COMPREHENSIVE ANNUAL FINANCIAL REPORT

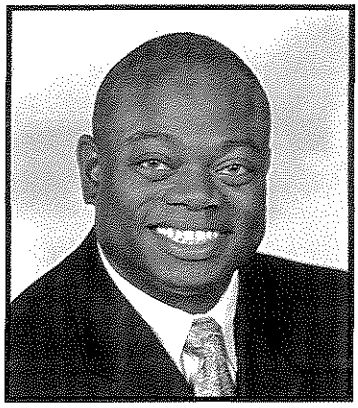
CITY OF SIGNAL HILL, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2007

Prepared by
Department of Finance

Dennis MacArthur
Director of Finance

ELECTED OFFICIALS

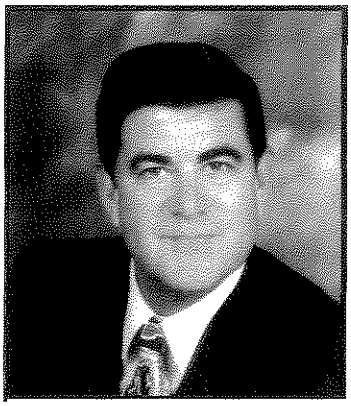


Edward H. J. Wilson
Councilmember

Ellen Ward
Councilmember

Tina L. Hansen
Mayor

Larry Forester
Councilmember



Michael Noll
Vice Mayor

Kathleen Pacheco
City Clerk

Emerson Fersch
City Treasurer

ADMINISTRATIVE PERSONNEL

City Manager	Kenneth Farfsing
Deputy City Manager	Vacant
City Attorney	David Aleshire
Director of Community Services	Kathy Sorensen
Director of Community Development	Gary Jones
Director of Finance	Dennis MacArthur
Chief of Police	Thomas Sonoff
Director of Public Works	Charlie Honeycutt

CITY OF SIGNAL HILL

TABLE OF CONTENTS

June 30, 2007

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

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

June 30, 2007

	Page Number
REQUIRED SUPPLEMENTARY INFORMATION:	75
Budgetary Comparison Schedules:	
General Fund	77 - 78
Affordable Housing Special Revenue Fund	79
Note to Required Supplementary Information	80
SUPPLEMENTARY INFORMATION:	
Other Major Governmental Funds:	81
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Debt Service Fund	83
Capital Improvement Capital Projects Fund	84
Community Redevelopment Capital Projects Fund	85
Other Governmental Funds:	86 - 87
Combining Balance Sheet	88 - 93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94 - 99
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Asset Seizure Special Revenue Fund	100
Park Development Special Revenue Fund	101
HCDA Grant Special Revenue Fund	102
Special Gas Tax Special Revenue Fund	103
Traffic Safety Special Revenue Fund	104
Transportation Special Revenue Fund	105
Cable Televising Special Revenue Fund	106
Pipeline Removal Special Revenue Fund	107
Air Quality Improvement Special Revenue Fund	108
Water Development Special Revenue Fund	109
Traffic Impact Special Revenue Fund	110
Proposition C Special Revenue Fund	111
Lighting and Landscape Special Revenue Fund	112
Supplemental Law Enforcement Special Revenue Fund	113
Domestic Preparedness Grant Special Revenue Fund	114
OTS Grant Special Revenue Fund	115

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

June 30, 2007

	Page Number
SUPPLEMENTARY INFORMATION (CONTINUED):	
Other Governmental Funds (Continued):	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued):	
TRAP Special Revenue Fund	116
Housing Impact Special Revenue Fund	117
Fiduciary Fund:	119
Schedule of Changes in Fiduciary Assets and Liabilities - Special Deposit Agency Fund	120
STATISTICAL SECTION (UNAUDITED):	
Description of Statistical Section Contents	121
Financial Trends:	
Net Assets by Component - Last Five Fiscal Years	122
Changes in Net Assets - Last Five Fiscal Years	123
Fund Balances of Governmental Funds - Last Ten Fiscal Years	124 -125
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	126 - 127
Revenue Capacity:	
Assessed Value of Taxable Property - Last Ten Fiscal Years	128
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	129
Principal Property Taxpayers - Current Year and Nine Years Ago	130
Property Tax Levies and Collections - Last Three Fiscal Years	131
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Five Fiscal Years	132
Direct and Overlapping Debt	133
Legal Debt Margin Information - Last Ten Fiscal Years	134
Pledged-Revenue Bond Coverage:	
Redevelopment Tax Allocation Bonds - Last Ten Fiscal Years	135

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

June 30, 2007

	Page Number
STATISTICAL SECTION (UNAUDITED) (CONTINUED):	
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	136
Principal Employers - Current Year and Nine Years Ago	137
Operating Information:	
Full-Time Equivalent City Government Employees by Department - Last Ten Fiscal Years	138
Operating Indicators by Function - Last Two Fiscal Years	139
Capital Asset Statistics by Function/Program - Last Five Fiscal Years	140

CITY OF SIGNAL HILL

2175 Cherry Avenue • Signal Hill, California 90755-3799

December 31, 2007

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, 2007 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) requires 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 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 106 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 11,229, 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 $24,458 in quarterly taxable sales per capita. This compares with $10,895 per capita for Cerritos, $3,173 per capita for Lakewood and $2,342 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 $3,058 and $3,322, respectively.

The valuation of building permits increased $1,260,155, or 5.6% over last year's amount. Actual building permits issued during the current fiscal year totaled 217, up 3% from the previous year when 210 permits were issued. Residential homes being constructed are currently priced over $1 million and range from 2,400 to over 3,800 square feet in size. Despite the troubles in the sub prime market and the overall downturn in the housing sector, Signal Hill building activity remain stable. Commercial and industrial projects accounted for the increase in building permit valuations and sustained the activity level for the total number of building permits issued for the fiscal year.

Activity in the City's Redevelopment Agency centered on the expansion of the Auto Center. Additional parcels were assembled to relocate the A & A concrete batch processing plant from its current location in the Auto Center to an industrial area on the City's west side. The Agency completed the assembly of four parcels of land in order to prepare for the relocation of the A&A Concrete cement batch plant from its existing location on Spring Street and Walnut Avenue in the Signal Hill Auto Center. The relocation of the concrete plant from the Auto Center was anticipated as part of the Auto Center Specific Plan. This action required the relocation of the Long Beach Community Garden, which had utilized the 2.5-acre site for over a decade for a nutrition program. The project included site remediation, including the re-abandonment of four oil wells and significant grading of the site. The project also included the installation by the City of full street improvements on Patterson Street, from California Avenue to Olive Avenue. The plant is currently under construction, with completion anticipated in April 2008.

The Agency adopted agreements with CarMax to construct an automotive dealership on a 6.5-acre parcel of land located at Spring Street and Walnut on land that included the A&A Concrete Batch plant. The project included the purchase and relocation of the purchase and relocation of the A&A Concrete plant, as well as the purchase and consolidation of four additional parcels of land. City and Agency staff worked with CarMax and their design team in completing environmental review and feasibility studies on the site. The Planning Commission and the City Council are expected to review the project early in 2008.

The Agency is financing the project from a $13.5 million tax allocation bond issue that was issued in August 2006. The relocation and new dealership projects are budgeted at $11.3 million. At fiscal year end, the Agency had expended approximately $2.7 million on the projects. Funds will be carried over into the new fiscal year to complete the projects. Also, the Agency has expended nearly $850,000 for land acquisition that is being recognized in the financial statements as deposits with the Los Angeles County court system.

During the past year, the City completed the financial plan for the construction of the new Police station relying on internal funding. One of the difficult decisions was to find a suitable location for the new station. Staff conducted community workshops last year to review various locations. The City Council decided to purchase a 4-acre site, the one time home to the "Green on Signal Hill," an outdoor concert venue, which was abandoned for several years. Work on the site included studies of soils, environmental conditions and grading review, as well as title research.

The Finance Department worked on the new Agency tax allocation issue that was sold in August of 2006. Additionally, an actuarial study was completed late in the year that quantified the City's obligation for its other post employment benefits and its annual required contribution under GASB No. 45. A committee consisting of the Finance Director, the City Treasurer and two council members will study the report and make recommendations to the full Council later next year.

The Community Services Department continued to provide much needed services to the children of Signal Hill. Our licensed childcare program called Kids Kamp, operated 2,824 hours this year and realized revenues totaling $154,173 for the fiscal year. The program starts at 6:45 AM and closes at 6 PM Monday through Friday, fifty-two weeks a year. The program is licensed by the State of California and thus there are certain staffing, building and ratio requirements. Residents make up 62% of the registration.

A drop-in after school and a summer program compliments the Kids Kamp program. Attendance for these programs totaled 22,119 children. The Community Services Department provides two year round programs: one at Signal Hill Park and the other in the Las Brisas neighborhood at either the Signal Hill Park Community Center or at Calbrisas Park.

The City has four parks, two community centers, and a library meeting room that can be rented. This past year over 220 room rentals and usages were accommodated. This was an 11% increase over last year's rental levels. A total of 19,977 people were accommodated through the rental program with attendance totaling 12,9358 in the parks and 7,062 for the buildings.

The City's Library program continued to expand with visits up by 11% and circulation up by 35% with a total circulation count of 68,321. The Friends of the Library concluded Phase 7 of their millennial brick project, which raises funds for the library. They also sponsored four author talks with a total attendance of 188 participants.

In April of this year, the Signal Hill Police Department took delivery of a new Mobile Command Post vehicle. The vehicle is considered an important tool in the City's emergency preparedness efforts. The Mobile Command Post vehicle brings valuable equipment and resources to incident locations. The equipment and resources include: on-site dispatch communications via telephone and radio, video recording and viewing capabilities, public television viewing, computers, printer and fax capabilities, a conference area, restroom facilities and exterior covered briefing areas. The vehicle is a custom-built 40-foot Freightliner chassis and has room to add future emergency equipment and supplies. The Mobile Command Post vehicle was funded through a Federal Homeland Security Grant.

The City's Community Development Department completed planning entitlements for the A&A Ready Mixed Concrete Batch Plan that was discussed previously. The department also entitled the Aragon and Pacific Walk townhouse projects, which will build 81 and 54 townhouses respectively. The department was involved with projects that brought new sales tax providers into the City such as Circuit City, Best Buy and Direct Buy retail projects. Also they participated in the Target Department Store expansion project that was concluded in June of 2007.

During Fiscal Year 2006-07, the Public Works Department completed several projects to improve the City's parks, buildings, streets and water systems. A total of $2.0 million was spent to upgrade and improve the City's parks, building and streets and $1.7 million was expended to make improvements to the City's water system.

Public Works completed several street improvements projects as part of the City's General Pavement Management Program. The projects consisted of resurfacing various streets on the hilltop, California Crown, and in the eastern and Civic Center area neighborhoods. The construction and engineering costs for all street improvements projects totaled $662,000. In addition, Public Works completed the Orange Avenue signal upgrade project at a cost of $450,000. The project included the construction of traffic signal upgrades for the intersections of Orange Avenue at 32nd Street and Orange Avenue at 33rd Street. Grants were utilized to fund the majority of the project's costs.

Public Works also completed the Hamilton Bowl Trash Reduction project. This project installed several capture devices on storm drain outfalls in the Hamilton Bowl detention basis. This project will evaluate the effectiveness of the trash capture devices in meeting the Los Angeles River Trash TMDL regulations. Largely funded by grants, the project cost totaled $501,600 for the fiscal year.

The two water system improvement projects included the completion of the new Gundry Reservoir roof and design work for a new well site. The reservoir roof was first installed in the early 1930's and the most recent upgrade was completed in the late 1970's. The Gundry Reservoir roof replacement project included the design and construction of a 200-foot diameter steel-based roof over the reservoir and sand basin. The total cost expended for this project during the fiscal year was $1.042 million. In addition, work began on the development of Well No. 9 and the City Yard expansion. Design work totaling $418,000 was expended for the new well and the perimeter fence around the new City Yard expansion area. Eventually, new water well will be drilled on the site.

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's prior job losses in the manufacturing sector have flattened out. New jobs are being created that 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 new plan will guide decision makers for the next five to seven years. As part of the Strategic Plan, financial policies were developed with the adoption of the 2007-08 Annual Operating Budget to guide the City in its use and accumulation of reserves.

City reserves and designations of the General Fund's fund balance have increased by $3.0 million, or 13% during the fiscal year. Funds were reallocated by the City Council to increase the new police building reserve. The reserve for the new police building was increased by $7.7 million to $10.7 million. The new police facility will be completed by 2010. The City Council also designated $1.5 million to fund the City's Other Post Employment Benefits (OPEB) reserve. The increase in these designations came from the both the growth in available fund balance and the reallocation from the library reserve. Total reserves and designations of General Fund balance are currently in excess of $26.6 million. Designation associated with General Fund contingencies and uncertainties total $9.4 million, which represent 53% 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 will be required to have a single audit for fiscal year 2006-2007 because it exceeded the $500,000 threshold requiring a single audit. Under the provisions of the Single Audit Act, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the city has complied with applicable laws and regulation.

Budgetary Controls

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 meets 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, various governmental securities and in commercial paper. The average interest rate on investments was 4.78% for the year, up .56% (56 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 47% of its portfolio and by increasing average weighted maturity of the portfolio. The portfolio's weighted average days to maturity were 546 days. Last year's weighted average days to maturity were 375 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 on a regular basis 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 $33.085 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, 2006. This was the 12th 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.

