCDA Grant - Community Development - CDBG Program	909
Domestic Preparedness Grant - Police - Domestic preparedness	14,168
Housing Impact - Capital outlay	167,290

The expenditures exceeding appropriations were funded by existing fund balances in the respective funds and, in certain cases, excess revenues received in the current year.

7. PENSION PLAN:

Plan Description:

The City's defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are 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. As of July 1 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a large base of members. The June 30, 2003 valuations were the first pooled valuations. Benefit provisions and all other requirements are established by state statute. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 "P" Street, Sacramento, CA 95814.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

7. PENSION PLAN (CONTINUED):

Funding Policy:

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

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-06 was 11.447% for local miscellaneous members and 36.199% for local safety members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

Annual Pension Cost:

For fiscal year 2005-06, the City's actual and contributed pension cost was \$1,714,105. The required contribution for fiscal year 2005-06 was determined as part of the June 30, 2003 actuarial valuations 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 17 years as of the valuation date. Other actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by age, length of service and type of employment from 3.25% to 14.45%, (c) a 3.0% inflation rate (d) a 3.25% payroll growth rate, and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%. The actuarial value of the Plans' assets was 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 Plans' 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 Plans are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

7. PENSION PLAN (CONTINUED):

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/04	\$ 272,322	100%	\$ -
6/30/05	526,998	100%	-
6/30/06	762,160	100%	-
<u>Safety Employees</u>			
6/30/04	\$ 604,948	100%	\$ -
6/30/05	943,500	100%	-
6/30/06	951,945	100%	-

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

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability (Excess Assets) (A-B)</u>	<u>Funded Ratio (B/A)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll [(A-B)/C]</u>
6/30/03:						
Misc.	\$2,596,966,545	\$2,372,879,034	\$ 224,087,511	91.4 %	\$ 725,020,458	30.9 %
Safety	<u>4,270,573,982</u>	<u>3,577,742,166</u>	<u>692,831,816</u>	83.8 %	<u>476,089,674</u>	145.5 %
Total	<u>\$6,867,540,527</u>	<u>\$5,950,621,200</u>	<u>\$ 916,919,327</u>	86.6 %	<u>\$1,201,110,132</u>	76.3 %
6/30/04:						
Misc.	\$2,746,095,668	\$2,460,944,656	\$ 285,151,012	89.6 %	\$ 743,691,970	38.3 %
Safety	<u>5,383,921,942</u>	<u>4,424,586,846</u>	<u>959,335,096</u>	82.2 %	<u>575,296,434</u>	166.8 %
Total	<u>\$8,130,017,610</u>	<u>\$6,885,531,502</u>	<u>\$1,244,486,108</u>	84.7 %	<u>\$1,318,988,404</u>	94.4 %
6/30/05:						
Misc.	\$2,891,460,651	\$2,588,713,000	\$ 302,747,651	89.5 %	\$ 755,046,679	40.1 %
Safety	<u>6,367,049,264</u>	<u>5,295,150,375</u>	<u>1,071,898,889</u>	83.2 %	<u>664,147,796</u>	161.4 %
Total	<u>\$9,258,509,915</u>	<u>\$7,883,863,375</u>	<u>\$1,374,646,540</u>	85.2 %	<u>\$1,419,194,475</u>	96.9 %

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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 \$450,808 for fiscal year 2005-06, and covered 71 individuals.

9. DEFINED CONTRIBUTION PLAN:

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under PERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6% by the employee and 1.5% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of plan or date of employment, whichever is later, and all contributions are fully vested. For the year ended June 30, 2006, the employees contributed \$13,567 and the City contributed \$2,845 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, 2006, the employees contributed \$81,095 and the City contributed \$21,055 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 \$9,430 for the fiscal year ended June 30, 2006.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006 are tabulated below followed by explanations as to the nature and purpose of each reserve.

	60 611 1,839,595 616 448,018 <u>2,287,613</u> ①	General Fund	Affordable Housing Special Revenue Fund	Debt Service Fund	Community Redevelopment Capital Projects Fund
RESERVES:					
Land held for resale		\$ -	\$ -	\$ -	\$ 3,871,725
Debt service		-	106	1,083	242
Advances		2,287,612 ①	227,497	-	-
Deposits		<u>2,653</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL		<u>\$ 2,290,265</u>	<u>\$ 227,603</u>	<u>\$ 1,083</u>	<u>\$ 3,871,967</u>

2,290,265
21,286,920
23,577,185

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6,888,727 (001)

<2654> Deposits (001) page 67

34,144 from 616

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

34,144
72,092
106,236 (1)

~~6,902~~, ↓
6,920,217 (1)

June 30, 2006

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

DESIGNATIONS:	General Fund	Affordable Housing Special Revenue Fund	Other Governmental Funds
Contingencies 605	\$ 6,920,217 (1)	\$ -	\$ -
Equipment replacement 601	492,634	-	-
Insurance premium increases 602	400,326	-	-
Continuing appropriations 604	6,879	-	-
Special revenue purposes	-	3,017,101	6,198,567
Capital improvements 603	716,743	-	-
Economic uncertainties 605	3,434,534	-	-
Emergency Operations Center Police Bldg. 611	2,939,207	-	-
Library expansion 612	4,895,459	-	-
Park expansion 614	69,428	-	-
Law enforcement high technology acquisitions 613	4,545	-	-
PERS reserve 615	1,019,929	(1)	-
Building and land acquisition 616	72,092	- 106,236 =	34,144 (Direct put in GF - 001)
Motor vehicle in lieu 617	60,889	-	-
OPEB Reserve 618	152,748	-	-
NPDES Trash Reduction 619	101,290	-	-
TOTAL DESIGNATIONS	\$ 21,286,920	\$ 3,017,101	\$ 6,198,567

- A. Reserved for Land Held for Resale - A reserve for land held for resale 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".
- D. Reserved for Deposits - A reserve for deposits has been set-aside to indicate that such deposits are not an "available spendable resource".

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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

- 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 Emergency Operations Center (EOC) - These funds are designated for the future ~~EOC building addition to our police facility.~~ *Police Building Reserve.*
- M. Designated for Library Expansion - These funds are designated for the future expansion of the City's Library building *Police building.*
- N. Designated for Park Expansion - These funds are designated for the future expansion of the City's park facilities.
- O. Designated for Law Enforcement High Technology Acquisitions - These funds are designated for specific high technology law enforcement equipment.
- P. Designated for PERS Reserve - These funds are designated to pay for future PERS rate increases.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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

- Q. Designated for Building and Land Acquisition - These funds are designated for future building and parkland acquisitions.
- R. 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).
- S. Designated for OPEB Reserve - These funds are designated to fund future costs associated with retired employee health benefits.
- T. 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 (Insurance Authority).

A. Description of Joint Powers Authority:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 109 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for the property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

B. Self-insurance Programs of the Insurance Authority:

General Liability Insurance. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims 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. Claims are pooled separately between police and nonpolice. Loss development reserves are allocated by pool and by loss layer. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10,000,000 and the loss development reserve associated with losses \$750,000 to \$10,000,000 are pooled based on payroll. Costs of covered claims above \$10,000,000 are currently paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Insurance Authority's investment earnings.

Workers' Compensation. The City also participates in the workers' compensation pool administered by the Insurance Authority. Claims are pooled separately between public safety and nonpublic safety. Loss development reserves are allocated by pool and by loss layer. Members retain the first \$50,000 of each claim. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 to \$150,000,000 are transferred to an excess insurance policy. Costs in excess of \$150,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Insurance Authority's investment earnings.

Environmental Insurance. The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through June 30, 2008. Each member of the Insurance 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 Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. Total all-risk property insurance coverage is \$31,247,538. 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, 2006

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

B. Self-insurance Programs of the Insurance 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. City property currently has earthquake protection in the amount of \$20,183,761. 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 \$5,000,000 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 (claims) 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 insurance liability coverage from coverage in the prior year.