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, 2006

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

CITY OF SIGNAL HILL

JUNE 30, 2007

ELECTED OFFICIALS

Tina L. Hansen
Mayor

Michael Noll
Vice Mayor

Ellen Ward
Councilmember

Larry Forester
Councilmember

Edward H.J.Wilson
Councilmember

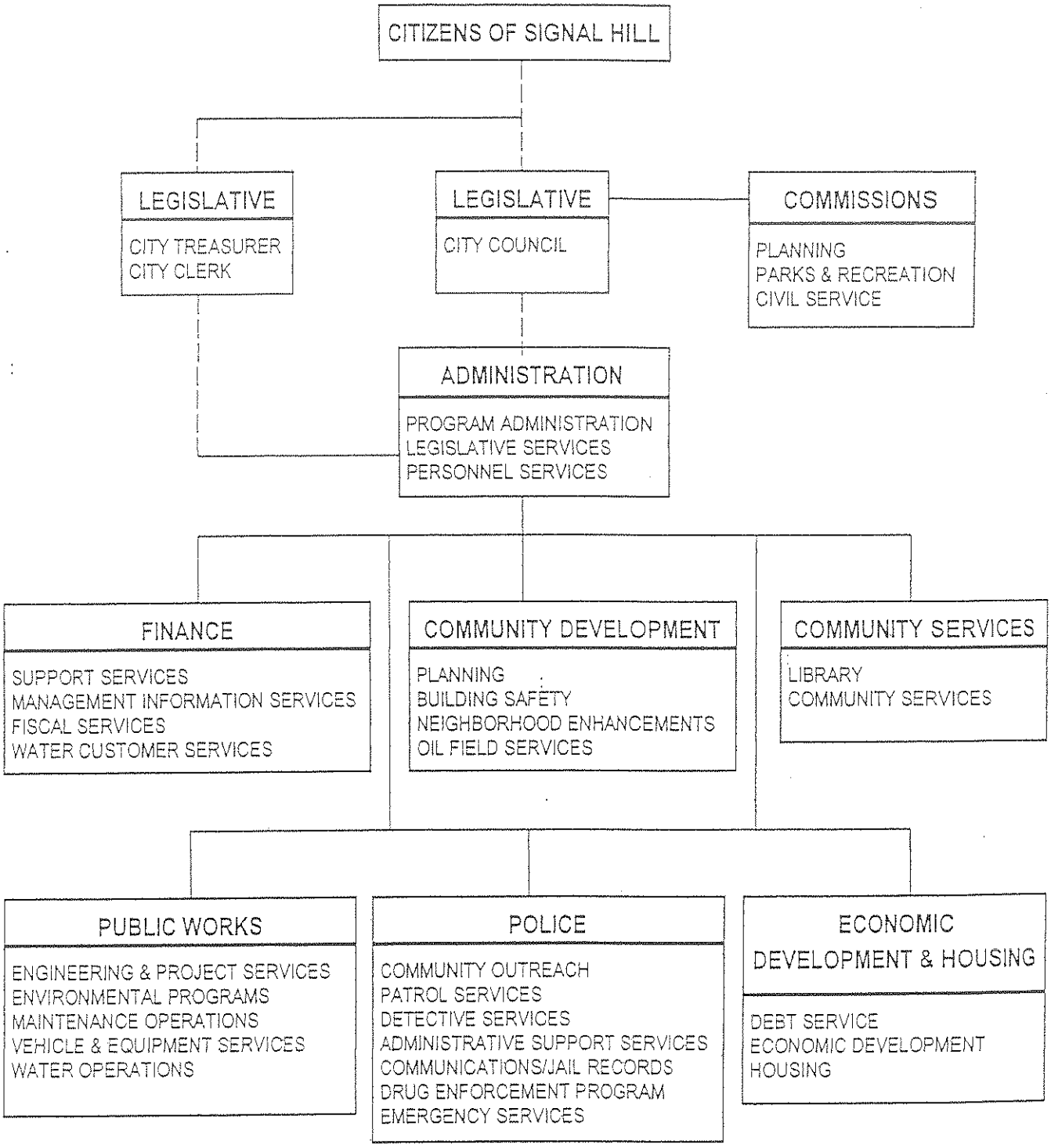
Kathleen Pacheco
City Clerk

Emerson Fersch
City Treasurer

ADMINISTRATIVE PERSONNEL

City Manager	Kenneth Farfsing
Deputy City Manager	Vacant
City Attorney	David Aleshire
Director of Community Services	Kathy Sorensen
Director of Community Development	Gary Jones
Director of Finance	Dennis MacArthur
Chief of Police	Tom Sonoff
Director of Public Works	Charlie Honeycutt

CITY OF SIGNAL HILL
ORGANIZATIONAL CHART



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
$ (2,796,622)	$ -	$ (2,796,622)
(876,638)	-	(876,638)
(5,982,147)	-	(5,982,147)
(3,256,168)	-	(3,256,168)
(2,626,984)	-	(2,626,984)
(523,594)	-	(523,594)
(4,251,612)	-	(4,251,612)
(20,313,765)	-	(20,313,765)
-	(295,112)	(295,112)
(20,313,765)	(295,112)	(20,608,877)
13,995,172	-	13,995,172
12,177,226	-	12,177,226
591,519	-	591,519
73,692	-	73,692
1,301,851	-	1,301,851
2,295,291	183,507	2,478,798
206,363	-	206,363
15,662	514	16,176
(660,372)	660,372	-
29,996,404	844,393	30,840,797
9,682,639	549,281	10,231,920
21,466,990	20,239,745	41,706,735
$ 31,149,629	$ 20,789,026	$ 51,938,655

CITY OF SIGNAL HILL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
ASSETS			
Cash and investments	$ 24,733,761	$ 4,081,241	$ 6,675,008
Restricted cash and investments	-	53	799
Accounts receivable	1,730,769	107,947	463,631
Accrued interest receivable	267,642	40,585	96,677
Due from other funds	500,332	-	-
Due from other governments	985,996	-	-
Advances to other funds	-	199,060	-
Deposits	42,687	-	-
Rehabilitation loans receivable	-	-	-
Land and improvements held for resale or lease, net	-	-	-
TOTAL ASSETS	$ 28,261,187	$ 4,428,886	$ 7,236,115
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 424,672	$ 53,677	$ -
Accrued liabilities	1,972	-	-
Deferred revenue	985,996	-	-
Due to other funds	-	-	-
Due to other governments	4,986	-	-
Owner participation agreement payable	-	-	1,331,682
Refundable deposits	236,750	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	1,654,376	53,677	1,331,682
FUND BALANCES:			
Reserved	42,687	199,113	799
Unreserved:			
General fund	26,564,124	-	-
Special revenue funds	-	4,176,096	-
Debt service funds	-	-	5,903,634
Capital projects funds	-	-	-
TOTAL FUND BALANCES	26,606,811	4,375,209	5,904,433
TOTAL LIABILITIES AND FUND BALANCES	$ 28,261,187	$ 4,428,886	$ 7,236,115

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

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
$ 755,494	$ 179,222	$ 6,994,349	$ 43,419,075
-	15,575,335	-	15,576,187
126,000	-	459,367	2,887,714
-	159,757	93,662	658,323
-	-	-	500,332
137,253	-	32,605	1,155,854
-	-	-	199,060
-	850,000	-	892,687
-	-	15,799	15,799
-	3,867,396	-	3,867,396
$ 1,018,747	$ 20,631,710	$ 7,595,782	$ 69,172,427

$ 107,432	$ 525,156	$ 27,623	$ 1,138,560
-	-	-	1,972
137,253	10,530	32,106	1,165,885
-	-	500,332	500,332
-	-	-	4,986
-	-	-	1,331,682
-	150,000	-	386,750
-	-	228,560	228,560
244,685	685,686	788,621	4,758,727
-	19,949,698	-	20,192,297
-	-	-	26,564,124
-	-	6,807,161	10,983,257
-	-	-	5,903,634
774,062	(3,674)	-	770,388
774,062	19,946,024	6,807,161	64,413,700
$ 1,018,747	$ 20,631,710	$ 7,595,782	$ 69,172,427

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CITY OF SIGNAL HILL

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

June 30, 2007

Fund balances - total governmental funds		$ 64,413,700
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 27,673,385	
Construction in progress	383,181	
Infrastructure, net of $ 10,883,858 accumulated depreciation	11,842,497	
Structures and improvements, net of $ 6,342,831 accumulated depreciation	3,296,536	
Equipment, net of $ 1,437,741 accumulated depreciation	747,889	
Total capital assets used in governmental activities		43,943,488
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, 2007 totaled:		1,155,355
Internal Service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		1,781,878
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, 2007 are:		
Accrued interest on long-term debt		(1,412,975)
Tax allocation bonds	$(74,445,000)	
Less: Deferred charges on refunding (amortized as interest expense)	565,089	
Less: Deferred charges for issuance costs (amortized over life of debt)	1,696,421	
Less: Issuance discounts (amortized as interest expense)	110,344	
Note payable	(3,865,847)	
Loans payable	(2,000,000)	
Compensated absences	(792,824)	
Total long-term liabilities		(78,731,817)
Net assets of governmental activities		$ 31,149,629

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, 2007

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
REVENUES:			
Property taxes	$ 1,248,093	$ 2,549,416	$ 10,197,663
Sales and use tax	11,939,418	-	-
Other taxes	1,788,424	-	-
Licenses and permits	368,563	-	-
Intergovernmental revenues	239,206	-	-
Charges for services	1,139,732	-	-
Fines and forfeitures	246,411	-	-
Investment income	1,654,909	126,565	315,005
Developer fees	-	-	-
Other revenue	302,305	33,600	-
TOTAL REVENUES	18,927,061	2,709,581	10,512,668
EXPENDITURES:			
Current:			
General government	2,450,546	109,955	170,328
Community services	1,245,636	-	-
Police	6,724,402	-	-
Community development	1,033,548	-	-
Public works	3,978,994	-	-
Capital outlay	94,161	90,275	-
Debt service:			
Owner participation agreement	-	-	1,331,682
Principal retirement	-	-	2,450,687
Interest	-	-	3,749,085
Bond issuance costs	-	-	-
Fiscal agent fees	-	-	17,266
TOTAL EXPENDITURES	15,527,287	200,230	7,719,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,399,774	2,509,351	2,793,620
OTHER FINANCING SOURCES (USES):			
Transfers in	416,300	-	1,378,846
Transfers out	(786,448)	(1,378,846)	(1,962,246)
Proceeds from bonds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(370,148)	(1,378,846)	(583,400)
NET CHANGE IN FUND BALANCES	3,029,626	1,130,505	2,210,220
FUND BALANCES AT BEGINNING OF YEAR	23,577,185	3,244,704	3,694,213
FUND BALANCES AT END OF YEAR	$ 26,606,811	$ 4,375,209	$ 5,904,433

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

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
$ -	$ -	$ -	$ 13,995,172
-	-	-	11,939,418
-	-	458,056	2,246,480
-	-	-	368,563
666,725	-	1,318,124	2,224,055
-	-	1,940	1,141,672
-	-	109,503	355,914
-	488,961	374,799	2,960,239
-	-	1,161,435	1,161,435
56,626	576,315	-	968,846
723,351	1,065,276	3,423,857	37,361,794
-	184,135	4,010	2,918,974
-	-	-	1,245,636
-	-	570,966	7,295,368
-	-	164,045	1,197,593
-	-	46,360	4,025,354
1,956,863	2,633,273	505,622	5,280,194
-	-	-	1,331,682
-	-	-	2,450,687
-	-	-	3,749,085
-	492,653	-	492,653
-	-	-	17,266
1,956,863	3,310,061	1,291,003	30,004,492
(1,233,512)	(2,244,785)	2,132,854	7,357,302
1,176,036	1,962,246	90,101	5,023,529
-	-	(1,614,361)	(5,741,901)
-	13,500,000	-	13,500,000
1,176,036	15,462,246	(1,524,260)	12,781,628
(57,476)	13,217,461	608,594	20,138,930
831,538	6,728,563	6,198,567	44,274,770
$ 774,062	$ 19,946,024	$ 6,807,161	$ 64,413,700

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, 2007

Net change in fund balances - total governmental funds		$20,138,930
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays ($ 1,285,592) exceeded depreciation ($709,007) in the current period:		576,585
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items are as follows:		
Principal payments	$ 2,450,687	
Proceeds from issuance of new debt	(13,500,000)	
Costs of issuance of new debt	492,653	
Amortization of deferred charges	(95,778)	
Amortization of deferred amount on refunding	(56,451)	
Amortization of bond discounts	(6,790)	
		(10,715,679)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net change in accrued interest	$ (326,242)	
Net change in compensated absences	(59,927)	
		(386,169)
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.		(33,911)
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.		
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.		102,883
Change in net assets of governmental activities		$ 9,682,639

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

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
ASSETS		
CURRENT ASSETS:		
Cash and investments	$ 3,232,026	$ 1,053,338
Restricted cash and investments	687,958	-
Accounts receivable	506,383	-
Accrued interest receivable	32,522	11,213
Inventory	-	19,431
TOTAL CURRENT ASSETS	4,458,889	1,083,982
NONCURRENT ASSETS:		
Advance to other funds	29,500	-
Deferred charges	225,839	-
Capital assets:		
Land	4,436,916	-
Construction in progress	234,380	-
Depreciable assets, net of accumulated depreciation	20,603,103	705,320
TOTAL NONCURRENT ASSETS	25,529,738	705,320
TOTAL ASSETS	29,988,627	1,789,302
LIABILITIES		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	101,968	4,742
Accrued interest payable	62,662	-
Refundable deposits	322,796	-
Current portion of long-term liabilities	388,163	2,655
TOTAL CURRENT LIABILITIES	875,589	7,397
LONG-TERM LIABILITIES:		
Loan payable	377,975	-
Certificates payable	7,930,013	-
Compensated absences	12,900	3,151
TOTAL LONG-TERM LIABILITIES	8,320,888	3,151
TOTAL LIABILITIES	9,196,477	10,548
NET ASSETS:		
Invested in capital assets, net of related debt	17,288,774	705,320
Restricted for debt service	687,958	-
Unrestricted	2,815,418	1,073,434
TOTAL NET ASSETS	20,792,150	$ 1,778,754
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,124)	
Net assets of business-type activity	$ 20,789,026	

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, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:		
Charges for services	$ 3,350,859	$ 489,072
Other revenues	249,868	-
TOTAL OPERATING REVENUES	3,600,727	489,072
OPERATING EXPENSES:		
Personnel services	1,054,911	185,989
Contractual services	61,983	4,661
Supplies	1,162,473	11,238
Material and repairs	154,459	78,475
Utilities	183,947	2,500
Depreciation/amortization	705,810	224,194
Other	146,454	3,594
TOTAL OPERATING EXPENSES	3,470,037	510,651
OPERATING LOSS	130,690	(21,579)
NONOPERATING REVENUES (EXPENSES):		
Investment income	183,507	47,378
Interest expense	(417,954)	-
Fiscal agent fees	(4,426)	-
Gain on disposal of assets	514	15,662
TOTAL NONOPERATING REVENUES (EXPENSES)	(238,359)	63,040
INCOME (LOSS) BEFORE TRANSFERS	(107,669)	41,461
TRANSFERS IN	662,433	58,000
TRANSFERS OUT	(2,061)	-
CHANGE IN NET ASSETS	552,703	99,461
TOTAL NET ASSETS AT BEGINNING OF YEAR		1,679,293
TOTAL NET ASSETS AT END OF YEAR		$ 1,778,754
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,422)	
Change in net assets of business-type activity	$ 549,281	

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, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 3,656,639	$ -
Receipts from interfund services provided	-	489,072
Payments to suppliers	(1,807,311)	(116,306)
Payments to employees	(1,059,797)	(186,130)
NET CASH PROVIDED BY OPERATING ACTIVITIES	789,531	186,636
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advance repayment from other funds	14,750	-
Transfers in	812,433	58,000
Transfers out	(152,061)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	675,122	58,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposition of capital assets	-	16,814
Acquisition of property, plant and equipment	(1,729,062)	(217,753)
Principal paid	(355,595)	-
Interest paid	(349,599)	-
Fiscal agent fees	(4,426)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,438,682)	(200,939)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	196,195	48,520
NET DECREASE IN CASH AND CASH EQUIVALENTS	(777,834)	92,217
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,697,818	961,121
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,919,984	$ 1,053,338

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, 2007

	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)	$ 130,690	$ (21,579)
Depreciation/amortization	705,810	224,194
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	44,102	-
(Increase) decrease in inventory	-	11,551
Increase (decrease) in accounts payable	(97,994)	(27,389)
Increase (decrease) in accrued liabilities	(1,072)	-
Increase (decrease) in refundable deposits	11,809	-
Increase (decrease) in compensated absences	(3,814)	(141)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 789,531	$ 186,636

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND

June 30, 2007

	Special Deposit Agency Fund
ASSETS:	
Cash and investments	$ 1,095,934
LIABILITIES:	
Refundable deposits	$ 1,095,934

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

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December 17, 2007

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, 2007, 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, 2007, 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.

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In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2007 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, 2007

This discussion and analysis section of the City of Signal Hill's comprehensive annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2007. 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 $51,938,655. Of this amount a $73,769,567 deficit was attributable to the redevelopment agency tax allocation bonds secured by future tax increment revenues.

- The City's total net assets increased by $10,231,920 over last years' totals. Governmental activities contributed $9,682,639, and business-type activities contributed $549,281.

- At the close of the current fiscal year, the City's governmental activities reported combined ending balances of $31,149,629, an increase of $9,682,639 in comparison to the 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, 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (continued)

The Statement of Net Assets presents information on all of the City of Signal Hill's assets and liabilities; the difference between the two is reported as net assets. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

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

Fund Financial Statements

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

Governmental funds

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

See independent auditors' report.

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 statements 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (continued)

Other information (continued)

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Signal Hill's net assets at June 30, 2007 total $51,938,655. Following is a condensed version of the government-wide statement of net assets.

Table 1
Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-type Activities 2007	Business-type Activities 2006	Total 2007	Total 2006
Assets:						
Current and other assets	$ 71,227,062	$ 49,924,542	$ 4,711,104	$ 5,575,582	$ 75,938,166	$ 5,500,124
Capital assets, net	44,648,808	44,079,816	25,274,399	24,251,152	69,923,207	68,330,968
Total Assets	115,875,870	94,004,358	29,985,503	29,826,734	145,861,373	123,831,092
Liabilities:						
Current Liabilities	4,292,197	3,275,664	487,426	543,615	4,779,623	3,819,279
Long-term Liabilities	80,434,044	69,261,704	8,709,051	9,043,374	89,143,095	78,305,078
Total Liabilities	84,726,241	72,537,368	9,196,477	9,586,989	93,922,718	82,124,357
Net assets:						
Invested in capital assets, net of related debt	43,943,488	44,079,816	17,288,774	15,413,792	61,232,262	59,493,608
Restricted	30,888,999	8,982,838	687,958	688,852	31,576,957	9,671,690
Unrestricted	(43,682,858)	(31,595,664)	2,812,294	4,137,101	(40,870,564)	(27,458,563)
Total Net Assets	$ 31,149,629	$ 21,466,990	$ 20,789,026	$ 20,239,745	$ 51,938,655	$ 41,706,735

See independent auditors' report.

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 of Signal Hill. Although completed public facilities and Joint Agency-Private Partnership projects are transferred to the City of Signal Hill and private developers, the debt remains with the Agency.

Changes in net assets

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Signal Hill's net assets increased approximately $10.2 million in the fiscal year ended June 30, 2007. The increase was split between the governmental activities ($9.7 million) and business-type activities ($0.5 million).

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

The total net assets of the City were $51,938,655 as of June 30, 2007. This represents an increase of $10,231,920 over the prior year. This change is explained more fully below.

The City's total revenues were $41.2 million. A significant portion of the City's revenue came from sales and use tax, accounting for 29.6% of total revenues, local property tax accounted for 34.0%, 15.1% was received for charges for services, and 5.8% came from capital grants and contributions.

The total cost of all City programs and services during fiscal year ended June 30, 2007 was $30,943,751. Community development expenditures accounted for 17.0% of the total expenditures, 24.0% of expenditures were for police services, interest expense attributed to 13.7%, public works 17.2%, community services 4.0%, general government 9.7% and 12.6% was expended for business-type activities.

The difference between the City's total revenues and expenses, $10,231,920, represented the increase in total net assets for 2007.

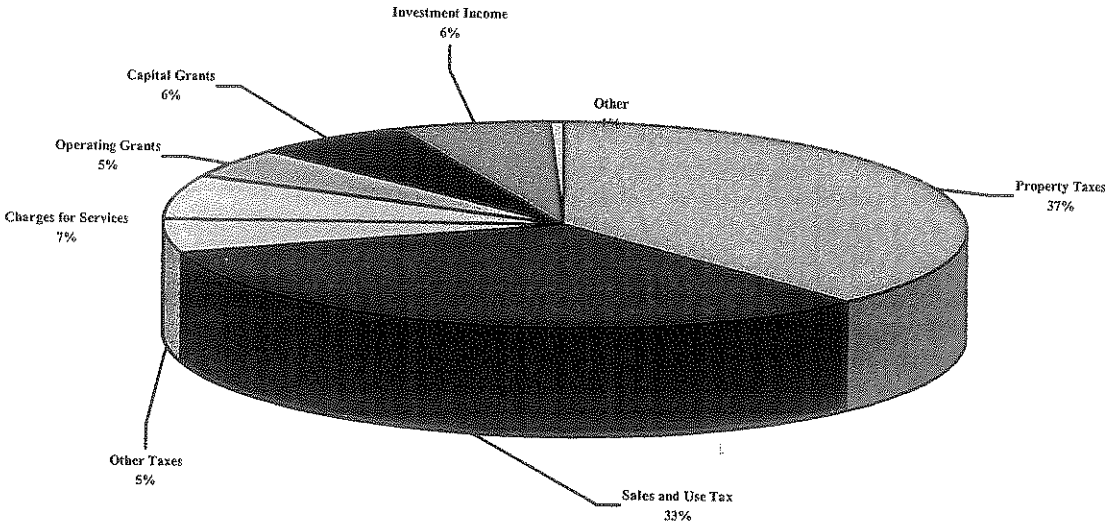
See independent auditors' report.

Table 2
Changes in Net Assets

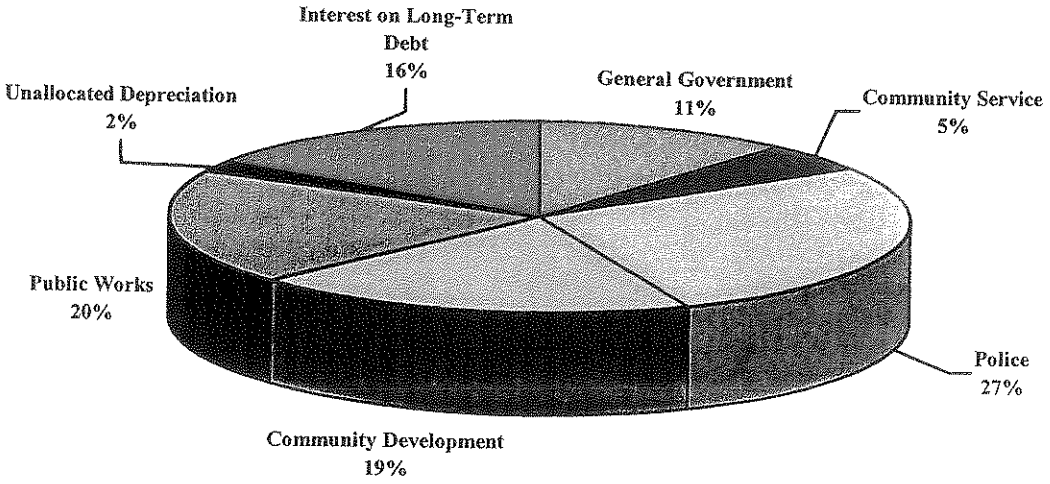
	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006	Total 2007	Total 2006
Revenues:						
Program revenues:						
Charges for services	$ 2,620,344	$ 2,203,630	$ 3,600,727	$ 3,433,082	$ 6,221,071	$ 5,636,712
Operating grants and contributions	1,747,904	3,178,092	-	-	1,747,904	3,178,092
Capital grants and contributions	2,365,899	2,727,708	-	-	2,365,899	2,727,708
General revenues:						
Property taxes	13,995,172	11,393,493	-	-	13,995,172	11,393,493
Sales and use taxes	12,177,226	12,014,671	-	-	12,177,226	12,014,671
Other taxes	1,967,062	2,202,432	-	-	1,967,062	2,202,432
Investment income	2,295,291	1,067,132	183,507	114,532	2,478,798	1,181,664
Unrestricted grants and contributions	206,363	763,911	-	-	206,363	763,911
Miscellaneous	15,662	18,376	514	-	16,176	18,376
Total revenues	37,390,923	35,569,445	3,784,748	3,547,614	41,175,671	39,117,059
Expenses:						
General government	3,009,161	4,110,386	-	-	3,009,161	4,110,386
Community services	1,248,187	1,188,690	-	-	1,248,187	1,188,690
Police	7,433,669	6,630,574	-	-	7,433,669	6,630,574
Community development	5,253,551	3,876,951	-	-	5,253,551	3,876,951
Public works	5,328,138	5,914,779	-	-	5,328,138	5,914,779
Unallocated infrastructure depreciation	523,594	482,310	-	-	523,594	482,310
Interest on long-term liabilities	4,251,612	3,503,568	-	-	4,251,612	3,503,568
Water	-	-	3,895,839	4,057,892	3,895,839	4,057,892
Total Expenses	27,047,912	25,707,258	3,895,839	4,057,892	30,943,751	29,765,150
Increase in net assets before transfers	10,343,011	9,862,187	(111,091)	(510,278)	10,231,920	9,351,909
Transfers	(660,372)	(988,486)	660,372	988,486	-	-
Change in net assets	9,682,639	8,873,701	549,281	478,208	10,231,920	9,351,909
Net assets - beginning	21,466,990	12,593,289	20,239,745	19,761,537	41,706,735	32,354,826
Net assets - ending	$ 31,149,629	$ 21,466,990	$ 20,789,026	$ 20,239,745	$ 51,938,655	$ 41,706,735

See independent auditors' report.

Revenues by Source - Governmental Activities
Fiscal Year 2007

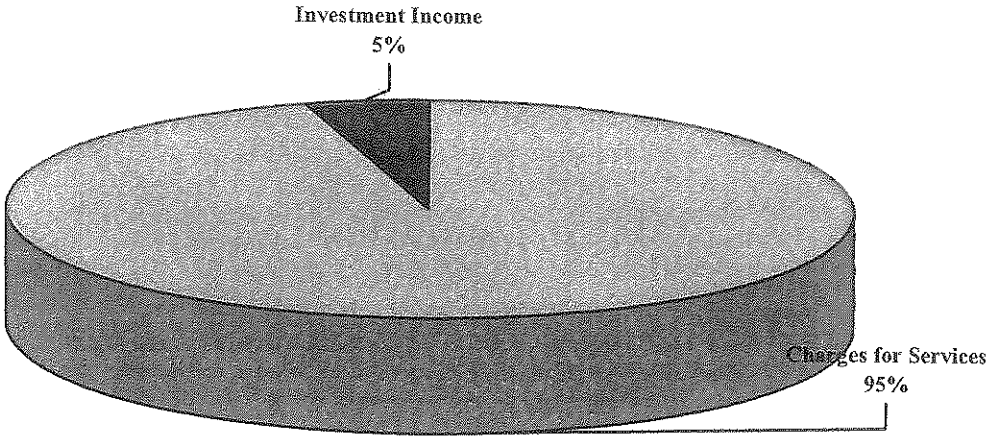


Expenditures - Governmental Activities
Fiscal Year 2007

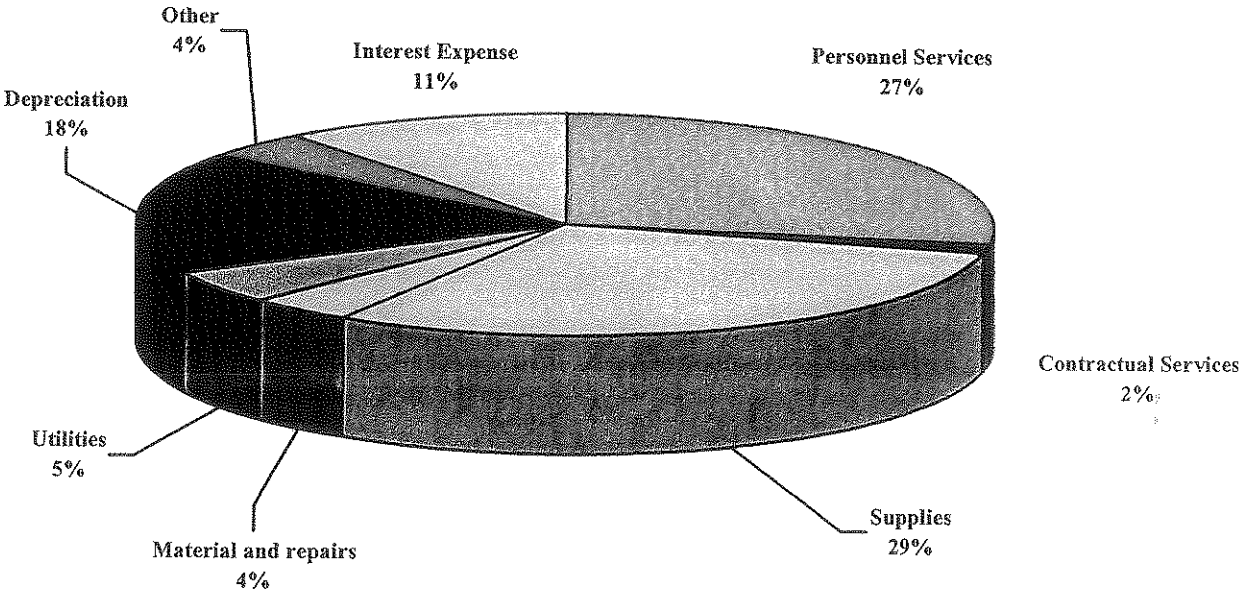


See independent auditors' report.

Revenues by Sources - Business-type Activities
Fiscal Year 2007



Expenditures - Business-type Activities
Fiscal Year 2007



See independent auditors' report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Assets (continued)

Governmental activities contributed to $9,682,639 of the increase in net assets. The largest increase in revenues as compared to the prior year was attributable to property tax and investment income. Property tax increased $2,601,679 or 22.8%. The large increase was due to the increase in the City's net taxable value of 15.2% for the 2006/07 tax roll and the large increase in supplemental taxes paid during the year. Investment income increased by $1,228,159 or 115.1% over the prior year because of higher interest rates and larger balances available for investment. The Fed raised the discount rate during the year causing the yield on the City's pooled investments to increase. The Fed has since reversed their position so we don't expect the higher rates to continue into the next fiscal year.

Expenditures increased $1,340,654 primarily as a result of a increase in expenditures for interest. Early in 2006-07, the Agency issued $13.5 million in Tax Allocation Bonds. 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, 2007, the expenses exceeded revenues with the City's total business-type activities having realized an overall increase in net assets of $549,281.

The City's enterprise operation is comprised solely of a Water Fund. Operating revenues increased $167,645, or 4.9% over the previous year. The increase in revenues resulted from a 3% rate increase and an increase in consumption. The increase in consumption was due to new development and the two year drought inflicting the Southern California area. Operating expenses decreased $162,053, or 4.0%. In 2005-06, the City incurred greater costs due to the purchase of imported bulk water. The purchases were necessary due to the shut down of the City's main reservoir for repairs. Because well water is stored and purified at the reservoir location, purified water had to be purchased directly from the Central Basin Water District. The work on the reservoir was completed early in the fiscal year and therefore these expenses were non-reoccurring during the current fiscal year.

Change in net assets consisted of an increase of $549,281 for the year as compared to last year's $478,208 increase in net assets. The main reason for the increase in net assets was the $660,372 transfer in. This balance came from water development fees, which are collected on new development and are used to pay for the expansion of the City's water distribution system. Total net assets at the end of the year were $20,789,026. This represents a 2.7% increase in net assets. The City has ample coverage to pay its water-bonded indebtedness. The City's Water Utility Debt Service Coverage is 146%. This ratio is calculated by subtracting expenses (less depreciation) from revenues (including interest earnings) and then dividing the result by the annual debt service (principal and interest). The City is required by the bond covenants to maintain a coverage ratio between 110% and 150%.