13. OTHER INFORMATION:

A. Contingent Liabilities:

Litigation:

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

Grant Audit Contingencies:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2006

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, 2006, the City has paid the first component of the agreement in full. Also, as of June 30, 2006, the City paid \$678,034 to the District pursuant to the second component of the agreement leaving an outstanding balance of \$457,138.

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, 2006, the Agency received \$55,000 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 Community Redevelopment Capital Projects Fund at its acquisition cost of \$2,927,822.

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, 2006

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 payments are due annually through the calendar year 2015. The source of these payments is to be provided by the Agency. The first source is available tax increment revenue which is limited based on the amount of the Agency's annual tax increment revenue less amounts required by law to be deposited in the Agency's Affordable Housing Special Revenue Fund. The second source is a loan from the City which would be made from the City's share of sales tax revenue generated from the developed site. No other sources of funds are available for payments. For the year ended June 30, 2006, the amount payable to the developer is \$1,096,703.

The Agency disputed the amount of the liability and had 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 reallocated \$775,313 in sales taxes from the City of Signal Hill to the City of Long Beach. The final 25% totaling \$258,437 will be paid in fiscal year 2006-07. The City has reflected this liability in the General Fund.

14. SUBSEQUENT EVENT:

On September 7, 2006, the Agency issued the 2006 Taxable Tax Allocation Parity Bonds, Series A in the amount of \$13,500,000. Proceeds of the 2006 Taxable Tax Allocation Parity Bonds will be used to (i) finance redevelopment activities of the Agency within or of benefit to the Redevelopment Project, (ii) satisfy the Reserve Requirement for the Bonds and (iii) provide for the cost of issuing the Bonds. The Agency anticipates using the proceeds to fund the costs of infrastructure improvements as well as offsite improvements for commercial development and for land acquisition associated with the City's Auto Center.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES

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CITY OF SIGNAL HILL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES:				
Property taxes	\$ 345,100	\$ 345,100	\$ 404,789	\$ 59,689
Sales and use tax	10,900,000	11,200,000	11,963,398	763,398
Other taxes	1,312,000	1,312,000	1,426,172	114,172
Licenses and permits	436,210	446,710	348,283	(98,427)
Intergovernmental revenues	692,310	726,600	1,013,942	287,342
Charges for services	1,100,500	1,164,300	1,234,684	70,384
Fines and forfeitures	180,550	200,550	250,951	50,401
Investment income	350,000	350,000	711,021	361,021
Other revenue	98,000	111,000	305,245	194,245
TOTAL REVENUES	<u>15,414,670</u>	<u>15,856,260</u>	<u>17,658,485</u>	<u>1,802,225</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
City Council	213,800	212,730	206,766	5,964
City Treasurer	19,100	19,100	16,002	3,098
City Clerk	104,850	105,750	117,319	(11,569)
Program administration	394,550	442,825	494,919	(52,094)
Legislative services	211,900	213,345	199,834	13,511
Personnel services	228,000	234,500	221,129	13,371
Support services	1,088,600	975,250	873,831	101,419
Fiscal services	595,050	600,450	533,583	66,867
Management information services	120,100	130,250	122,179	8,071
TOTAL GENERAL GOVERNMENT	<u>2,975,950</u>	<u>2,934,200</u>	<u>2,785,562</u>	<u>148,638</u>
COMMUNITY SERVICES:				
Library programs and services	330,750	330,000	289,918	40,082
Community support and services	292,700	294,200	264,599	29,601
Recreation	666,400	695,950	620,723	75,227
TOTAL COMMUNITY SERVICES	<u>1,289,850</u>	<u>1,320,150</u>	<u>1,175,240</u>	<u>144,910</u>
POLICE:				
Patrol services	3,538,100	3,570,600	3,367,389	203,211
Investigative services	885,500	902,175	851,288	50,887
Support services	1,181,400	1,194,550	1,187,184	7,366
Emergency and disaster services	15,300	12,850	11,532	1,318
Community outreach	39,800	32,150	37,359	(5,209)
Communications	574,850	588,200	446,571	141,629
Records	341,900	360,350	342,379	17,971
TOTAL POLICE	<u>6,576,850</u>	<u>6,660,875</u>	<u>6,243,702</u>	<u>417,173</u>

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

(Continued)

CITY OF SIGNAL HILL
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
(Continued)

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	\$ 350,700	\$ 353,400	\$ 329,152	\$ 24,248
Neighborhood enhancement	153,250	154,625	162,669	(8,044)
Building and safety	434,750	492,300	417,546	74,754
Oil field services	127,600	128,800	128,073	727
TOTAL COMMUNITY DEVELOPMENT	<u>1,066,300</u>	<u>1,129,125</u>	<u>1,037,440</u>	<u>91,685</u>
PUBLIC WORKS:				
Engineering and project services	644,400	658,050	534,236	123,814
Building maintenance	433,450	446,900	452,638	(5,738)
Environmental programs	694,550	695,050	590,806	104,244
Sewer operations	228,500	228,500	221,040	7,460
Park maintenance	766,150	880,400	765,895	114,505
Street maintenance operations	1,259,100	1,321,000	1,163,166	157,834
TOTAL PUBLIC WORKS	<u>4,026,150</u>	<u>4,229,900</u>	<u>3,727,781</u>	<u>502,119</u>
CAPITAL OUTLAY	<u>-</u>	<u>113,850</u>	<u>110,455</u>	<u>3,395</u>
TOTAL EXPENDITURES	<u>15,935,100</u>	<u>16,388,100</u>	<u>15,080,180</u>	<u>1,307,920</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(520,430)</u>	<u>(531,840)</u>	<u>2,578,305</u>	<u>3,110,145</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	353,200	362,500	343,776	(18,724)
Transfers out	(835,400)	(1,333,400)	(476,981)	856,419
TOTAL OTHER FINANCING SOURCES (USES)	<u>(482,200)</u>	<u>(970,900)</u>	<u>(133,205)</u>	<u>837,695</u>
NET CHANGE IN FUND BALANCE	<u>(1,002,630)</u>	<u>(1,502,740)</u>	<u>2,445,100</u>	<u>3,947,840</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>21,132,085</u>	<u>21,132,085</u>	<u>21,132,085</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 20,129,455</u>	<u>\$ 19,629,345</u>	<u>\$ 23,577,185</u>	<u>\$ 3,947,840</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Property taxes	\$ 1,795,000	\$ 1,795,000	\$ 2,196,909	\$ 401,909
Investment income	6,000	6,000	8,088	2,088
Other revenue	-	-	2,014,400	2,014,400
TOTAL REVENUES	<u>1,801,000</u>	<u>1,801,000</u>	<u>4,219,397</u>	<u>2,418,397</u>
EXPENDITURES:				
General government:				
Program administration	221,100	221,700	119,062	102,638
Capital outlay	<u>50,000</u>	<u>77,400</u>	<u>975,578</u>	<u>(898,178)</u>
TOTAL EXPENDITURES	<u>271,100</u>	<u>299,100</u>	<u>1,094,640</u>	<u>(795,540)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,529,900	1,501,900	3,124,757	1,622,857
OTHER FINANCING USES:				
Transfers out	<u>(1,380,600)</u>	<u>-</u>	<u>(1,580,579)</u>	<u>(1,580,579)</u>
NET CHANGE IN FUND BALANCE	149,300	1,501,900	1,544,178	42,278
FUND BALANCE AT BEGINNING OF YEAR	<u>1,700,526</u>	<u>1,700,526</u>	<u>1,700,526</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,849,826</u>	<u>\$ 3,202,426</u>	<u>\$ 3,244,704</u>	<u>\$ 42,278</u>

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

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

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 and Brownfields Grant Special Revenue Funds since no budgets were adopted for these funds.
- 3) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
- 4) Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level (i.e. City Council, City Treasurer, City Attorney), except as approved in advance by the City Council.
- 5) Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the Governmental Fund Types during the year. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally reappropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.
- 6) The City Council approves all significant budgetary changes.
- 7) Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in following year. For the fiscal year ended June 30, 2006, 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.