See independent auditors' report.

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, 2007 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 $3,029,626, for an increase of 12.8%. Revenues increased by $1,268,576, or 7.2%, and expenditures increased by $447,107 or 3.0%. The majority of increases in revenues can be attributed to a $943,888 increase in investment income. The increase was attributed to higher balances within the General Fund that were available for investment and higher interest rates.

Affordable Housing Special Revenue Fund

The fund balance increased by $1,130,505 or 34.8%. The increase in fund balance was due to the increases in tax increment from property taxes and reduced expenditures from capital outlay.

Debt Service Fund

The Debt Service Fund's fund balance increased by $2,210,220. The increased assessed valuation resulted from $1,410,029 in additional property taxes over the previous year. Net transfers out totaling $583,400 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 $1,956,863 for the fiscal year. Some of the larger projects include the Hamilton Bowl Trash Reduction Project, $501,636; the Orange Avenue Signal Upgrade Project, $447,701; the Pavement Management Phase 4 Citywide Improvements, $381,886; the Signal Hill Park Renovation Project, $166,783 and $121,747 spent on preliminary planning and design for the new Police Department Facility.

Community Redevelopment Capital Project Fund

The Community Redevelopment Capital Project Fund's fund balance increased by $13,217,461. The increase is largely due to the issuance of $13.5 million in tax allocation bonds that were sold in August of 2006. The bond issue's intended purpose was to raise funds to finance economic development projects within the Redevelopment Agency's Auto Center.

See independent auditors' report.

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 $19,343,361. Total General Fund revenues and transfers in exceeded their adjusted budget amounts by $1,127,101. Sales and use tax was the largest revenue source with $11,939,418 in realized revenues. This amount was $396,918 more than the adjusted budget. The favorable variance was attributable to the additional sales tax providers that were brought on-line such as Best Buy and Circuit City and favorable sales performance by Office Depot despite a slowing economy.

Other revenues exceeding their adjusted budgets were investment income ($827,959 over budget) and other taxes ($584,424 over budget). Most of the City's revenue categories exceeded their adjusted budget totals. One exception to this was licenses and permits, which were $3,697 below budget. This slowing was anticipated as we see the slowing in the housing sector take effect.

Investment income continued to improve over the previous fiscal year. Investment income totaled $1,654,909. This was a $943,888 or a 132.7% increase over last fiscal year. The increase was due to improved investment rates, larger investable balances and strategies by the City to increase yields through longer maturity durations.

General Fund expenditures totaled $15,527,287. Expenditures were projected at $16,799,725 during the budget process. The expenditure under run from the final budget totaled $1,272,438, or 7.6% under our projection. Historically, the City's expenditures will run 3% below the final budget projection. All departments came in under their budgets for fiscal year 2006/07. Approximately half of the under run in the budget was caused by vacant positions within the Police and Community Services Departments. The City Council authorized the hiring of two additional police officers in the 2006/07 Budget. The recruitment for police officer is a long process because of the intense screening and testing that occurs. The other half of the budget under run occurred within the maintenance and operations categories. All departments under ran their budgets. Approximately one third of the maintenance and operations under run, or $320,000 will be carried over into fiscal year 2007/08.

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, 2007, totaled $69,923,207, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in process.

Table 3
Capital Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-type Activities 2007	Business-type Activities 2006	Total 2007	Total 2006
Land	$ 27,673,385	$ 27,673,385	$ 4,436,916	$ 3,237,724	$ 32,110,301	$ 30,911,109
Construction in progress	383,181	329,104	234,380	1,332,203	617,561	1,661,307
Buildings, equipment depreciable assets	4,749,745	4,355,914	19,873,090	18,920,832	24,622,835	23,276,746
Water rights	-	-	730,013	760,393	730,013	760,393
Infrastructure	11,842,497	11,721,413	-	-	11,842,497	11,721,413
Totals	$ 44,648,808	$ 44,079,816	$ 25,274,399	$ 24,251,152	$ 69,923,207	$ 68,330,968

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

DEBT ADMINISTRATION

Table 4
Debt Administration

	Governmental Activities 2007	Governmental Activities 2006	Business-type Activities 2007	Business-type Activities 2006	Total 2007	Total 2006
Tax allocation bonds	$ 73,769,567	$ 62,551,326	$ -	$ -	$ 73,769,567	$ 62,551,326
Notes payable	3,865,847	3,971,534	-	-	3,865,847	3,971,534
Loans payable	2,000,000	2,000,000	453,570	529,165	2,453,570	2,529,165
Water revenue bonds	-	-	8,220,013	8,474,927	8,220,013	8,474,927
Compensated absences	798,630	738,844	35,468	39,282	834,098	778,126
Totals	$ 80,434,044	$ 69,261,704	$ 8,709,051	$ 9,043,374	$ 89,143,095	$ 78,305,078

See independent auditors' report.

DEBT ADMINISTRATION (continued)

At year-end, the City had seven issues of bonded indebtedness outstanding in its governmental funds totaling $73,769,567. All seven issues were rated AAA by Standard and Poors and Aaa by Moody's. The City's bonded indebtedness per capita is $6,570 (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 $269.1 million legal debt margin.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Last year's budget reflected the hiring of two additional police officers. A Blue Ribbon Committee (the "Committee") recommended adding six officers to the Police Department over a three-year period, beginning in fiscal year 2005/06. The Committee also recommended that the City Council adopted a "pay as you go" approach to adding new officers due to the large commitment of funding required for the new officers.

Circumstances have changed since the Committee issued their recommendations. The City budget will be required to absorb one additional officer in fiscal year 2007/08, due to the phase out of the one of the City's grant supported police positions known as the Task Force for Regional Auto Theft Prevention (TRAP). This would result in the funding of three officers by the General Fund, as opposed to the two as recommended by the Committee. As a result, the sixth new officer will probably be funded in fiscal year 2008/09.

The City will continue the second year of funding the new police facility. The budget for the entire project is estimated at $14.8 million with completion earmarked for sometime in mid 2010. The budget for next year will include $1.3 million in funding for project management and design. The new station will be located on a four acre parcel near the City's Auto Center and will be approximately 18,500 square feet. A funding plan was adopted last year and the facility is completely funded at this time.

Next year's budget will also include funding for one new maintenance worker, a part time records clerk, additional funding for private security at selected City parks and increase funding for Community Service active adult and Calbrisas Park programs.

The City will increase the funding to its reserves bringing its contingency reserves to 44% of General Fund expenditures. Our financial policy has set the desired percentage at 50% of budgeted expenditures. We expect to approach that goal in fiscal year 2007/08 as 2006/07 fiscal year carryover adjustments are made in December 2007. The financial funding for the City's Other Post Employment Benefits also will be increase to fund future obligations as result of the Governmental Accounting Standard Board's Pronouncement Number 45. An actuarial study was completed during fiscal year 2006/07. A City Manager's Committee has been formed to review the study and will make recommend actions to the full City Council.

See independent auditors' report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONTINUED)

The City's Redevelopment Agency has budgeted $8.6 million to develop a new auto site within the City's Auto Center. The project involves the removal and relocation of a cement batch processing plant that is currently located within the Auto Center's boundaries and the establishment of a new Car Max auto dealership in the same location. The project is very complex and involves soil remediation and oil well relocations on both sites.

The City of Signal Hill is anticipating continued appreciation in its assessed valuation for fiscal year 2007/08. A nine percent growth rate is expected for fiscal year 2007/08. As a result, we are anticipating continued growth for the both the City's property tax revenues within the General Fund and to a larger extent growth within the Redevelopment Agency's Debt Service Fund.

We are expecting a 3% growth in our local sales tax revenue. 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 2007/08 are expected to exceed fiscal year 2006/07 original budgeted amounts by $310,000.

- Overall General Fund revenues for 2007/08 are expected to increase 7% over last year's budgeted amounts while expenditures are budgeted to increase 6.2%.

- Interest rates are expected to level off in the 4.75% range and therefore interest earnings will only increase because of the higher account balances.

- Rates for the City's retirement system (CalPERS) have been budgeted to increase by $112,600, or 6% over fiscal year 2006/07 amounts. We are starting to see the retirement rates stabilize for both our safety and miscellaneous categories. This was anticipated within the City's Five Year Forecast that is included with the budget document

The new budget also reflects funding for capital projects totaling $10,611,700 of which $1,024,000 is for water projects, $206,700 for Community Development Block Grant projects and $9,381,000 for street, park and building improvement projects within the Capital Improvement Capital Projects Fund. The City's Redevelopment Agency will fund $8.6 million in projects associated with the Auto Center. Grants, agency bond proceeds and impact fees will 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, 2007

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments (Note 2)	$ 44,472,413	$ 3,232,026	$ 47,704,439
Receivables:			
Accounts	2,887,714	506,383	3,394,097
Taxes		-	-
Accrued interest	669,536	32,522	702,058
Rehabilitation loans	15,799	-	15,799
Due from other governments	1,155,854	-	1,155,854
Internal balances	(26,376)	26,376	-
Inventory	19,431	-	19,431
Deposits	892,687	-	892,687
Deferred charges	1,696,421	225,839	1,922,260
Land and improvements held for resale or lease, net	3,867,396	-	3,867,396
Restricted assets:			
Cash and investments (Note 2)	15,576,187	687,958	16,264,145
Capital assets (Note 3):			
Land	27,673,385	4,436,916	32,110,301
Construction in progress	383,181	234,380	617,561
Infrastructure, net	11,842,497	-	11,842,497
Water rights, net	-	730,013	730,013
Source of supply, net	-	10,344,347	10,344,347
Pumping plant, net	-	466,723	466,723
Transmission/distribution, net	-	7,292,596	7,292,596
Structures and improvements, net	3,344,227	747,305	4,091,532
Equipment and furniture, net	1,405,518	1,022,119	2,427,637
TOTAL ASSETS	115,875,870	29,985,503	145,861,373
LIABILITIES:			
Accounts payable	1,143,302	101,968	1,245,270
Accrued liabilities	1,972	-	1,972
Accrued interest payable	1,412,975	62,662	1,475,637
Due to other governments	4,986	-	4,986
Owner participation agreement payable	1,331,682	-	1,331,682
Refundable deposits	386,750	322,796	709,546
Unearned revenue	10,530	-	10,530
Noncurrent liabilities (Note 4):			
Due within one year	3,027,583	388,163	3,415,746
Due in more than one year	77,406,461	8,320,888	85,727,349
TOTAL LIABILITIES	84,726,241	9,196,477	93,922,718
NET ASSETS:			
Invested in capital assets, net of related debt	43,943,488	17,288,774	61,232,262
Restricted for:			
Debt service	1,156	687,958	689,114
Capital improvements	4,250,898	-	4,250,898
Redevelopment	19,945,720	-	19,945,720
Special purposes	1,963,522	-	1,963,522
Low and moderate income housing	4,727,703	-	4,727,703
Unrestricted	(43,682,858)	2,812,294	(40,870,564)
TOTAL NET ASSETS	$ 31,149,629	$ 20,789,026	$ 51,938,655

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

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 3,009,161	$ 212,539	$ -	$ -
Community services	1,248,187	282,115	26,402	63,032
Police	7,433,669	548,594	902,928	-
Community development	5,253,551	588,101	162,730	1,246,552
Public works	5,328,138	988,995	655,844	1,056,315
Unallocated infrastructure depreciation	523,594	-	-	-
Interest on long-term liabilities	4,251,612	-	-	-
Total governmental activities	27,047,912	2,620,344	1,747,904	2,365,899
Business-type activity:				
Water	3,895,839	3,600,727	-	-
Total	$ 30,943,751	$ 6,221,071	$ 1,747,904	$ 2,365,899

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
$ (2,796,622)	$ -	$ (2,796,622)
(876,638)	-	(876,638)
(5,982,147)	-	(5,982,147)
(3,256,168)	-	(3,256,168)
(2,626,984)	-	(2,626,984)
(523,594)	-	(523,594)
(4,251,612)	-	(4,251,612)
(20,313,765)	-	(20,313,765)
-	(295,112)	(295,112)
(20,313,765)	(295,112)	(20,608,877)
13,995,172	-	13,995,172
12,177,226	-	12,177,226
591,519	-	591,519
73,692	-	73,692
1,301,851	-	1,301,851
2,295,291	183,507	2,478,798
206,363	-	206,363
15,662	514	16,176
(660,372)	660,372	-
29,996,404	844,393	30,840,797
9,682,639	549,281	10,231,920
21,466,990	20,239,745	41,706,735
$ 31,149,629	$ 20,789,026	$ 51,938,655

CITY OF SIGNAL HILL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
ASSETS			
Cash and investments	$ 24,733,761	$ 4,081,241	$ 6,675,008
Restricted cash and investments	-	53	799
Accounts receivable	1,730,769	107,947	463,631
Accrued interest receivable	267,642	40,585	96,677
Due from other funds	500,332	-	-
Due from other governments	985,996	-	-
Advances to other funds	-	199,060	-
Deposits	42,687	-	-
Rehabilitation loans receivable	-	-	-
Land and improvements held for resale or lease, net	-	-	-
TOTAL ASSETS	$ 28,261,187	$ 4,428,886	$ 7,236,115
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 424,672	$ 53,677	$ -
Accrued liabilities	1,972	-	-
Deferred revenue	985,996	-	-
Due to other funds	-	-	-
Due to other governments	4,986	-	-
Owner participation agreement payable	-	-	1,331,682
Refundable deposits	236,750	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	1,654,376	53,677	1,331,682
FUND BALANCES:			
Reserved	42,687	199,113	799
Unreserved:			
General fund	26,564,124	-	-
Special revenue funds	-	4,176,096	-
Debt service funds	-	-	5,903,634
Capital projects funds	-	-	-
TOTAL FUND BALANCES	26,606,811	4,375,209	5,904,433
TOTAL LIABILITIES AND FUND BALANCES	$ 28,261,187	$ 4,428,886	$ 7,236,115

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

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
$ 755,494	$ 179,222	$ 6,994,349	$ 43,419,075
-	15,575,335	-	15,576,187
126,000	-	459,367	2,887,714
-	159,757	93,662	658,323
-	-	-	500,332
137,253	-	32,605	1,155,854
-	-	-	199,060
-	850,000	-	892,687
-	-	15,799	15,799
-	3,867,396	-	3,867,396
$ 1,018,747	$ 20,631,710	$ 7,595,782	$ 69,172,427

$ 107,432	$ 525,156	$ 27,623	$ 1,138,560
-	-	-	1,972
137,253	10,530	32,106	1,165,885
-	-	500,332	500,332
-	-	-	4,986
-	-	-	1,331,682
-	150,000	-	386,750
-	-	228,560	228,560
244,685	685,686	788,621	4,758,727
-	19,949,698	-	20,192,297
-	-	-	26,564,124
-	-	6,807,161	10,983,257
-	-	-	5,903,634
774,062	(3,674)	-	770,388
774,062	19,946,024	6,807,161	64,413,700
$ 1,018,747	$ 20,631,710	$ 7,595,782	$ 69,172,427