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CITY OF SIGNAL HILL

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

DEBT SERVICE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 7,182,000	\$ 7,182,000	\$ 8,787,634	\$ 1,605,634
Investment income	225,100	225,100	190,953	(34,147)
Other revenue	-	-	28,564	28,564
TOTAL REVENUES	7,407,100	7,407,100	9,007,151	1,600,051
EXPENDITURES:				
General government:				
Program administration	921,400	921,400	945,566	(24,166)
Debt service:				
Owner participation agreement	1,886,500	1,184,500	1,096,703	87,797
Principal retirement	2,290,000	2,992,000	2,888,135	103,865
Interest	2,755,750	2,755,750	3,334,000	(578,250)
Fiscal agent fees	25,000	25,000	17,266	7,734
TOTAL EXPENDITURES	7,878,650	7,878,650	8,281,670	(403,020)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(471,550)	(471,550)	725,481	1,197,031
OTHER FINANCING SOURCES (USES):				
Transfers in	1,272,450	1,380,600	1,580,579	199,979
Transfers out	-	(2,050,550)	(215,349)	1,835,201
TOTAL OTHER FINANCING SOURCES (USES)	1,272,450	(669,950)	1,365,230	2,035,180
NET CHANGE IN FUND BALANCE	800,900	(1,141,500)	2,090,711	3,232,211
FUND BALANCE AT BEGINNING OF YEAR	1,603,502	1,603,502	1,603,502	-
FUND BALANCE AT END OF YEAR	\$ 2,404,402	\$ 462,002	\$ 3,694,213	\$ 3,232,211

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental revenue	\$ 611,800	\$ 642,200	\$ 1,175,074	\$ 532,874
Other revenue	-	-	2,512	2,512
TOTAL REVENUES	611,800	642,200	1,177,586	535,386
EXPENDITURES:				
Capital outlay	2,130,500	2,700,480	972,208	1,728,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,518,700)	(2,058,280)	205,378	2,263,658
OTHER FINANCING SOURCES:				
Transfers in	1,518,700	2,058,280	585,501	(1,472,779)
NET CHANGE IN FUND BALANCE	-	-	790,879	790,879
FUND BALANCE AT BEGINNING OF YEAR	40,659	40,659	40,659	-
FUND BALANCE AT END OF YEAR	\$ 40,659	\$ 40,659	\$ 831,538	\$ 790,879

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ 90,000	\$ 91,084	\$ 1,084
Other revenue	555,650	555,650	556,315	665
TOTAL REVENUES	555,650	645,650	647,399	1,749
EXPENDITURES:				
General government:				
Program administration	306,300	247,100	303,631	(56,531)
Capital outlay	430,000	5,187,900	450,430	4,737,470
TOTAL EXPENDITURES	736,300	5,435,000	754,061	4,680,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(180,650)	(4,789,350)	(106,662)	4,682,688
OTHER FINANCING SOURCES:				
Transfers in	108,150	2,050,550	215,349	(1,835,201)
NET CHANGE IN FUND BALANCE	(72,500)	(2,738,800)	108,687	2,847,487
FUND BALANCE AT BEGINNING OF YEAR	6,619,876	6,619,876	6,619,876	-
FUND BALANCE AT END OF YEAR	\$ 6,547,376	\$ 3,881,076	\$ 6,728,563	\$ 2,847,487

See independent auditors' report.

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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.

OTHER GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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
OTHER GOVERNMENTAL FUNDS

June 30, 2006

		<u>Special Revenue Funds</u>	
		<u>Asset Seizure</u>	<u>Park Development</u>
	ASSETS		
Cash and investments		\$ 66,940	\$ 1,279,513
Accounts receivable		131	30,000
Taxes receivable		-	17,734
Accrued interest receivable		879	-
Due from other governments		-	-
Rehabilitation loans receivable		-	-
		<u>67,950</u>	<u>1,327,247</u>
	TOTAL ASSETS	<u>\$ 67,950</u>	<u>\$ 1,327,247</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ 30,000
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	271,747
		<u>-</u>	<u>271,747</u>
	TOTAL LIABILITIES	<u>-</u>	<u>301,747</u>
FUND BALANCES (DEFICITS):			
Unreserved:			
Designated for special revenue purposes		67,950	1,025,500
Undesignated		-	-
		<u>67,950</u>	<u>1,025,500</u>
	TOTAL FUND BALANCES (DEFICITS)	<u>67,950</u>	<u>1,025,500</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,950</u>	<u>\$ 1,327,247</u>

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ 36,419	\$ 66,282	\$ 358,940	\$ 244,753	\$ 981,718	\$ 52,163
-	34,648	9,133	-	-	-	3,200
-	-	-	-	-	-	-
-	856	851	4,473	3,364	12,976	655
10,696	-	-	-	-	-	-
17,354	-	-	-	-	-	-
<u>\$ 28,050</u>	<u>\$ 71,923</u>	<u>\$ 76,266</u>	<u>\$ 363,413</u>	<u>\$ 248,117</u>	<u>\$ 994,694</u>	<u>\$ 56,018</u>
\$ 1,027	\$ -	\$ -	\$ 22,436	\$ -	\$ -	\$ -
17,354	-	-	-	-	-	-
9,669	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>28,050</u>	<u>-</u>	<u>-</u>	<u>22,436</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	71,923	76,266	340,977	248,117	994,694	56,018
-	-	-	-	-	-	-
-	71,923	76,266	340,977	248,117	994,694	56,018
<u>\$ 28,050</u>	<u>\$ 71,923</u>	<u>\$ 76,266</u>	<u>\$ 363,413</u>	<u>\$ 248,117</u>	<u>\$ 994,694</u>	<u>\$ 56,018</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2006

		<u>Special Revenue Funds (Continued)</u>	
		<u>Water Development</u>	<u>Traffic Impact</u>
	ASSETS		
Cash and investments		\$ 1,498,709	\$ 1,063,241
Accounts receivable		-	-
Taxes receivable		-	-
Accrued interest receivable		32,882	15,277
Due from other governments		-	-
Rehabilitation loans receivable		-	-
	TOTAL ASSETS	<u>\$ 1,531,591</u>	<u>\$ 1,078,518</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	-
	TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):			
Unreserved:			
Designated for special revenue purposes		1,531,591	1,078,518
Undesignated		-	-
	TOTAL FUND BALANCES (DEFICITS)	<u>1,531,591</u>	<u>1,078,518</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,531,591</u>	<u>\$ 1,078,518</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
\$ 286,421	\$ 43,345	\$ 105,794	\$ 564	\$ -	\$ -	\$ -
-	2,007	-	-	-	-	-
-	-	-	-	-	-	-
4,008	554	1,405	6	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 290,429</u>	<u>\$ 45,906</u>	<u>\$ 107,199</u>	<u>\$ 570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 194	\$ -	\$ -	\$ 2,200	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	1,229	421	71,872
-	-	-	-	-	-	-
-	194	-	-	3,429	421	71,872
290,429	45,712	107,199	570	-	-	-
-	-	-	-	(3,429)	(421)	(71,872)
<u>290,429</u>	<u>45,712</u>	<u>107,199</u>	<u>570</u>	<u>(3,429)</u>	<u>(421)</u>	<u>(71,872)</u>
<u>\$ 290,429</u>	<u>\$ 45,906</u>	<u>\$ 107,199</u>	<u>\$ 570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2006

		<u>Special Revenue Funds (Continued)</u>	
		<u>Brownsfield Grant</u>	<u>Housing Impact</u>
ASSETS			
Cash and investments		\$ 4	\$ 331,837
Accounts receivable		2,319	4,383
Taxes receivable		-	-
Accrued interest receivable		-	-
Due from other governments		-	-
Rehabilitation loans receivable		-	-
		<hr/>	<hr/>
TOTAL ASSETS		<u>\$ 2,323</u>	<u>\$ 336,220</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ -
Deferred revenue		-	-
Due to other funds		-	-
Advances from other funds		-	-
		<hr/>	<hr/>
TOTAL LIABILITIES		<hr/>	<hr/>
FUND BALANCES (DEFICITS):			
Unreserved:			
Designated for special revenue purposes		2,323	336,220
Undesignated		-	-
		<hr/>	<hr/>
TOTAL FUND BALANCES (DEFICITS)		<u>2,323</u>	<u>336,220</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 2,323</u>	<u>\$ 336,220</u>

See independent auditors' report.

Special Revenue Funds (Continued)		Total Other Governmental Funds
HELP Loan		
\$ 276	\$ 6,416,919	
-	85,821	
-	17,734	
6	78,192	
-	10,696	
-	17,354	
<u>\$ 282</u>	<u>\$ 6,626,716</u>	
\$ -	\$ 55,857	
-	17,354	
-	83,191	
-	271,747	
<u>-</u>	<u>428,149</u>	
282	6,274,289	
-	(75,722)	
<u>282</u>	<u>6,198,567</u>	
<u>\$ 282</u>	<u>\$ 6,626,716</u>	

CITY OF SIGNAL HILL

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

For the year ended June 30, 2006

	Special Revenue Funds	
	Asset Seizure	Park Development
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	1,932	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	1,745	31,270
Developer fees	-	456,494
TOTAL REVENUES	<u>3,677</u>	<u>487,764</u>
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,677</u>	<u>487,764</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	(37,202)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(37,202)</u>
NET CHANGE IN FUND BALANCES	3,677	450,562
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>64,273</u>	<u>574,938</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 67,950</u>	<u>\$ 1,025,500</u>

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
\$ -	\$ -	\$ -	\$ 171,746	\$ -	\$ 88,497	\$ -
34,413	263,199	-	-	-	-	13,093
-	-	-	1,114	-	-	-
-	-	108,292	-	-	-	-
-	1,305	1,539	8,445	7,145	24,621	1,177
-	-	-	-	-	-	-
<u>34,413</u>	<u>264,504</u>	<u>109,831</u>	<u>181,305</u>	<u>7,145</u>	<u>113,118</u>	<u>14,270</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,236	-	-	123,968	-	-	-
-	-	-	-	-	-	-
10,087	-	-	-	-	-	-
<u>35,323</u>	<u>-</u>	<u>-</u>	<u>123,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(910)</u>	<u>264,504</u>	<u>109,831</u>	<u>57,337</u>	<u>7,145</u>	<u>113,118</u>	<u>14,270</u>
910	-	-	-	-	-	-
-	(197,462)	(60,000)	-	(26,800)	-	-
<u>910</u>	<u>(197,462)</u>	<u>(60,000)</u>	<u>-</u>	<u>(26,800)</u>	<u>-</u>	<u>-</u>
-	67,042	49,831	57,337	(19,655)	113,118	14,270
-	4,881	26,435	283,640	267,772	881,576	41,748
<u>\$ -</u>	<u>\$ 71,923</u>	<u>\$ 76,266</u>	<u>\$ 340,977</u>	<u>\$ 248,117</u>	<u>\$ 994,694</u>	<u>\$ 56,018</u>

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2006

	Special Revenue Funds (Continued)	
	Water Development	Traffic Impact
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	59,231	27,582
Developer fees	572,473	248,426
TOTAL REVENUES	<u>631,704</u>	<u>276,008</u>
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>631,704</u>	<u>276,008</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(988,486)	(111,339)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(988,486)</u>	<u>(111,339)</u>
NET CHANGE IN FUND BALANCES	(356,782)	164,669
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>1,888,373</u>	<u>913,849</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 1,531,591</u>	<u>\$ 1,078,518</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
\$ 146,804	\$ 39,692	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	100,000	-	262,886	-	70,744
-	-	-	-	-	-	-
6,705	925	3,174	12	-	-	-
-	-	-	-	-	-	-
<u>153,509</u>	<u>40,617</u>	<u>103,174</u>	<u>12</u>	<u>262,886</u>	<u>-</u>	<u>70,744</u>
1,523	-	-	-	-	-	-
-	-	142,004	-	32,170	-	127,084
-	-	-	-	-	-	-
-	32,870	-	-	-	-	-
-	-	-	-	205,157	-	-
<u>1,523</u>	<u>32,870</u>	<u>142,004</u>	<u>-</u>	<u>237,327</u>	<u>-</u>	<u>127,084</u>
<u>151,986</u>	<u>7,747</u>	<u>(38,830)</u>	<u>12</u>	<u>25,559</u>	<u>-</u>	<u>(56,340)</u>
-	-	39,111	-	-	-	-
<u>(52,014)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(52,014)</u>	<u>-</u>	<u>39,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
99,972	7,747	281	12	25,559	-	(56,340)
<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>
<u>\$ 290,429</u>	<u>\$ 45,712</u>	<u>\$ 107,199</u>	<u>\$ 570</u>	<u>\$ (3,429)</u>	<u>\$ (421)</u>	<u>\$ (71,872)</u>

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2006

	Special Revenue Funds (Continued)	
	Brownfields Grant	Housing Impact
REVENUES:		
Other taxes	\$ -	\$ -
Intergovernmental revenues	49,598	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	-	8,805
Developer fees	-	27,178
TOTAL REVENUES	49,598	35,983
EXPENDITURES:		
Current:		
General government	-	-
Police	41,620	-
Community development	-	-
Public works	-	-
Capital outlay	-	167,290
TOTAL EXPENDITURES	41,620	167,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,978	(131,307)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	7,978	(131,307)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	(5,655)	467,527
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 2,323	\$ 336,220

See independent auditors' report.

Special Revenue Funds (Continued)	Total Other Governmental Funds
HELP Loan	
\$ -	\$ 446,739
-	795,865
-	1,114
-	108,292
(12)	183,669
-	1,304,571
(12)	2,840,250
-	1,523
-	342,878
-	149,204
-	32,870
-	382,534
-	909,009
(12)	1,931,241
-	40,021
-	(1,473,303)
-	(1,433,282)
(12)	497,959
294	5,700,608
\$ 282	\$ 6,198,567

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 2,000	\$ 2,000	\$ 1,932	\$ (68)
Investment income	2,000	2,000	1,745	(255)
TOTAL REVENUES	4,000	4,000	3,677	(323)
FUND BALANCE AT BEGINNING OF YEAR	64,273	64,273	64,273	-
FUND BALANCE AT END OF YEAR	\$ 68,273	\$ 68,273	\$ 67,950	\$ (323)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 35,000	\$ 35,000	\$ 31,270	\$ (3,730)
Developer fees	2,164,400	2,164,400	456,494	(1,707,906)
TOTAL REVENUES	2,199,400	2,199,400	487,764	(1,711,636)
EXPENDITURES:				
Community development:				
Recreation	25,000	25,000	-	25,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,174,400	2,174,400	487,764	(1,686,636)
OTHER FINANCING USES:				
Transfers out	(55,000)	(131,080)	(37,202)	93,878
NET CHANGE IN FUND BALANCE	2,119,400	2,043,320	450,562	(1,592,758)
FUND BALANCE AT BEGINNING OF YEAR	574,938	574,938	574,938	-
FUND BALANCE AT END OF YEAR	\$ 2,694,338	\$ 2,618,258	\$ 1,025,500	\$ (1,592,758)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 204,375	\$ 204,375	\$ 34,413	\$ (169,962)
EXPENDITURES:				
Community development:				
CDBG program	24,327	24,327	25,236	(909)
Capital outlay	180,048	180,048	10,087	169,961
TOTAL EXPENDITURES	204,375	204,375	35,323	169,052
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(910)	(910)
OTHER FINANCING SOURCES:				
Transfers in	-	-	910	910
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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 188,900	\$ 210,900	\$ 263,199	\$ 52,299
Investment income	1,650	1,650	1,305	(345)
TOTAL REVENUES	190,550	212,550	264,504	51,954
OTHER FINANCING USES:				
Transfers out	(186,000)	(186,000)	(197,462)	(11,462)
NET CHANGE IN FUND BALANCE	4,550	26,550	67,042	40,492
FUND BALANCE AT BEGINNING OF YEAR	4,881	4,881	4,881	-
FUND BALANCE AT END OF YEAR	\$ 9,431	\$ 31,431	\$ 71,923	\$ 40,492