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CITY OF SIGNAL HILL

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

June 30, 2007

Fund balances - total governmental funds		$ 64,413,700
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 27,673,385	
Construction in progress	383,181	
Infrastructure, net of $ 10,883,858 accumulated depreciation	11,842,497	
Structures and improvements, net of $ 6,342,831 accumulated depreciation	3,296,536	
Equipment, net of $ 1,437,741 accumulated depreciation	747,889	
Total capital assets used in governmental activities		43,943,488
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, 2007 totaled:		1,155,355
Internal Service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		1,781,878
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, 2007 are:		
Accrued interest on long-term debt		(1,412,975)
Tax allocation bonds	$(74,445,000)	
Less: Deferred charges on refunding (amortized as interest expense)	565,089	
Less: Deferred charges for issuance costs (amortized over life of debt)	1,696,421	
Less: Issuance discounts (amortized as interest expense)	110,344	
Note payable	(3,865,847)	
Loans payable	(2,000,000)	
Compensated absences	(792,824)	
Total long-term liabilities		(78,731,817)
Net assets of governmental activities		$ 31,149,629

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, 2007

	General	Affordable Housing Special Revenue Fund	Debt Service Fund
REVENUES:			
Property taxes	$ 1,248,093	$ 2,549,416	$ 10,197,663
Sales and use tax	11,939,418	-	-
Other taxes	1,788,424	-	-
Licenses and permits	368,563	-	-
Intergovernmental revenues	239,206	-	-
Charges for services	1,139,732	-	-
Fines and forfeitures	246,411	-	-
Investment income	1,654,909	126,565	315,005
Developer fees	-	-	-
Other revenue	302,305	33,600	-
TOTAL REVENUES	18,927,061	2,709,581	10,512,668
EXPENDITURES:			
Current:			
General government	2,450,546	109,955	170,328
Community services	1,245,636	-	-
Police	6,724,402	-	-
Community development	1,033,548	-	-
Public works	3,978,994	-	-
Capital outlay	94,161	90,275	-
Debt service:			
Owner participation agreement	-	-	1,331,682
Principal retirement	-	-	2,450,687
Interest	-	-	3,749,085
Bond issuance costs	-	-	-
Fiscal agent fees	-	-	17,266
TOTAL EXPENDITURES	15,527,287	200,230	7,719,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,399,774	2,509,351	2,793,620
OTHER FINANCING SOURCES (USES):			
Transfers in	416,300	-	1,378,846
Transfers out	(786,448)	(1,378,846)	(1,962,246)
Proceeds from bonds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(370,148)	(1,378,846)	(583,400)
NET CHANGE IN FUND BALANCES	3,029,626	1,130,505	2,210,220
FUND BALANCES AT BEGINNING OF YEAR	23,577,185	3,244,704	3,694,213
FUND BALANCES AT END OF YEAR	$ 26,606,811	$ 4,375,209	$ 5,904,433

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

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
$ -	$ -	$ -	$ 13,995,172
-	-	-	11,939,418
-	-	458,056	2,246,480
-	-	-	368,563
666,725	-	1,318,124	2,224,055
-	-	1,940	1,141,672
-	-	109,503	355,914
-	488,961	374,799	2,960,239
-	-	1,161,435	1,161,435
56,626	576,315	-	968,846
723,351	1,065,276	3,423,857	37,361,794
-	184,135	4,010	2,918,974
-	-	-	1,245,636
-	-	570,966	7,295,368
-	-	164,045	1,197,593
-	-	46,360	4,025,354
1,956,863	2,633,273	505,622	5,280,194
-	-	-	1,331,682
-	-	-	2,450,687
-	-	-	3,749,085
-	492,653	-	492,653
-	-	-	17,266
1,956,863	3,310,061	1,291,003	30,004,492
(1,233,512)	(2,244,785)	2,132,854	7,357,302
1,176,036	1,962,246	90,101	5,023,529
-	-	(1,614,361)	(5,741,901)
-	13,500,000	-	13,500,000
1,176,036	15,462,246	(1,524,260)	12,781,628
(57,476)	13,217,461	608,594	20,138,930
831,538	6,728,563	6,198,567	44,274,770
$ 774,062	$ 19,946,024	$ 6,807,161	$ 64,413,700

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, 2007

Net change in fund balances - total governmental funds		$20,138,930
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays ($ 1,285,592) exceeded depreciation ($709,007) in the current period:		576,585
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items are as follows:		
Principal payments	$ 2,450,687	
Proceeds from issuance of new debt	(13,500,000)	
Costs of issuance of new debt	492,653	
Amortization of deferred charges	(95,778)	
Amortization of deferred amount on refunding	(56,451)	
Amortization of bond discounts	(6,790)	
		(10,715,679)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net change in accrued interest	$ (326,242)	
Net change in compensated absences	(59,927)	
		(386,169)
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.		(33,911)
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.		
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.		102,883
Change in net assets of governmental activities		$ 9,682,639

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

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
ASSETS		
CURRENT ASSETS:		
Cash and investments	$ 3,232,026	$ 1,053,338
Restricted cash and investments	687,958	-
Accounts receivable	506,383	-
Accrued interest receivable	32,522	11,213
Inventory	-	19,431
TOTAL CURRENT ASSETS	4,458,889	1,083,982
NONCURRENT ASSETS:		
Advance to other funds	29,500	-
Deferred charges	225,839	-
Capital assets:		
Land	4,436,916	-
Construction in progress	234,380	-
Depreciable assets, net of accumulated depreciation	20,603,103	705,320
TOTAL NONCURRENT ASSETS	25,529,738	705,320
TOTAL ASSETS	29,988,627	1,789,302
LIABILITIES		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	101,968	4,742
Accrued interest payable	62,662	-
Refundable deposits	322,796	-
Current portion of long-term liabilities	388,163	2,655
TOTAL CURRENT LIABILITIES	875,589	7,397
LONG-TERM LIABILITIES:		
Loan payable	377,975	-
Certificates payable	7,930,013	-
Compensated absences	12,900	3,151
TOTAL LONG-TERM LIABILITIES	8,320,888	3,151
TOTAL LIABILITIES	9,196,477	10,548
NET ASSETS:		
Invested in capital assets, net of related debt	17,288,774	705,320
Restricted for debt service	687,958	-
Unrestricted	2,815,418	1,073,434
TOTAL NET ASSETS	20,792,150	$ 1,778,754
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,124)	
Net assets of business-type activity	$ 20,789,026	

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, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:		
Charges for services	$ 3,350,859	$ 489,072
Other revenues	249,868	-
TOTAL OPERATING REVENUES	3,600,727	489,072
OPERATING EXPENSES:		
Personnel services	1,054,911	185,989
Contractual services	61,983	4,661
Supplies	1,162,473	11,238
Material and repairs	154,459	78,475
Utilities	183,947	2,500
Depreciation/amortization	705,810	224,194
Other	146,454	3,594
TOTAL OPERATING EXPENSES	3,470,037	510,651
OPERATING LOSS	130,690	(21,579)
NONOPERATING REVENUES (EXPENSES):		
Investment income	183,507	47,378
Interest expense	(417,954)	-
Fiscal agent fees	(4,426)	-
Gain on disposal of assets	514	15,662
TOTAL NONOPERATING REVENUES (EXPENSES)	(238,359)	63,040
INCOME (LOSS) BEFORE TRANSFERS	(107,669)	41,461
TRANSFERS IN	662,433	58,000
TRANSFERS OUT	(2,061)	-
CHANGE IN NET ASSETS	552,703	99,461
TOTAL NET ASSETS AT BEGINNING OF YEAR		1,679,293
TOTAL NET ASSETS AT END OF YEAR		$ 1,778,754
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,422)	
Change in net assets of business-type activity	$ 549,281	

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, 2007

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 3,656,639	$ -
Receipts from interfund services provided	-	489,072
Payments to suppliers	(1,807,311)	(116,306)
Payments to employees	(1,059,797)	(186,130)
NET CASH PROVIDED BY OPERATING ACTIVITIES	789,531	186,636
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advance repayment from other funds	14,750	-
Transfers in	812,433	58,000
Transfers out	(152,061)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	675,122	58,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposition of capital assets	-	16,814
Acquisition of property, plant and equipment	(1,729,062)	(217,753)
Principal paid	(355,595)	-
Interest paid	(349,599)	-
Fiscal agent fees	(4,426)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,438,682)	(200,939)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	196,195	48,520
NET DECREASE IN CASH AND CASH EQUIVALENTS	(777,834)	92,217
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,697,818	961,121
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,919,984	$ 1,053,338

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, 2007

	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)	$ 130,690	$ (21,579)
Depreciation/amortization	705,810	224,194
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	44,102	-
(Increase) decrease in inventory	-	11,551
Increase (decrease) in accounts payable	(97,994)	(27,389)
Increase (decrease) in accrued liabilities	(1,072)	-
Increase (decrease) in refundable deposits	11,809	-
Increase (decrease) in compensated absences	(3,814)	(141)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 789,531	$ 186,636

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND

June 30, 2007

	Special Deposit Agency Fund
ASSETS:	
Cash and investments	$ 1,095,934
LIABILITIES:	
Refundable deposits	$ 1,095,934

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

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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.

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.

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.

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.

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.

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 $15,576,187 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 $687,958 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

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 related to governmental and business-type activities were $1,696,421 and $225,839, respectively, net of accumulated amortization, as of June 30, 2007. The costs are amortized on a straight-line basis through 2026, respectively. Amortization expense totaled $95,778 and $11,681, respectively, for the year ended June 30, 2007.

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.

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 2006-2007, 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.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2007 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	$ 47,704,439	$ 1,095,934	$ 48,800,373
Restricted cash and investments	16,264,145	-	16,264,145
Total Cash and Investments	$ 63,968,584	$ 1,095,934	$ 65,064,518

Cash and investments at June 30, 2007 consisted of the following:

Cash on hand	$ 3,325
Deposits with financial institutions	859,129
Investments	64,202,064
Total Cash and Investments	$ 65,064,518

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.

2. CASH AND INVESTMENTS (CONTINUED):

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
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.

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:

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Local Agency Investment Fund	$ 29,885,508	$ -	$ -	$ 29,885,508
U.S. Government Sponsored Enterprise Securities:				
FHLMC	-	1,434,555	4,475,198	5,909,753
FHLB	-	-	19,017,200	19,017,200
FNMA	3,654,919	-	-	3,654,919
FFCB	-	-	1,936,766	1,936,766
Commercial Paper	3,109,196	-	-	3,109,196
Held by Bond Trustee:				
Money Market Mutual Funds	23,303	-	-	23,303
U.S. Government Sponsored Enterprise Securities:				
FHLMC	-	665,419	-	665,419
	$ 36,672,926	$ 2,089,974	$ 25,429,164	$ 64,202,064

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:

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total as of June 30, 2007	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Fund	$ 29,885,508	(1)	$ -	$ 29,885,508
U.S. Government Sponsored Enterprise Securities:				
FHLMC	5,909,753	AAA	5,909,753	-
FHLB	19,017,200	AAA	19,017,200	-
FNMA	3,654,919	AAA	3,654,919	-
FFCB	1,936,766	AAA	1,936,766	-
Commercial Paper	3,109,196	AAA	3,109,196	-
Held by Bond Trustee:				
Money Market Mutual Funds	23,303	A	23,303	-
U.S. Government Sponsored Enterprise Securities:				
FHLMC	665,419	AAA	665,419	-
Total	$ 64,202,064		$ 34,316,556	$ 29,885,508

(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	$ 5,909,753
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	19,017,200
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	3,654,919

See independent auditors' report.

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, 2007, 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, unregisteted and not held in the City's name.

Investment in State Investment Pool:

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

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land	$ 27,673,385	$ -	$ -	$ 27,673,385
Construction in progress	329,104	948,350	(894,273)	383,181
Total capital assets, not being depreciated	28,002,489	948,350	(894,273)	28,056,566
Capital assets, being depreciated:				
Structures and improvements	9,636,775	210,362	-	9,847,137
Equipment and furniture	1,947,211	376,475	-	2,323,686
Vehicles and major equipment	1,925,705	217,753	(136,648)	2,006,810
Infrastructure	22,081,677	644,678	-	22,726,355
Total capital assets, being depreciated	35,591,368	1,449,268	(136,648)	36,903,988
Less accumulated depreciation for:				
Structure and improvements	(6,389,064)	(113,846)	-	(6,502,910)
Equipment and furniture	(1,482,994)	(83,224)	-	(1,566,218)
Vehicle and major equipment	(1,281,719)	(212,537)	135,496	(1,358,760)
Infrastructure	(10,360,264)	(523,594)	-	(10,883,858)
Total accumulated depreciation	(19,514,041)	(933,201)	135,496	(20,311,746)
Total capital assets, being depreciated, net	16,077,327	516,067	(1,152)	16,592,242
Total governmental activities capital, net	$ 44,079,816	$ 1,464,417	$ (895,425)	$ 44,648,808

See independent auditors' report.

3. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated				
Land	$ 3,237,724	$ 1,199,192	$ -	$ 4,436,916
Construction in progress	1,332,203	1,705,147	(2,802,970)	234,380
Total capital assets, not being depreciated	4,569,927	2,904,339	(2,802,970)	4,671,296
Capital assets, being depreciated:				
Water rights	1,215,186	-	-	1,215,186
Reservoirs and tanks	10,588,988	1,316,549	-	11,905,537
Wells	937,390	-	-	937,390
Mains	9,897,973	-	-	9,897,973
Pumps	953,070	80,550	-	1,033,620
Fire hydrants	684,128	4,135	-	688,263
Meters	495,319	15,027	-	510,346
Services	1,449,220	-	-	1,449,220
Structures	1,049,775	-	-	1,049,775
Equipment and furniture	1,379,974	211,427	(4,286)	1,587,115
Total capital assets, being depreciated	28,651,023	1,627,688	(4,286)	30,274,425
Less accumulated depreciation/ amortization for:				
Water rights	(454,793)	(30,380)	-	(485,173)
Reservoirs and tanks	(1,650,551)	(242,262)	-	(1,892,813)
Wells	(584,921)	(20,846)	-	(605,767)
Mains	(3,691,881)	(196,356)	-	(3,888,237)
Pumps	(542,660)	(24,237)	-	(566,897)
Fire hydrants	(497,582)	(6,659)	-	(504,241)
Meters	(256,518)	(51,232)	-	(307,750)
Services	(523,994)	(28,984)	-	(552,978)
Structures	(279,145)	(23,325)	-	(302,470)
Equipment and furniture	(487,753)	(81,529)	4,286	(564,996)
Total accumulated depreciation	(8,969,798)	(705,810)	4,286	(9,671,322)
Total capital assets, being depreciated, net	19,681,225	(921,878)	-	20,603,103
Total business-type activity capital assets, net	$ 24,251,152	$ 3,826,217	$(2,802,970)	$ 25,274,399

See independent auditors' report.

3. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

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

Governmental activities:	
General government	$ 2,502
Community services	377
Police	60,618
Public works	121,916
Internal service fund depreciation charged to programs	224,194
Allocated depreciation	409,607
Unallocated infrastructure depreciation	523,594
Total depreciation expense - governmental activities	$ 933,201
Business-type activity:	
Water	$ 705,810

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007	Due Within One Year
Governmental activities:					
Bonds payable:					
1993 TABs Series B	$ 14,375,000	$ -	$ -	$ 14,375,000	$ -
2001 TABs	11,930,000	-	(495,000)	11,435,000	510,000
2003 TABs Series A	21,150,000	-	(1,030,000)	20,120,000	1,050,000
2003 TABs Series B	1,955,000	-	(630,000)	1,325,000	650,000
2003 TABs Series C	10,900,000	-	(75,000)	10,825,000	75,000
2003 TABs Series D	2,980,000	-	(115,000)	2,865,000	120,000
2006 TABs	-	13,500,000	-	13,500,000	140,000
Less deferred amounts:					
For issuance discounts	(117,134)	-	6,790	(110,344)	-
On refunding	(621,540)	-	56,451	(565,089)	-
Total bonds payable	62,551,326	13,500,000	(2,281,759)	73,769,567	2,545,000
Note payable	3,971,534	-	(105,687)	3,865,847	103,225
Loans payable	2,000,000	-	-	2,000,000	-
Compensated absences	738,844	508,742	(448,956)	798,630	379,358
Total governmental activities	$ 69,261,704	$ 14,008,742	$ (2,836,402)	$ 80,434,044	$ 3,027,583
Business-type activity:					
2006 Water revenue refunding bonds	$ 8,985,000	$ -	$ (280,000)	$ 8,705,000	$ 290,000
Less deferred amounts:					
For issuance discount	(10,551)	-	519	(10,032)	-
On refunding	(499,522)	-	24,567	(474,955)	-
Total certificates payable	8,474,927	-	(254,914)	8,220,013	290,000
Loan payable	529,165	-	(75,595)	453,570	75,595
Compensated absences	39,282	35,076	(38,890)	35,468	22,568
Total business-type activity	$ 9,043,374	$ 35,076	$ (369,399)	$ 8,709,051	$ 388,163

See independent auditors' report.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ -	$ 754,688	$ 754,688
2009	-	754,687	754,687
2010	-	754,688	754,688
2011	-	754,687	754,687
2012	-	754,687	754,687
2013 - 2017	1,475,000	3,734,719	5,209,719
2018 - 2022	8,705,000	2,293,594	10,998,594
2023 - 2024	4,195,000	223,256	4,418,256
Totals	$ 14,375,000	$ 10,025,006	$ 24,400,006

See independent auditors' report.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	575,000	388,085	963,085
2013 - 2017	3,190,000	1,584,409	4,774,409
2018 - 2022	3,810,000	842,110	4,652,110
2023 - 2024	1,730,000	80,600	1,810,600
Totals	$ 11,435,000	$ 4,637,803	$ 16,072,803

See independent auditors' report.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,945,000	563,386	2,508,386
2013 - 2017	10,090,000	1,458,422	11,548,422
2018 - 2022	1,550,000	369,538	1,919,538
2023 - 2024	715,000	36,125	751,125
Totals	$ 20,120,000	$ 5,258,094	$ 25,378,094

See independent auditors' report.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ 650,000	$ 38,962	$ 688,962
2009	675,000	13,534	688,534
Totals	$ 1,325,000	$ 52,496	$ 1,377,496

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.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	80,000	445,985	525,985
2013 - 2017	1,445,000	2,163,357	3,608,357
2018 - 2022	6,140,000	1,323,888	7,463,888
2023 - 2024	2,850,000	129,600	2,979,600
Totals	$ 10,825,000	$ 5,868,771	$ 16,693,771

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.

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, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	145,000	133,071	278,071
2013 - 2017	520,000	573,784	1,093,784
2018 - 2022	380,000	449,397	829,397
2023 - 2025	1,305,000	178,652	1,483,652
Totals	$ 2,865,000	$ 1,933,866	$ 4,798,866

G. 2006 Tax Allocation Bonds:

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

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

4. LONG-TERM LIABILITIES (CONTINUED):

G. 2006 Tax Allocation Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ 140,000	$ 779,611	$ 919,611
2009	205,000	769,984	974,984
2010	200,000	758,682	958,682
2011	215,000	747,102	962,102
2012	225,000	734,824	959,824
2013 - 2017	855,000	3,529,849	4,384,849
2018 - 2022	1,375,000	3,214,223	4,589,223
2023 - 2026	10,285,000	2,025,403	12,310,403
Totals	$ 13,500,000	$ 12,559,678	$ 26,059,678

H. Note Payable:

A $5,000,000 note payable dated October 29, 1991, resulted from the acquisition of real property held for resale by the Agency. The note bears interest at 10% per annum. Interest and principal payments are due semi-annually on July 30 and January 30 in an amount equal to the sales tax revenue received or to be received by the City from all businesses and activities conducted on the property. Payments will be made for a period of 20 years (ending December 31, 2012) or until interest and principal due on the note is paid in full. In the event that payments are insufficient to fully discharge the note in 20 years, the unpaid balance of principal and interest will be forgiven. At June 30, 2007, the outstanding balance of this note was $3,865,847.

4. LONG-TERM LIABILITIES (CONTINUED):

H. Note Payable (Continued):

Based on current available information, estimated sales tax revenue will be sufficient to pay principal and accrued interest. Based on this, the annual debt requirements at June 30, 2007 are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$ 103,225	$ 614,068	$ 717,293
2009	375,542	369,739	745,281
2010	437,167	330,472	767,639
2011	505,832	284,836	790,668
2012	581,692	232,697	814,389
2013	255,011	158,201	413,212
Subtotal	2,258,469	1,990,013	4,248,482
Estimated amount to be forgiven	1,607,378	-	1,607,378
Totals	$ 3,865,847	$ 1,990,013	$ 5,855,860

I. Loans Payable:

On March 1, 2001 the Agency received a $1,000,000 HELP (Housing Enabled by Local Partnership) loan from the California Housing Finance Agency. The proceeds of the loan were used to acquire property for rehabilitation, and project sites for construction of multifamily rental housing. The loan bears simple interest at a rate of 3% per annum. The term of the loan is 10 years. Principal of $1,000,000 and accrued interest of $300,000 is due March 1, 2011. As of June 30, 2007, accrued unpaid interest totaled $185,000.

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, 2007, accrued unpaid interest totaled $158,986.

J. Compensated Absences:

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

4. LONG-TERM LIABILITIES (CONTINUED):

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2007, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	335,000	322,327	657,327
2013 - 2017	1,900,000	1,392,137	3,292,137
2018 - 2022	2,335,000	941,166	3,276,166
2023 - 2027	2,910,000	347,854	3,257,854
Totals	$ 8,705,000	$ 4,419,888	$ 13,124,888

See independent auditors' report.

4. LONG-TERM LIABILITIES (CONTINUED):

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.

The annual requirements to amortize outstanding indebtedness as of June 30, 2007, are as follows:

Year Ending June 30,	Principal
2008	$ 75,595
2009	75,595
2010	75,595
2011	75,595
2012	75,595
2013	75,595
Total	$ 453,570

4. LONG-TERM LIABILITIES (CONTINUED):

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 $220,900.

Future minimum rental payments are due as follows:

Year Ending June 30,	
2008	$ 223,100
2009	224,100
2010	224,100
2011	232,325
2012	238,200
2013 - 2017	1,212,223
2018 - 2022	1,282,074
2023 - 2027	1,356,951
2028 - 2032	1,432,949
2033 - 2037	1,513,578
2038 - 2042	1,591,423
2043 - 2047	1,676,424
2048 - 2052	1,758,553
2053 - 2056	1,237,176
Total	$ 14,203,176

The operating lease covers three parcels of land, which are subleased to auto dealers. For the year ended June 30, 2007, the Agency received $243,003 in rental payments to offset the Agency's lease payments to the lessor.

4. LONG-TERM LIABILITIES (CONTINUED):

M. Operating Lease Obligations (Continued):

(2). The Agency is leasing land for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires December 31, 2055. The current period rental payments, which are classified as project costs, were $207,504.

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

Year Ending June 30,	
2008	$ 207,504
2009	207,504
2010	210,618
2011	213,731
2012	213,731
2013 - 2017	1,084,683
2018 - 2022	1,117,217
2023 - 2027	1,150,733
2028 - 2032	1,185,255
2033 - 2037	1,220,810
2038 - 2042	1,257,435
2043 - 2047	1,295,160
2048 - 2052	1,334,017
2053 - 2055	816,301
Total minimum lease payments	$ 11,514,699

The operating lease covers five parcels of land, which are subleased to auto dealers. For the year ended June 30, 2007, the Agency received $258,312 in rental payments to offset the Agency's lease payments to lessor.

See independent auditors' report.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2007, is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	$ 500,332

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:

Receivable Fund	Payable Fund	Amount
Affordable Housing Special Revenue	Other Governmental Funds	$ 199,060
Water Enterprise	Other Governmental Funds	29,500
		$ 228,560

A. 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, 2007 is $199,060.

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

Advances From/To Other Funds (Continued):

B. 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, 2007 was $29,500.

Interfund Transfers:

Transfer In to Fund	Transfers Out of Fund	Amount
General Fund	Other Governmental Funds	$ 416,300
Debt Service Fund	Affordable Housing Special Revenue Fund	1,378,846
Capital Improvement Capital Projects Fund	General Fund	696,347
	Other Governmental Funds	477,628
	Water Enterprise Fund	2,061
Community Redevelopment Capital Projects Fund	Debt Service Fund	1,962,246
Other Governmental Funds	General Fund	90,101
Water Enterprise Fund	Other Governmental Funds	662,433
Vehicle and Equipment Internal Service Fund	Other Governmental Funds	58,000
		$ 5,743,962

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

See independent auditors' report.

6. INDIVIDUAL FUND DISCLOSURES:

Expenditures Exceeding Appropriations:

For the year ended June 30, 2007, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

General Fund:	
General Government - Program administration	$ 39,771
General Government - Management Information Services	7,655
Community Development - Planning Services	6,384
Community Development - Neighborhood enhancement	4,528
Affordable Housing Special Revenue Fund:	
Capital outlay	40,275
Debt Service Fund:	
General Government - Program administration	17,978
Debt Service - Owner Participation Agreement	112,182
Debt Service - Interest	606,585
Other Governmental Special Revenue Funds:	
HCDA Grant - Community Development - CDBG Program	1,262
Transportation - Community Development - Public Transportation	7,517
Lighting and Landscape - Public Works - Lighting and Landscape Maintenance	6,060
Supplemental Law Enforcement - Police - Patrol Services	3,093
Domestic Preparedness Grant - Police - Domestic preparedness	45,505
Domestic Preparedness Grant - Capital Outlay	284,743

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

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:

Category	Member Rates as a Percentage of Wages
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 2006-07 was 12.250% for local miscellaneous members and 35.224% 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. The City's contributions to CalPERS for the past three years, which were equal to the required contribution each year, were as follows:

Fiscal Year Ended June 30,	Local Miscellaneous	Local Safety
2007	$ 525,736	$ 813,864
2006	497,134	729,551
2005	255,596	742,866

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 $476,641 for fiscal year 2006-07, and covered 69 individuals.

9. DEFINED CONTRIBUTION PLANS:

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under PERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6% 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, 2007, the employees contributed $12,184 and the City contributed $2,554 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 4.0% and 3.0%, respectively, of salary into the Plans. Management employees are required to match the 4% City contribution with a 8% employee contribution, and middle management employees are required to match the 3.0% City contribution with a 6% employee contribution. For the year ended June 30, 2007, the employees contributed $95,967 and the City contributed $40,466 to the Plans.

City council has the authority for establishing and amending the provisions of both these 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 4% of management's compensation and up to 3% of middle management's compensation. Total matching contributions made by the City totaled $9,578 for the fiscal year ended June 30, 2007.

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, 2007 are tabulated below followed by explanations as to the nature and purpose of each reserve.

	General Fund	Affordable Housing Special Revenue Fund	Debt Service Fund	Community Redevelopment Capital Projects Fund
RESERVES:				
Land held for resale	$ -	$ -	$ -	$ 3,867,396
Debt service	-	53	799	304
Redevelopment	-	-	-	15,231,998
Advances	-	199,060	-	-
Deposits	42,687	-	-	850,000
TOTAL	$ 42,687	$ 199,113	$ 799	$ 19,949,698

See independent auditors' report.

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

DESIGNATIONS:	General Fund	Affordable Housing Special Revenue Fund	Other Governmental Funds
Contingencies	$ 5,985,917	$ -	$ -
Equipment replacement	474,747	-	-
Insurance premium increases	410,688	-	-
Special revenue purposes	-	4,176,096	6,869,851
Capital improvements	1,100,851	-	-
Economic uncertainties	3,434,534	-	-
New police building	10,658,551	-	-
Library expansion	1,253,905	-	-
Park expansion	51,126	-	-
Law enforcement high technology acquisitions	4,830	-	-
PERS reserve	874,485	-	-
Building and land acquisition	628,479	-	-
OPEB Reserve	1,502,656	-	-
NPDES Trash Reduction	183,355	-	-
TOTAL DESIGNATIONS	$ 26,564,124	$ 4,176,096	$ 6,869,851

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 Redevelopment - This reserve represents unspent bond proceeds and accrued interest that is to be used in accordance with bond indentures.

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

E. 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.

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

F. Designated for Contingencies - This amount has been set aside for any emergencies or disasters which might occur.

G. Designated for Equipment Replacement - These funds are designated for future purchases of equipment.

H. Designated for Insurance Premium Increases - These funds are designated for future increases in insurance premiums.

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 New Police Building - These funds are designated for the future police building.

M. Designated for Library Expansion - These funds are designated for the future expansion of the City's Library 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.

Q. Designated for Building and Land Acquisition - These funds are designated for future building and parkland acquisitions.

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

R. Designated for OPEB Reserve - These funds are designated to fund future costs associated with retired employee health benefits.

S. 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 Insurance Authority:

The City of Signal Hill is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 114 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The 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.

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 non-police. Costs are spread to members as follows: the first $30,000 of each occurrence is charged directly to the member's primary deposit; 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, $18,000,000 to $23,000,000, and $45,000,000 to $50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from $10,000,000 to $18,000,000 and $23,000,000 to $45,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from $15,000,000 to $25,000,000 are 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.

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

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

Workers' Compensation. The City of Signal Hill also participates in the workers' compensation pool administered by the Insurance Authority. Each member 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 public safety and non-public safety. Each member has a retention level of $50,000 for each loss and this is charged directly to the member's primary deposit. 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 and loss development reserves associated with those losses are pooled based on payroll. Losses from $2,000,000 to $5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from $2,000,000 to $200,000,000 are transferred to reinsurance carriers. Costs in excess of $200,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Insurance Authority's investment earnings.

C. Purchased Insurance:

Property Insurance. The City of Signal Hill participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City of Signal Hill property is currently insured according to a schedule of covered property submitted by The City of Signal Hill to the Insurance Authority. Total all-risk property insurance coverage is $27,472,508. There is a $5,000 deductible per occurrence except for non-emergency vehicle insurance which has $1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City of Signal Hill purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. The City of Signal Hill property currently has earthquake protection in the amount of $21,508,812. There is a deductible of 5% of value with a minimum deductible of $100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

12. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

D. Adequacy of Protection:

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 insured liability coverage from coverage in the prior year.

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

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.

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, 2007, the City has paid the first component of the agreement in full. Also, as of June 30, 2007, the City paid $906,603 to the District pursuant to the second component of the agreement leaving an outstanding balance of $228,569.

13. OTHER INFORMATION (CONTINUED):

B. Land and Improvements Held for Resale or 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, 2007, the Agency received $75,000 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.