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 60,000	\$ 80,000	\$ 108,292	\$ 28,292
Investment income	650	650	1,539	889
TOTAL REVENUES	60,650	80,650	109,831	29,181
OTHER FINANCING USES:				
Transfers out	(60,000)	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	650	20,650	49,831	29,181
FUND BALANCE AT BEGINNING OF YEAR	26,435	26,435	26,435	-
FUND BALANCE AT END OF YEAR	<u>\$ 27,085</u>	<u>\$ 47,085</u>	<u>\$ 76,266</u>	<u>\$ 29,181</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Other taxes	\$ 155,062	\$ 155,062	\$ 171,746	\$ 16,684
Charges for services	1,075	1,075	1,114	39
Investment income	10,000	10,000	8,445	(1,555)
TOTAL REVENUES	166,137	166,137	181,305	15,168
EXPENDITURES:				
Community development:				
Public transportation	355,375	353,054	123,968	229,086
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(189,238)	(186,917)	57,337	244,254
FUND BALANCE AT BEGINNING OF YEAR	283,640	283,640	283,640	-
FUND BALANCE AT END OF YEAR	\$ 94,402	\$ 96,723	\$ 340,977	\$ 244,254

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 9,000	\$ 9,000	\$ 7,145	\$ (1,855)
OTHER FINANCING USES:				
Transfers out	(25,000)	(26,800)	(26,800)	-
NET CHANGE IN FUND BALANCE	(16,000)	(17,800)	(19,655)	(1,855)
FUND BALANCE AT BEGINNING OF YEAR	267,772	267,772	267,772	-
FUND BALANCE AT END OF YEAR	\$ 251,772	\$ 249,972	\$ 248,117	\$ (1,855)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 86,100	\$ 86,100	\$ 88,497	\$ 2,397
Investment income	26,000	26,000	24,621	(1,379)
 TOTAL REVENUES	 112,100	 112,100	 113,118	 1,018
 FUND BALANCE AT BEGINNING OF YEAR	 881,576	 881,576	 881,576	 -
 FUND BALANCE AT END OF YEAR	 \$ 993,676	 \$ 993,676	 \$ 994,694	 \$ 1,018

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 12,800	\$ 12,800	\$ 13,093	\$ 293
Investment income	1,000	1,000	1,177	177
TOTAL REVENUES	13,800	13,800	14,270	470
EXPENDITURES:				
General government:				
City Council	4,500	4,500	-	4,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,300	9,300	14,270	4,970
OTHER FINANCING USES:				
Transfers out	(39,500)	(39,500)	-	39,500
NET CHANGE IN FUND BALANCE	(30,200)	(30,200)	14,270	44,470
FUND BALANCE AT BEGINNING OF YEAR	41,748	41,748	41,748	-
FUND BALANCE AT END OF YEAR	\$ 11,548	\$ 11,548	\$ 56,018	\$ 44,470

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 65,000	\$ 65,000	\$ 59,231	\$ (5,769)
Developer fees	1,876,500	1,876,500	572,473	(1,304,027)
TOTAL REVENUES	1,941,500	1,941,500	631,704	(1,309,796)
OTHER FINANCING USES:				
Transfers out	(1,250,000)	(1,350,000)	(988,486)	361,514
NET CHANGE IN FUND BALANCE	691,500	591,500	(356,782)	(948,282)
FUND BALANCE AT BEGINNING OF YEAR	1,888,373	1,888,373	1,888,373	-
FUND BALANCE AT END OF YEAR	\$ 2,579,873	\$ 2,479,873	\$ 1,531,591	\$ (948,282)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 38,000	\$ 38,000	\$ 27,582	\$ (10,418)
Developer fees	391,300	391,300	248,426	(142,874)
TOTAL REVENUES	429,300	429,300	276,008	(153,292)
OTHER FINANCING USES:				
Transfers out	(353,000)	(353,000)	(111,339)	241,661
NET CHANGE IN FUND BALANCE	76,300	76,300	164,669	88,369
FUND BALANCE AT BEGINNING OF YEAR	913,849	913,849	913,849	-
FUND BALANCE AT END OF YEAR	\$ 990,149	\$ 990,149	\$ 1,078,518	\$ 88,369

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 128,614	\$ 128,614	\$ 146,804	\$ 18,190
Investment income	10,500	10,500	6,705	(3,795)
TOTAL REVENUES	139,114	139,114	153,509	14,395
EXPENDITURES:				
General government:				
City Council	2,050	2,050	1,523	527
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,064	137,064	151,986	14,922
OTHER FINANCING USES:				
Transfers out	(107,200)	(107,200)	(52,014)	55,186
NET CHANGE IN FUND BALANCE	29,864	29,864	99,972	70,108
FUND BALANCE AT BEGINNING OF YEAR	190,457	190,457	190,457	-
FUND BALANCE AT END OF YEAR	\$ 220,321	\$ 220,321	\$ 290,429	\$ 70,108

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Other taxes	\$ 39,000	\$ 39,000	\$ 39,692	\$ 692
Investment income	750	750	925	175
TOTAL REVENUES	39,750	39,750	40,617	867
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	35,590	35,590	32,870	2,720
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,160	4,160	7,747	3,587
FUND BALANCE AT BEGINNING OF YEAR	37,965	37,965	37,965	-
FUND BALANCE AT END OF YEAR	\$ 42,125	\$ 42,125	\$ 45,712	\$ 3,587

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment income	3,000	3,000	3,174	174
TOTAL REVENUES	103,000	103,000	103,174	174
EXPENDITURES:				
Police:				
Patrol services	144,500	145,875	142,004	3,871
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,500)	(42,875)	(38,830)	4,045
OTHER FINANCING SOURCES:				
Transfers in	44,700	44,700	39,111	(5,589)
NET CHANGE IN FUND BALANCE	3,200	1,825	281	(1,544)
FUND BALANCE AT BEGINNING OF YEAR	106,918	106,918	106,918	-
FUND BALANCE AT END OF YEAR	\$ 110,118	\$ 108,743	\$ 107,199	\$ (1,544)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 500,000	\$ 988,002	\$ 262,886	\$ (725,116)
EXPENDITURES:				
Police:				
Domestic preparedness	-	18,002	32,170	(14,168)
Capital outlay	500,000	970,000	205,157	764,843
TOTAL EXPENDITURES	500,000	988,002	237,327	750,675
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	25,559	25,559
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(28,988)	(28,988)	(28,988)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (28,988)	\$ (28,988)	\$ (3,429)	\$ 25,559

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES:				
Intergovernmental revenues	\$ -	\$ 14,977	\$ -	\$ (14,977)
EXPENDITURES:				
Police:				
Patrol services	-	14,977	-	14,977
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(421)	(421)	(421)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (421)</u>	<u>\$ (421)</u>	<u>\$ (421)</u>	<u>\$ -</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

TRAP SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 128,550	\$ 128,550	\$ 70,744	\$ (57,806)
EXPENDITURES:				
Police:				
Investigative services	<u>128,550</u>	<u>130,000</u>	<u>127,084</u>	<u>2,916</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,450)	(56,340)	(54,890)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(15,532)</u>	<u>(15,532)</u>	<u>(15,532)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (15,532)</u>	<u>\$ (16,982)</u>	<u>\$ (71,872)</u>	<u>\$ (54,890)</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

HOUSING IMPACT SPECIAL REVENUE FUND

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,500	\$ 10,500	\$ 8,805	\$ (1,695)
Developer fees	-	-	27,178	27,178
TOTAL REVENUES	10,500	10,500	35,983	25,483
EXPENDITURES:				
Capital outlay	-	-	167,290	(167,290)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,500	10,500	(131,307)	(141,807)
FUND BALANCE AT BEGINNING OF YEAR	467,527	467,527	467,527	-
FUND BALANCE AT END OF YEAR	\$ 478,027	\$ 478,027	\$ 336,220	\$ (141,807)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ (12)	\$ (12)
FUND BALANCE AT BEGINNING OF YEAR	294	294	294	-
FUND BALANCE AT END OF YEAR	\$ 294	\$ 294	\$ 282	\$ (12)

See independent auditors' report.