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, 2007, the amount payable to the developer is $1,331,682.

14. SUBSEQUENT EVENT:

On November 15, 2007, the Agency issued the 2007 Tax Allocation Refunding Parity Bonds, Series A in the amount of $14,970,000. The Bond were issued to (i) refinance the Agency's outstanding 1993 Series B Tax Allocation Parity Bonds which total $14,375,000, (ii) satisfy the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The Agency completed the advance refunding to reduce its total debt service over the next sixteen years by $1,565,051 and to obtain an economic gain (difference between present value of the old debt and new debt service payments) of $1,041,197.

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$ 347,500	$ 1,161,300	$ 1,248,093	$ 86,793
Sales and use tax	11,355,500	11,542,500	11,939,418	396,918
Other taxes	1,174,000	1,204,000	1,788,424	584,424
Licenses and permits	362,760	372,260	368,563	(3,697)
Intergovernmental revenues	885,300	207,700	239,206	31,506
Charges for services	1,121,350	1,214,350	1,139,732	(74,618)
Fines and forfeitures	209,000	229,500	246,411	16,911
Investment income	761,250	826,950	1,654,909	827,959
Other revenue	115,800	141,400	302,305	160,905
TOTAL REVENUES	16,332,460	16,899,960	18,927,061	2,027,101
EXPENDITURES:				
GENERAL GOVERNMENT:				
City Council	221,050	237,150	209,195	27,955
City Treasurer	19,900	19,900	16,387	3,513
City Clerk	134,300	134,300	130,313	3,987
Program administration	418,850	418,850	458,621	(39,771)
Legislative services	222,750	222,750	194,637	28,113
Personnel services	236,100	288,625	220,498	68,127
Support services	646,550	647,525	583,206	64,319
Management information services	131,100	134,100	141,755	(7,655)
Fiscal services	568,900	568,900	495,934	72,966
TOTAL GENERAL GOVERNMENT	2,599,500	2,672,100	2,450,546	221,554
COMMUNITY SERVICES:				
Library programs and services	349,450	359,950	331,485	28,465
Community support and services	331,550	331,550	317,194	14,356
Recreation	697,800	697,800	596,957	100,843
TOTAL COMMUNITY SERVICES	1,378,800	1,389,300	1,245,636	143,664
POLICE:				
Patrol services	3,981,250	3,975,750	3,802,426	173,324
Investigative services	923,800	876,750	675,734	201,016
Support services	1,271,900	1,290,700	1,243,741	46,959
Emergency and disaster services	45,300	27,850	12,713	15,137
Community outreach	38,200	36,500	26,567	9,933
Communications	612,500	655,400	624,147	31,253
Records	391,500	423,350	339,074	84,276
TOTAL POLICE	7,264,450	7,286,300	6,724,402	561,898

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	$ 357,450	$ 357,450	$ 363,834	$ (6,384)
Neighborhood enhancement	167,600	167,600	172,128	(4,528)
Building and safety	428,750	428,750	362,594	66,156
Oil field services	135,950	135,950	134,992	958
TOTAL COMMUNITY DEVELOPMENT	1,089,750	1,089,750	1,033,548	56,202
PUBLIC WORKS:				
Engineering and project services	587,500	594,700	575,372	19,328
Building maintenance	535,750	540,750	462,447	78,303
Environmental programs	688,700	688,700	666,308	22,392
Sewer operations	228,600	228,600	228,569	31
Park maintenance	740,700	770,700	701,592	69,108
Street maintenance operations	1,420,525	1,440,425	1,344,706	95,719
TOTAL PUBLIC WORKS	4,201,775	4,263,875	3,978,994	284,881
CAPITAL OUTLAY	66,950	98,400	94,161	4,239
TOTAL EXPENDITURES	16,601,225	16,799,725	15,527,287	1,272,438
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(268,765)	100,235	3,399,774	3,299,539
OTHER FINANCING SOURCES (USES):				
Transfers in	367,200	1,316,300	416,300	(900,000)
Transfers out	(1,779,500)	(2,999,704)	(786,448)	2,213,256
TOTAL OTHER FINANCING SOURCES (USES)	(1,412,300)	(1,683,404)	(370,148)	1,313,256
NET CHANGE IN FUND BALANCE	(1,681,065)	(1,583,169)	3,029,626	4,612,795
FUND BALANCE AT BEGINNING OF YEAR	23,577,185	23,577,185	23,577,185	-
FUND BALANCE AT END OF YEAR	$ 21,896,120	$ 21,994,016	$ 26,606,811	$ 4,612,795

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property taxes	$ 2,033,000	$ 2,033,000	$ 2,549,416	$ 516,416
Investment income	8,000	8,000	126,565	118,565
Other revenue	-	-	33,600	33,600
TOTAL REVENUES	2,041,000	2,041,000	2,709,581	668,581
EXPENDITURES:				
General government:				
Program administration	152,550	152,550	109,955	42,595
Capital outlay	50,000	50,000	90,275	(40,275)
TOTAL EXPENDITURES	202,550	202,550	200,230	2,320
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,838,450	1,838,450	2,509,351	670,901
OTHER FINANCING USES:				
Transfers out	(1,378,850)	(1,378,850)	(1,378,846)	4
NET CHANGE IN FUND BALANCE	459,600	459,600	1,130,505	670,905
FUND BALANCE AT BEGINNING OF YEAR	3,244,704	3,244,704	3,244,704	-
FUND BALANCE AT END OF YEAR	$ 3,704,304	$ 3,704,304	$ 4,375,209	$ 670,905

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

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

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, Brownfields Grant and Help Loan 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 XIIIB 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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$ 7,962,000	$ 7,962,000	$ 10,197,663	$ 2,235,663
Investment income	122,200	122,200	315,005	192,805
Other revenue	-	-	-	-
TOTAL REVENUES	8,084,200	8,084,200	10,512,668	2,428,468
EXPENDITURES:				
General government:				
Program administration	140,350	152,350	170,328	(17,978)
Debt service:				
Owner participation agreement	1,219,500	1,219,500	1,331,682	(112,182)
Principal retirement	3,066,000	3,066,000	2,450,687	615,313
Interest	2,698,500	3,142,500	3,749,085	(606,585)
Fiscal agent fees	25,000	30,100	17,266	12,834
TOTAL EXPENDITURES	7,149,350	7,610,450	7,719,048	(108,598)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	934,850	473,750	2,793,620	2,319,870
OTHER FINANCING SOURCES (USES):				
Transfers in	1,378,850	1,378,850	1,378,846	(4)
Transfers out	(2,058,650)	(2,058,650)	(1,962,246)	96,404
TOTAL OTHER FINANCING SOURCES (USES)	(679,800)	(679,800)	(583,400)	96,400
NET CHANGE IN FUND BALANCE	255,050	(206,050)	2,210,220	2,416,270
FUND BALANCE AT BEGINNING OF YEAR	3,694,213	3,694,213	3,694,213	-
FUND BALANCE AT END OF YEAR	$ 3,949,263	$ 3,488,163	$ 5,904,433	$ 2,416,270

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenue	$ 880,300	$ 979,108	$ 666,725	$ (312,383)
Other revenue	1,000,000	1,056,600	56,626	(999,974)
TOTAL REVENUES	1,880,300	2,035,708	723,351	(1,312,357)
EXPENDITURES:				
Capital outlay	4,559,800	4,866,100	1,956,863	2,909,237
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,679,500)	(2,830,392)	(1,233,512)	1,596,880
OTHER FINANCING SOURCES:				
Transfers in	2,679,500	2,880,800	1,176,036	(1,704,764)
NET CHANGE IN FUND BALANCE	-	50,408	(57,476)	(107,884)
FUND BALANCE AT BEGINNING OF YEAR	831,538	831,538	831,538	-
FUND BALANCE AT END OF YEAR	$ 831,538	$ 881,946	$ 774,062	$ (107,884)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ -	$ 500,000	$ 488,961	$ (11,039)
Other revenue	555,650	555,650	576,315	20,665
TOTAL REVENUES	555,650	1,055,650	1,065,276	9,626
EXPENDITURES:				
General government:				
Program administration	254,300	256,050	184,135	71,915
Capital outlay	5,188,500	5,538,500	2,633,273	2,905,227
Debt service:				
Bond issuance costs	-	500,000	492,653	7,347
TOTAL EXPENDITURES	5,442,800	6,294,550	3,310,061	2,984,489
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,887,150)	(5,238,900)	(2,244,785)	2,994,115
OTHER FINANCING SOURCES (USES):				
Transfers in	2,058,650	2,058,650	1,962,246	(96,404)
Proceeds from bonds	-	13,500,000	13,500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	2,058,650	15,558,650	15,462,246	(96,404)
NET CHANGE IN FUND BALANCE	(2,828,500)	10,319,750	13,217,461	2,897,711
FUND BALANCE AT BEGINNING OF YEAR	6,728,563	6,728,563	6,728,563	-
FUND BALANCE AT END OF YEAR	$ 3,900,063	$ 17,048,313	$ 19,946,024	$ 2,897,711

See independent auditors' report.

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.

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, 2007

	Special Revenue Funds	
	Asset Seizure	Park Development
ASSETS		
Cash and investments	$ 13,737	$ 1,737,085
Accounts receivable	131	-
Accrued interest receivable	702	19,612
Due from other governments	-	-
Rehabilitation loans receivable	-	-
TOTAL ASSETS	$ 14,570	$ 1,756,697
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ -	$ -
Deferred revenue	-	-
Due to other funds	-	-
Advances from other funds	-	228,560
TOTAL LIABILITIES	-	228,560
FUND BALANCES (DEFICITS):		
Unreserved:		
Designated for special revenue purposes	14,570	1,528,137
Undesignated	-	-
TOTAL FUND BALANCES (DEFICITS)	14,570	1,528,137
TOTAL LIABILITIES AND FUND BALANCES	$ 14,570	$ 1,756,697

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
$ -	$ 141,258	$ 81,436	$ 281,241	$ 208,109	$ 1,130,270	$ 25,963
-	20,913	12,391	-	-	-	3,300
1,555	1,845	1,038	4,526	2,694	12,749	695
17,853	-	-	-	-	-	-
15,799	-	-	-	-	-	-
$ 35,207	$ 164,016	$ 94,865	$ 285,767	$ 210,803	$ 1,143,019	$ 29,958
$ 1,521	$ -	$ -	$ 25,950	$ -	$ -	$ -
17,354	-	-	-	-	-	-
16,332	-	-	-	-	-	-
-	-	-	-	-	-	-
35,207	-	-	25,950	-	-	-
-	164,016	94,865	259,817	210,803	1,143,019	29,958
-	-	-	-	-	-	-
-	164,016	94,865	259,817	210,803	1,143,019	29,958
$ 35,207	$ 164,016	$ 94,865	$ 285,767	$ 210,803	$ 1,143,019	$ 29,958

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2007

	Special Revenue Funds (Continued)	
	Water Development	Traffic Impact
ASSETS		
Cash and investments	$ 1,564,419	$ 1,120,108
Accounts receivable	-	-
Accrued interest receivable	24,467	13,767
Due from other governments	-	-
Rehabilitation loans receivable	-	-
TOTAL ASSETS	$ 1,588,886	$ 1,133,875
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ -	$ -
Deferred revenue	-	-
Due to other funds	-	-
Advances from other funds	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES (DEFICITS):		
Unreserved:		
Designated for special revenue purposes	1,588,886	1,133,875
Undesignated	-	-
TOTAL FUND BALANCES (DEFICITS)	1,588,886	1,133,875
TOTAL LIABILITIES AND FUND BALANCES	$ 1,588,886	$ 1,133,875

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
$ 200,565	$ 40,160	$ 100,703	$ -	$ -	$ -	$ 386
-	1,210	-	-	299,963	21,550	40,605
4,659	470	947	-	-	-	-
-	-	-	-	-	14,752	-
-	-	-	-	-	-	-
$ 205,224	$ 41,840	$ 101,650	$ -	$ 299,963	$ 36,302	$ 40,991
$ -	$ 44	$ -	$ -	$ 108	$ -	$ -
-	-	-	-	-	14,752	-
-	-	-	-	347,793	36,302	40,605
-	-	-	-	-	-	-
-	44	-	-	347,901	51,054	40,605
205,224	41,796	101,650	-	-	-	386
-	-	-	-	(47,938)	(14,752)	-
205,224	41,796	101,650	-	(47,938)	(14,752)	386
$ 205,224	$ 41,840	$ 101,650	$ -	$ 299,963	$ 36,302	$ 40,991

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2007

	Special Revenue Funds (Continued)	
	Brownsfield Grant	Housing Impact
ASSETS		
Cash and investments	$ -	$ 348,611
Accounts receivable	59,304	-
Accrued interest receivable	-	3,936
Due from other governments	-	-
Rehabilitation loans receivable	-	-
TOTAL ASSETS	$ 59,304	$ 352,547
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ -	$ -
Deferred revenue	-	-
Due to other funds	59,300	-
Advances from other funds	-	-
TOTAL LIABILITIES	59,300	-
FUND BALANCES (DEFICITS):		
Unreserved:		
Designated for special revenue purposes	4	352,547
Undesignated	-	-
TOTAL FUND BALANCES (DEFICITS)	4	352,547
TOTAL LIABILITIES AND FUND BALANCES	$ 59,304	$ 352,547

See independent auditors' report.

Special Revenue Funds (Continued)	Total Other Governmental Funds
HELP Loan	
$ 298	$ 6,994,349
-	459,367
-	93,662
-	32,605
-	15,799
$ 298	$ 7,595,782
$ -	$ 27,623
-	32,106
-	500,332
-	228,560
-	788,621
298	6,869,851
-	(62,690)
298	6,807,161
$ 298	$ 7,595,782

CITY OF SIGNAL HILL

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

For the year ended June 30, 2007

	Special Revenue Funds	
	Asset Seizure	Park Development
REVENUES:		
Other taxes	$ -	$ -
Intergovernmental revenues	1,397	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	3,223	72,093
Developer fees	-	434,787
TOTAL REVENUES	4,620	506,880
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,620	506,880
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(58,000)	(4,243)
TOTAL OTHER FINANCING SOURCES (USES)	(58,000)	(4,243)
NET CHANGE IN FUND BALANCES	(53,380)	502,637
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	67,950	1,025,500
FUND BALANCES (DEFICITS) AT END OF YEAR	$ 14,570	$ 1,528,137

See independent auditors' report.