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, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS:				
Cash and investments	<u>\$ 980,691</u>	<u>\$ 164,902</u>	<u>\$ -</u>	<u>\$ 1,145,593</u>
LIABILITIES:				
Refundable deposits	<u>\$ 980,691</u>	<u>\$ 164,902</u>	<u>\$ -</u>	<u>\$ 1,145,593</u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2006

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

Contents:

Pages

<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	122 - 127
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	128 - 131
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	132 - 135
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	136 - 137
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	138 - 140

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 42,045	\$ 45,374	\$ 45,473	\$ 44,080
Restricted	149	11,460	7,155	8,983
Unrestricted	<u>(40,183)</u>	<u>(44,957)</u>	<u>(40,035)</u>	<u>(31,596)</u>
Total governmental activities net assets	<u>\$ 2,011</u>	<u>\$ 11,877</u>	<u>\$ 12,593</u>	<u>\$ 21,467</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 14,349	\$ 14,021	\$ 14,403	\$ 15,414
Restricted	2,109	2,249	2,405	689
Unrestricted	<u>3,051</u>	<u>2,703</u>	<u>2,954</u>	<u>4,137</u>
Total business-type activities net assets	<u>\$ 19,509</u>	<u>\$ 18,973</u>	<u>\$ 19,762</u>	<u>\$ 20,240</u>
Primary government				
Invested in capital assets, net of related debt	\$ 56,394	\$ 59,395	\$ 59,876	\$ 59,494
Restricted	2,258	13,709	9,560	9,672
Unrestricted	<u>(37,132)</u>	<u>(42,254)</u>	<u>(37,081)</u>	<u>(27,459)</u>
Total primary government net assets	<u>\$ 21,520</u>	<u>\$ 30,850</u>	<u>\$ 32,355</u>	<u>\$ 41,707</u>

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

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 3,054	\$ 3,176	\$ 5,152	\$ 4,110
Community services	1,066	1,149	1,162	1,189
Police	5,029	5,733	6,599	6,631
Community development	6,428	3,340	5,940	3,877
Public works	3,645	5,866	5,636	5,915
Unallocated infrastructure depreciation	445	446	448	482
Interest on long-term liabilities	3,967	3,565	3,631	3,503
Total governmental activities expenses	<u>23,634</u>	<u>23,275</u>	<u>28,568</u>	<u>25,707</u>
Business-type activities - Water	2,956	3,861	3,366	4,058
Total primary government expenses	<u>\$ 26,590</u>	<u>\$ 27,136</u>	<u>\$ 31,934</u>	<u>\$ 29,765</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 144	\$ 215	\$ 164	\$ 135
Community services	217	266	268	260
Police	312	330	408	538
Community development	13	1	7	7
Public works	1,164	1,361	1,206	1,264
Operating grants and contributions	906	1,041	1,055	3,178
Capital grants and contributions	5,107	7,063	2,415	2,728
Total governmental activities program revenues	<u>7,863</u>	<u>10,277</u>	<u>5,523</u>	<u>8,110</u>
Business-type activities:				
Charges for services - water	3,196	3,296	3,355	3,433
Total primary government program revenues	<u>\$ 11,059</u>	<u>\$ 13,573</u>	<u>\$ 8,878</u>	<u>\$ 11,543</u>
Net (expense)/revenue				
Governmental activities	\$ (15,771)	\$ (12,998)	\$ (23,045)	\$ (17,597)
Business-type activities	240	(565)	(11)	(625)
Total primary government net expenses	<u>\$ (15,531)</u>	<u>\$ (13,563)</u>	<u>\$ (23,056)</u>	<u>\$ (18,222)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property	\$ 8,107	\$ 9,243	\$ 9,451	\$ 11,393
Sales and use	10,025	10,598	11,125	12,015
Franchise	456	455	462	412
Motor vehicle	608	490	952	774
Other	682	769	816	1,016
Investment income	1,002	385	912	1,067
Unrestricted grants and contributions	624	905	733	764
Gain on disposition of assets	25	19	-	18
Transfers	17	-	(690)	(988)
Total governmental activities	<u>21,546</u>	<u>22,864</u>	<u>23,761</u>	<u>26,471</u>
Business-type activities				
Investment income	173	29	109	115
Unrestricted grants and contributions	1	-	-	-
Gain on disposition of assets	-	-	1	-
Transfers	(17)	-	690	988
Total business-type activities	<u>157</u>	<u>29</u>	<u>800</u>	<u>1,103</u>
Total primary government	<u>\$ 21,703</u>	<u>\$ 22,893</u>	<u>\$ 24,561</u>	<u>\$ 27,574</u>
Changes in Net Assets				
Governmental activities	\$ 5,775	\$ 9,866	\$ 716	\$ 8,874
Business-type activities	397	(536)	789	478
Total primary government	<u>\$ 6,172</u>	<u>\$ 9,330</u>	<u>\$ 1,505</u>	<u>\$ 9,352</u>

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

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

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved	\$ 442	\$ 460	\$ 433	\$ 456
Unreserved	5,240	6,230	7,732	9,033
Total General Fund	<u>5,682</u>	<u>6,690</u>	<u>8,165</u>	<u>9,489</u>
All Other Governmental Funds				
Reserved	9,814	10,004	9,401	5,011
Unreserved, reported in:				
Special revenue funds	10,552	9,395	8,684	7,527
Debt service funds	2,364	1,887	730	180
Capital projects funds	8,710	9,257	7,829	5,690
Total All Other Governmental Funds	<u>31,440</u>	<u>30,543</u>	<u>26,644</u>	<u>18,408</u>
Total All Governmental Funds	<u>\$ 37,122</u>	<u>\$ 37,233</u>	<u>\$ 34,809</u>	<u>\$ 27,897</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 822	\$ 2,286	\$ 2,607	\$ 2,349	\$ 2,289	\$ 2,290
12,287	14,364	16,222	18,502	18,843	21,287
<u>13,109</u>	<u>16,650</u>	<u>18,829</u>	<u>20,851</u>	<u>21,132</u>	<u>23,577</u>
7,484	6,624	3,517	3,801	4,726	4,101
6,117	5,059	7,575	11,346	6,192	9,216
(658)	(1,080)	(1,063)	176	1,603	3,688
4,447	77	456	3,102	3,144	3,693
<u>17,390</u>	<u>10,680</u>	<u>10,485</u>	<u>18,425</u>	<u>15,665</u>	<u>20,698</u>
<u>\$ 30,499</u>	<u>\$ 27,330</u>	<u>\$ 29,314</u>	<u>\$ 39,276</u>	<u>\$ 36,797</u>	<u>\$ 44,275</u>

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

	Fiscal Year			
	1997	1998	1999	2000
Revenues				
Taxes	\$ 14,107	\$ 15,100	\$ 15,016	\$ 14,793
Licenses and permits	265	306	270	370
Intergovernmental revenues	676	611	1,251	1,405
Charges for services	743	446	644	748
Fines and forfeitures	165	165	259	248
Investment income	1,683	1,752	1,552	1,539
Other	846	1,093	770	738
Total Revenues	<u>18,485</u>	<u>19,473</u>	<u>19,762</u>	<u>19,841</u>
Expenditures				
General government	4,171	4,728	4,465	2,296
Community services	690	862	886	917
Police	4,197	4,393	4,345	4,579
Community development	820	834	973	862
Public works	2,360	2,459	2,387	2,450
Capital outlay	1,465	597	2,442	9,907
Debt Service				
Principal retirement	935	1,020	1,191	1,451
Interest	4,466	4,448	4,385	4,228
Other debt service	20	21	1,090	343
Other	122	-	-	-
Total Expenditures	<u>19,246</u>	<u>19,362</u>	<u>22,164</u>	<u>27,033</u>
Excess of revenues over/(under) expenditures	<u>(761)</u>	<u>111</u>	<u>(2,402)</u>	<u>(7,192)</u>
Other Financing Sources/(Uses)				
Transfers in	1,446	1,480	2,520	1,915
Transfers out	(1,445)	(1,480)	(2,507)	(1,915)
Residual equity transfers	(146)	-	(35)	-
Other	322	-	-	280
Total other financing sources	<u>177</u>	<u>-</u>	<u>(22)</u>	<u>280</u>
Net change in fund balances	<u>\$ (584)</u>	<u>\$ 111</u>	<u>\$ (2,424)</u>	<u>\$ (6,912)</u>
Debt service as a percentage of noncapital expenditures	31.0%	29.0%	34.0%	35.0%

Source: City of Signal Hill, Finance Department

Fiscal Year						
	2001	2002	2003	2004	2005	2006
\$	17,484	\$ 17,826	\$ 19,650	\$ 21,452	\$ 21,609	\$ 25,225
	407	423	426	421	429	348
	1,963	1,791	5,488	4,304	2,910	2,985
	962	838	924	1,185	1,020	1,236
	263	217	199	203	284	359
	2,533	1,589	1,109	328	1,014	1,185
	931	1,630	3,549	2,600	1,948	4,212
	<u>24,543</u>	<u>24,314</u>	<u>31,345</u>	<u>30,493</u>	<u>29,214</u>	<u>35,550</u>
	2,728	2,793	3,073	3,009	5,058	4,155
	903	922	1,050	1,048	1,130	1,175
	4,644	4,602	4,897	5,473	6,339	6,586
	851	958	907	1,108	1,123	1,187
	2,815	3,008	3,164	3,577	3,683	3,761
	4,513	9,713	9,468	5,578	7,191	2,891
	1,528	1,664	1,904	820	2,595	2,888
	3,876	3,868	3,939	2,976	3,427	3,334
	1,085	2,807	1,096	4,510	457	1,114
	-	-	-	-	-	-
	<u>22,943</u>	<u>30,335</u>	<u>29,498</u>	<u>28,099</u>	<u>31,003</u>	<u>27,091</u>
	<u>1,600</u>	<u>(6,021)</u>	<u>1,847</u>	<u>2,394</u>	<u>(1,789)</u>	<u>8,459</u>
	3,207	2,301	2,884	3,406	2,372	2,765
	(3,205)	(2,301)	(2,867)	(3,406)	(3,062)	(3,746)
	-	-	-	-	-	-
	<u>1,000</u>	<u>2,852</u>	<u>120</u>	<u>7,568</u>	<u>-</u>	<u>-</u>
	<u>1,002</u>	<u>2,852</u>	<u>137</u>	<u>7,568</u>	<u>(690)</u>	<u>(981)</u>
\$	<u>2,602</u>	<u>\$ (3,169)</u>	<u>\$ 1,984</u>	<u>\$ 9,962</u>	<u>\$ (2,479)</u>	<u>\$ 7,478</u>
	35.0%	40.0%	35.0%	37.0%	27.0%	30.0%

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

Fiscal Year Ended June 30	City				Redevelopment Agency			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
1997	\$ 303,601	\$ 22,702	\$ (5,288)	\$ 321,015	\$ 548,955	\$ 50,064	\$ (4,301)	\$ 594,718
1998	290,174	24,448	(5,137)	309,485	542,587	52,808	(4,290)	591,105
1999	285,504	25,577	(5,161)	305,920	818,626	83,282	(9,345)	892,563
2000	291,099	21,884	(5,196)	307,787	818,455	89,724	(9,366)	898,813
2001	310,487	26,588	(5,211)	331,864	547,298	68,483	(4,138)	611,643
2002	333,659	26,640	(5,264)	355,035	597,456	71,312	(4,270)	664,498
2003	348,170	27,693	(5,287)	370,576	660,935	73,253	(4,371)	729,817
2004	381,532	32,527	(5,292)	408,767	1,113,045	111,652	(9,842)	1,214,855
2005	421,446	29,089	(5,453)	445,082	865,759	76,075	(5,019)	936,815
2006	474,373	19,202	(5,450)	488,125	980,644	94,192	(5,173)	1,069,663

Note:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon

CITY OF SIGNAL HILL
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rate	0.0680	0.0680	0.0680	0.0680	0.0680	0.0680	0.0680	0.0680	0.0680	0.0680
Overlapping Rates:										
Water Replenishment District	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
L.B.Comm. Coll. Children's Center	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003
LA County Vector Control	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004	0.0004
Detention Facility	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008
L.B.Dev. Ctr. Handicapped Minors	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
L.A. County School Services	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015
Childrens Institutional Tuition	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030
Long Beach Children's Center	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040	0.0040
Long Beach School Services	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070
Metropolitan Water District	0.0089	0.0089	0.0089	0.0089	0.0088	0.0077	0.0067	0.0061	0.0058	0.0052
LA County Sanitation District	0.0143	0.0186	0.0202	0.0178	0.0198	0.0166	0.0155	0.0152	0.0101	0.0101
LA County Flood Control	0.0147	0.0149	0.0147	0.0145	0.0143	0.0132	0.0136	0.0235	0.0129	0.0128
L.B Comm. Coll. District	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0476
Educational Augmentation Fund	0.2040	0.2040	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950
Los Angeles County Fire	0.1860	0.1860	0.1940	0.1940	0.1940	0.1940	0.1940	0.1940	0.1940	0.1940
Long Beach Unified School Dist.	0.1930	0.1930	0.1930	0.1930	0.1930	0.1930	0.2282	0.2358	0.2521	0.2338
County of Los Angeles	0.2806	0.2806	0.2815	0.2814	0.2813	0.2811	0.2810	0.2810	0.2809	0.2808
Total Rate	<u>1.0167</u>	<u>1.0212</u>	<u>1.0224</u>	<u>1.0198</u>	<u>1.0213</u>	<u>1.0158</u>	<u>1.0492</u>	<u>1.0658</u>	<u>1.0660</u>	<u>1.0654</u>

Note:

In 1978, the voters of the State of California passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is

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

Taxpayer	2005-06		1996-97	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Signal Hill Petroleum	\$ 46,411	2.98%	\$ 12,816	1.39%
LBSH Development	25,000	1.60%	24,242	2.62%
Arco Terminal Services Corp.	21,473	1.38%	45,191	4.88%
Costco Wholesale Corp.	18,236	1.17%	-	0.00%
PL Signal Hill	17,148	1.10%	-	0.00%
Long Beach Acquisition Corp.	13,723	0.88%	-	0.00%
Town Center Signal Hill LLC	10,405	0.67%	-	0.00%
Price Enterprises, Inc.	9,413	0.60%	-	0.00%
Samantha Marketplace LLC	9,276	0.60%	34,949	3.78%
M.F. Salta Company LLC	8,233	0.53%	-	0.00%
Signal Hill Company	-	0.00%	18,408	1.99%
Cablevision Industries	-	0.00%	15,286	1.65%
American Office Park	-	0.00%	8,918	0.96%
Memorial Health Services	-	0.00%	8,831	0.95%
Signal Hill Land Company	-	0.00%	6,706	0.72%
Mitchell Land and Imp. Co.	-	0.00%	5,981	0.65%
	<u>\$ 179,318</u>	<u>11.51%</u>	<u>\$ 181,328</u>	<u>19.59%</u>

Note:

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 9,129,181	\$ 8,936,641	97.89%	N/A	N/A	N/A
2006	10,461,029	10,142,108	96.95%	N/A	N/A	N/A

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

Note:

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

For tax increment, Los Angeles County does not provide detail of prior year collections. Therefore, the

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percent of Assessed Valuation	Per Capita
	Redevelopment Tax Allocation	Notes	Loans	Certificates of Participation	Water Revenue				
	Bonds				Bonds	Loans			
2003	\$ 61,115	\$ 5,130	\$ 2,115	\$ 9,023	\$ -	\$ 756	\$ 78,139	7.039%	7,598.11
2004	67,000	4,820	2,060	8,828	-	680	83,388	6.809%	7,843.85
2005	64,778	4,570	2,000	8,623	-	605	80,576	5.787%	7,357.87
2006	62,551	3,972	2,000	-	8,475	529	77,527	4.977%	6,991.34

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

CITY OF SIGNAL HILL
Direct and Overlapping Debt
June 30, 2006

City Assessed Valuation	\$ 572,147,480
Redevelopment Agency Incremental Valuation	985,640,285
Total Assessed Valuation	\$ 1,557,787,765

	Percentage Applicable ¹	Outstanding Debt 6/30/06	Estimated Share of Overlapping Debt
Overlapping Debt:			
LA County Detention Facilities 1987 Debt Service	0.078%	\$ 8,395,000	\$ 6,541
LA County Flood Control Storm Drain Bonds No. 4 Debt Service	0.079%	1,080,000	855
*Central Basin Municipal Water District	0.084%	182,369,156	152,540
Long Beach Community College District 2002 Series A, 2003 Debt Service	3.963%	7,675,000	304,160
Long Beach Community College District 2002 Series B, 2005 Debt Service	3.963%	91,274,898	3,617,226
Long Beach Unified School District 1999 Series A Debt Debt Service	3.964%	22,600,000	895,774
Long Beach Unified School District 1999 Series B Debt Debt Service	3.964%	27,670,000	1,096,728
Long Beach Unified School District 1999 Series C Debt Debt Service	3.964%	55,920,000	2,216,445
Long Beach Unified School District 1999 Series D Debt Debt Service	3.964%	38,300,000	1,518,059
Long Beach Unified School District 1999 Series E Debt Debt Service	3.964%	58,145,000	2,304,635
Long Beach Unified School District 1999 Series F Debt Debt Service	3.964%	49,600,000	1,965,946
 Total overlapping debt		\$ 543,029,054	14,078,909
 City direct debt			-
 Total direct and overlapping debt			\$ 14,078,909

Notes:

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

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Legal Debt Margin Calculation for the Current Year

Assessed value	\$ 1,557,787,765
Debt limit (15% of assessed value)	233,668,165
Debt applicable to limit	0
Legal debt margin - Current Year	\$ 233,668,165

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
1997	\$ 138,798,427	\$ 0	\$ 138,798,427	0.00%
1998	136,507,139	0	136,507,139	0.00%
1999	135,286,284	0	135,286,284	0.00%
2000	136,226,739	0	136,226,739	0.00%
2001	142,928,449	0	142,928,449	0.00%
2002	154,359,905	0	154,359,905	0.00%
2003	166,507,665	0	166,507,665	0.00%
2004	183,704,523	0	183,704,523	0.00%
2005	208,855,187	0	208,855,187	0.00%
2006	233,668,165	0	233,668,165	0.00%

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

Fiscal Year	Redevelopment Tax Allocation Bonds				Coverage
	Property Tax Increment	Debt Service			
		Principal	Interest		
1997	\$ 5,184	\$ 935	\$ 3,820	1.09	
1998	5,576	1,020	3,770	1.16	
1999	5,635	1,150	3,712	1.16	
2000	5,505	1,245	3,646	1.13	
2001	5,914	1,315	3,577	1.21	
2002	6,188	1,385	3,327	1.31	
2003	7,844	1,765	3,096	1.61	
2004	8,936	455	1,719	4.11	
2005	9,085	2,285	2,806	1.78	
2006	10,985	2,290	2,756	2.18	

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

Calendar Year	City Population	Area Population	Los Angeles-Long Beach-Santa Ana Area		
			Personal Income	Per Capita Personal Income	Unemployment Rate
1997	8,864	11,915,815	\$ 315,995,094	\$ 26,519	6.2%
1998	9,008	12,086,776	344,095,712	28,469	5.8%
1999	9,133	12,253,223	360,275,382	29,402	5.1%
2000	9,247	12,403,036	385,053,436	31,045	5.1%
2001	9,737	12,550,438	403,518,592	32,152	5.2%
2002	9,933	12,691,583	412,753,239	32,522	6.7%
2003	10,284	12,816,963	427,041,303	33,318	6.9%
2004	10,631	12,899,425	453,901,804	35,188	6.3%
2005	10,951	N/A	N/A	N/A	5.0%
2006	11,089	N/A	N/A	N/A	4.4%

N/A - Not Available

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

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

Employer	2005-06			1996-97*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	707	1	8.30%			
Costco	343	2	4.03%			
Universal Care	302	3	3.55%			
Home Depot	270	4	3.17%			* Information not available
Target	207	5	2.43%			
Long Beach BMW/Mini	179	6	2.10%			
Mercedes Benz of Long Beach	142	7	1.67%			
Charter Communications	116	8	1.36%			
Oceanaire Sportswear	113	9	1.33%			
Macro Pro Inc.	107	10	1.26%			
	<u>2,486</u>		<u>29.20%</u>			

Source: City of Signal Hill Business Licenses

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

Department	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administration	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.25	4.50	4.00
Finance	8.00	8.00	8.44	8.44	7.44	7.44	7.44	7.44	6.44	6.44
Community Services	21.34	20.44	23.15	23.88	24.03	23.53	24.29	24.11	23.78	23.05
Police	50.95	51.45	50.45	52.45	52.17	53.38	53.28	52.18	52.18	50.40
Community Development	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Public Works	31.50	30.00	30.00	30.00	30.48	31.00	31.00	30.42	30.92	29.00
Redevelopment	4.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00
Total	128.79	126.89	129.04	131.77	130.12	130.35	130.01	128.40	126.82	121.89

CITY OF SIGNAL HILL
 Operation Indicators by Function
 Current Fiscal Year

Function/Program	2006
Police	
Calls for service	7,151
Reports written	4,884
Total arrests	1,736
Hazardous traffic conditions	2,871
Parking citations	6,553
Community Development	
Code enforcement cases	26
Building permits	187
Site plan design reviews	13
Water	
# of customers	2,846
Average daily consumption (in millions of gallons)	2.13
Number of hydrants maintained	552
Public Works	
Traffic signals maintained	29
Street sweeping miles	3,500
Sidewalk repairs (Square feet)	8,000
Linear feed of curb & gutter replaced	400
Engineering	
Number of infrastructure projects administered	48
Plan checks completed	19
Number of residential refuse accounts	2,040
Community Services	
Library items borrowed	44,024
Youth sports participants	408
Summer youth programs	11,693
Facility rental permits	265

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

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

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Public Safety				
Police Stations	1	1	1	1
Patrol Vehicles	10	10	9	9
Fire Stations	1	1	1	1
Fire Hydrants	459	459	459	459
Water				
Miles of Lines and Mains	34	34	34	34
Reservoirs	3	3	3	3
Wells	2	2	2	2
Highways and Streets				
Miles of Streets	35.7	35.7	35.7	35.7
Street Trees	3200	3200	3200	3200
Recreation and Culture				
Parks	6	8	9	10
Area of Parks (Acres)	17.39	22.51	23.01	23.03
Libraries	1	1	1	1
Community Centers	1	1	1	1
Bandstands	1	1	1	1
Baseball Diamonds	1	1	1	1
Basketball Courts	2	2	2	2

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