Special Revenue Funds (Continued)

HCDA Grant	Special Gas Tax	Traffic Safety	Transportation	Cable Televising	Pipeline Removal	Air Quality Improvement
$ -	$ -	$ -	$ 175,294	$ -	$ 98,111	$ -
146,786	293,028	-	-	-	-	13,262
-	-	-	1,940	-	-	-
-	-	109,503	-	-	-	-
-	6,593	4,096	17,892	11,786	50,214	2,666
-	-	-	-	-	-	-
146,786	299,621	113,599	195,126	11,786	148,325	15,928
-	-	-	-	-	-	2,488
-	-	-	-	-	-	-
25,960	-	-	138,085	-	-	-
-	-	-	-	-	-	-
122,848	-	-	-	-	-	-
148,808	-	-	138,085	-	-	2,488
(2,022)	299,621	113,599	57,041	11,786	148,325	13,440
2,022	-	-	-	-	-	-
-	(207,528)	(95,000)	(138,201)	(49,100)	-	(39,500)
2,022	(207,528)	(95,000)	(138,201)	(49,100)	-	(39,500)
-	92,093	18,599	(81,160)	(37,314)	148,325	(26,060)
-	71,923	76,266	340,977	248,117	994,694	56,018
$ -	$ 164,016	$ 94,865	$ 259,817	$ 210,803	$ 1,143,019	$ 29,958

(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, 2007

	Special Revenue Funds (Continued)	
	Water Development	Traffic Impact
REVENUES:		
Other taxes	$ -	$ -
Intergovernmental revenues	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	108,441	55,572
Developer fees	611,287	115,361
TOTAL REVENUES	719,728	170,933
EXPENDITURES:		
Current:		
General government	-	-
Police	-	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	719,728	170,933
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(662,433)	(115,576)
TOTAL OTHER FINANCING SOURCES (USES)	(662,433)	(115,576)
NET CHANGE IN FUND BALANCES	57,295	55,357
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	1,531,591	1,078,518
FUND BALANCES (DEFICITS) AT END OF YEAR	$ 1,588,886	$ 1,133,875

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
$ 144,051	$ 40,600	$ -	$ -	$ -	$ -	$ -
-	-	100,000	-	386,654	30,600	167,635
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,046	1,844	4,844	-	2,087	59	-
-	-	-	-	-	-	-
161,097	42,444	104,844	-	388,741	30,659	167,635
1,522	-	-	-	-	-	-
-	-	162,393	570	63,507	31,959	131,456
-	-	-	-	-	-	-
-	46,360	-	-	-	-	-
-	-	-	-	369,743	13,031	-
1,522	46,360	162,393	570	433,250	44,990	131,456
159,575	(3,916)	(57,549)	(570)	(44,509)	(14,331)	36,179
-	-	52,000	-	-	-	36,079
(244,780)	-	-	-	-	-	-
(244,780)	-	52,000	-	-	-	36,079
(85,205)	(3,916)	(5,549)	(570)	(44,509)	(14,331)	72,258
290,429	45,712	107,199	570	(3,429)	(421)	(71,872)
$ 205,224	$ 41,796	$ 101,650	$ -	$ (47,938)	$ (14,752)	$ 386

(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, 2007

	Special Revenue Funds (Continued)	
	Brownfields Grant	Housing Impact
REVENUES:		
Other taxes	$ -	$ -
Intergovernmental revenues	178,762	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment income	-	16,327
Developer fees	-	-
TOTAL REVENUES	178,762	16,327
EXPENDITURES:		
Current:		
General government	-	-
Police	181,081	-
Community development	-	-
Public works	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	181,081	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,319)	16,327
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	(2,319)	16,327
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	2,323	336,220
FUND BALANCES (DEFICITS) AT END OF YEAR	$ 4	$ 352,547

See independent auditors' report.

Special Revenue Funds (Continued)	Total Other Governmental Funds
HELP Loan	
$ -	$ 458,056
-	1,318,124
-	1,940
-	109,503
16	374,799
-	1,161,435
16	3,423,857
-	4,010
-	570,966
-	164,045
-	46,360
-	505,622
-	1,291,003
16	2,132,854
-	90,101
-	(1,614,361)
-	(1,524,260)
16	608,594
282	6,198,567
$ 298	$ 6,807,161

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ 2,000	$ 2,000	$ 1,397	$ (603)
Investment income	-	-	3,223	3,223
TOTAL REVENUES	2,000	2,000	4,620	2,620
OTHER FINANCING USES:				
Transfers out	(58,000)	(58,000)	(58,000)	-
NET CHANGE IN FUND BALANCE	(56,000)	(56,000)	(53,380)	2,620
FUND BALANCE AT BEGINNING OF YEAR	67,950	67,950	67,950	-
FUND BALANCE AT END OF YEAR	$ 11,950	$ 11,950	$ 14,570	$ 2,620

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 62,500	$ 62,500	$ 72,093	$ 9,593
Developer fees	678,650	678,650	434,787	(243,863)
TOTAL REVENUES	741,150	741,150	506,880	(234,270)
OTHER FINANCING USES:				
Transfers out	(75,000)	(79,000)	(4,243)	74,757
NET CHANGE IN FUND BALANCE	666,150	662,150	502,637	(159,513)
FUND BALANCE AT BEGINNING OF YEAR	1,025,500	1,025,500	1,025,500	-
FUND BALANCE AT END OF YEAR	$ 1,691,650	$ 1,687,650	$ 1,528,137	$ (159,513)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ 186,293	$ 303,841	$ 146,786	$ (157,055)
EXPENDITURES:				
Community development:				
CDBG program	21,243	24,698	25,960	(1,262)
Capital outlay	165,050	292,047	122,848	169,199
TOTAL EXPENDITURES	186,293	316,745	148,808	167,937
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(12,904)	(2,022)	10,882
OTHER FINANCING SOURCES:				
Transfers in	-	12,904	2,022	(10,882)
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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental revenues	$ 245,750	$ 277,500	$ 293,028	$ 15,528
Investment income	2,200	2,200	6,593	4,393
TOTAL REVENUES	247,950	279,700	299,621	19,921
OTHER FINANCING USES:				
Transfers out	(280,000)	(280,000)	(207,528)	72,472
NET CHANGE IN FUND BALANCE	(32,050)	(300)	92,093	92,393
FUND BALANCE AT BEGINNING OF YEAR	71,923	71,923	71,923	-
FUND BALANCE AT END OF YEAR	$ 39,873	$ 71,623	$ 164,016	$ 92,393

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Fines and forfeitures	$ 93,000	$ 93,000	$ 109,503	$ 16,503
Investment income	-	-	4,096	4,096
TOTAL REVENUES	93,000	93,000	113,599	20,599
OTHER FINANCING USES:				
Transfers out	(95,000)	(95,000)	(95,000)	-
NET CHANGE IN FUND BALANCE	(2,000)	(2,000)	18,599	20,599
FUND BALANCE AT BEGINNING OF YEAR	76,266	76,266	76,266	-
FUND BALANCE AT END OF YEAR	$ 74,266	$ 74,266	$ 94,865	$ 20,599

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Other taxes	$ 169,450	$ 169,450	$ 175,294	$ 5,844
Charges for services	1,050	1,050	1,940	890
Investment income	10,000	10,000	17,892	7,892
TOTAL REVENUES	180,500	180,500	195,126	14,626
EXPENDITURES:				
Community development:				
Public transportation	158,975	130,568	138,085	(7,517)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,525	49,932	57,041	7,109
OTHER FINANCING USES:				
Transfers out	(216,000)	(216,000)	(138,201)	77,799
NET CHANGE IN FUND BALANCE	(194,475)	(166,068)	(81,160)	84,908
FUND BALANCE AT BEGINNING OF YEAR	340,977	340,977	340,977	-
FUND BALANCE AT END OF YEAR	$ 146,502	$ 174,909	$ 259,817	$ 84,908

See independent auditors' report.

CITY OF SIGNAL HILL

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

CABLE TELEVISING SPECIAL REVENUE FUND

For the year ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 11,200	$ 11,200	$ 11,786	$ 586
OTHER FINANCING USES:				
Transfers out	(25,000)	(49,100)	(49,100)	-
NET CHANGE IN FUND BALANCE	(13,800)	(37,900)	(37,314)	586
FUND BALANCE AT BEGINNING OF YEAR	248,117	248,117	248,117	-
FUND BALANCE AT END OF YEAR	$ 234,317	$ 210,217	$ 210,803	$ 586

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Other taxes	$ 90,000	$ 90,000	$ 98,111	$ 8,111
Investment income	35,800	35,800	50,214	14,414
TOTAL REVENUES	125,800	125,800	148,325	22,525
OTHER FINANCING USES:				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	125,800	125,800	148,325	22,525
FUND BALANCE AT BEGINNING OF YEAR	994,694	994,694	994,694	-
FUND BALANCE AT END OF YEAR	$ 1,120,494	$ 1,120,494	$ 1,143,019	$ 22,525

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ 12,500	$ 12,500	$ 13,262	$ 762
Investment income	100	100	2,666	2,566
TOTAL REVENUES	12,600	12,600	15,928	3,328
EXPENDITURES:				
General government:				
City Council	2,600	2,600	2,488	112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,000	10,000	13,440	3,440
OTHER FINANCING USES:				
Transfers out	(39,500)	(39,500)	(39,500)	-
NET CHANGE IN FUND BALANCE	(29,500)	(29,500)	(26,060)	3,440
FUND BALANCE AT BEGINNING OF YEAR	56,018	56,018	56,018	-
FUND BALANCE AT END OF YEAR	$ 26,518	$ 26,518	$ 29,958	$ 3,440

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 82,000	$ 82,000	$ 108,441	$ 26,441
Developer fees	412,050	412,050	611,287	199,237
TOTAL REVENUES	494,050	494,050	719,728	225,678
OTHER FINANCING USES:				
Transfers out	(899,000)	(899,000)	(662,433)	236,567
NET CHANGE IN FUND BALANCE	(404,950)	(404,950)	57,295	462,245
FUND BALANCE AT BEGINNING OF YEAR	1,531,591	1,531,591	1,531,591	-
FUND BALANCE AT END OF YEAR	$ 1,126,641	$ 1,126,641	$ 1,588,886	$ 462,245

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 54,000	$ 54,000	$ 55,572	$ 1,572
Developer fees	33,800	33,800	115,361	81,561
TOTAL REVENUES	87,800	87,800	170,933	83,133
EXPENDITURES:				
Community development:				
Planning services	30,000	30,000	-	30,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,800	57,800	170,933	113,133
OTHER FINANCING USES:				
Transfers out	(230,000)	(230,000)	(115,576)	114,424
NET CHANGE IN FUND BALANCE	(172,200)	(172,200)	55,357	227,557
FUND BALANCE AT BEGINNING OF YEAR	1,078,518	1,078,518	1,078,518	-
FUND BALANCE AT END OF YEAR	$ 906,318	$ 906,318	$ 1,133,875	$ 227,557

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Other taxes	$ 140,750	$ 140,750	$ 144,051	$ 3,301
Investment income	10,500	10,500	17,046	6,546
TOTAL REVENUES	151,250	151,250	161,097	9,847
EXPENDITURES:				
General government:				
City Council	1,700	1,700	1,522	178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	149,550	149,550	159,575	10,025
OTHER FINANCING USES:				
Transfers out	(356,200)	(356,200)	(244,780)	111,420
NET CHANGE IN FUND BALANCE	(206,650)	(206,650)	(85,205)	121,445
FUND BALANCE AT BEGINNING OF YEAR	290,429	290,429	290,429	-
FUND BALANCE AT END OF YEAR	$ 83,779	$ 83,779	$ 205,224	$ 121,445

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Other taxes	$ 41,050	$ 41,050	$ 40,600	$ (450)
Investment income	1,000	1,000	1,844	844
TOTAL REVENUES	42,050	42,050	42,444	394
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	38,800	40,300	46,360	(6,060)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,250	1,750	(3,916)	(5,666)
FUND BALANCE AT BEGINNING OF YEAR	45,712	45,712	45,712	-
FUND BALANCE AT END OF YEAR	$ 48,962	$ 47,462	$ 41,796	$ (5,666)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ 100,000	$ 100,000	$ 100,000	$ -
Investment income	-	-	4,844	4,844
TOTAL REVENUES	100,000	100,000	104,844	4,844
EXPENDITURES:				
Police:				
Patrol services	159,300	159,300	162,393	(3,093)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,300)	(59,300)	(57,549)	1,751
OTHER FINANCING SOURCES:				
Transfers in	52,000	52,000	52,000	-
NET CHANGE IN FUND BALANCE	(7,300)	(7,300)	(5,549)	1,751
FUND BALANCE AT BEGINNING OF YEAR	107,199	107,199	107,199	-
FUND BALANCE AT END OF YEAR	$ 99,899	$ 99,899	$ 101,650	$ 1,751

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ -	$ 18,002	$ 386,654	$ 368,652
Investment income	-	-	2,087	2,087
TOTAL REVENUES	-	18,002	388,741	370,739
EXPENDITURES:				
Police:				
Domestic preparedness	-	18,002	63,507	(45,505)
Capital outlay	-	85,000	369,743	(284,743)
TOTAL EXPENDITURES	-	103,002	433,250	(330,248)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(85,000)	(44,509)	40,491
OTHER FINANCING SOURCES:				
Transfers in	-	85,000	-	(85,000)
NET CHANGE IN FUND BALANCE	-	-	(44,509)	(44,509)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(3,429)	(3,429)	(3,429)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	$ (3,429)	$ (3,429)	$ (47,938)	$ (44,509)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental revenues	$ -	$ 53,702	$ 30,600	$ (23,102)
Investment income	-	-	59	59
TOTAL REVENUES	-	53,702	30,659	(23,043)
EXPENDITURES:				
Police:				
Patrol services	-	39,202	31,959	7,243
Capital outlay	-	14,500	13,031	1,469
TOTAL EXPENDITURES	-	53,702	44,990	8,712
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(14,331)	(14,331)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(421)	(421)	(421)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	$ (421)	$ (421)	$ (14,752)	$ (14,331)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenues	$ 133,650	$ 133,650	$ 167,635	$ 33,985
EXPENDITURES:				
Police:				
Investigative services	133,650	133,650	131,456	2,194
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	36,179	36,179
OTHER FINANCING SOURCES:				
Transfers in	-	-	36,079	36,079
NET CHANGE IN FUND BALANCE	-	-	72,258	72,258
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(71,872)	(71,872)	(71,872)	-
FUND BALANCE AT END OF YEAR	$ (71,872)	$ (71,872)	$ 386	$ 72,258

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 13,600	$ 13,600	$ 16,327	$ 2,727
EXPENDITURES:				
General government:				
Support services	125,000	125,000	-	125,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(111,400)	(111,400)	16,327	127,727
FUND BALANCE AT BEGINNING OF YEAR	336,220	336,220	336,220	-
FUND BALANCE AT END OF YEAR	$ 224,820	$ 224,820	$ 352,547	$ 127,727

See independent auditors' report.

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FIDUCIARY FUND

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

CITY OF SIGNAL HILL

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

For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
ASSETS:				
Cash and investments	$ 1,145,593	$ 763,148	$ (812,807)	$ 1,095,934
LIABILITIES:				
Refundable deposits	$ 1,145,593	$ 763,148	$ (812,807)	$ 1,095,934

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

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

Financial Trends - 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
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	128 - 131
Debt Capacity - 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
Demographic and Economic Information - 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
Operating Information - 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 Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	$ 42,045	$ 45,374	$ 45,473	$ 44,080	$ 43,943
Restricted	149	11,460	7,155	8,983	30,890
Unrestricted	(40,183)	(44,957)	(40,035)	(31,596)	(43,683)
Total governmental activities net assets	$ 2,011	$ 11,877	$ 12,593	$ 21,467	$ 31,150
Business-type activities					
Invested in capital assets, net of related debt	$ 14,349	$ 14,021	$ 14,403	$ 15,414	$ 17,289
Restricted	2,109	2,249	2,405	689	688
Unrestricted	3,051	2,703	2,954	4,137	2,812
Total business-type activities net assets	$ 19,509	$ 18,973	$ 19,762	$ 20,240	$ 20,789
Primary government					
Invested in capital assets, net of related debt	$ 56,394	$ 59,395	$ 59,876	$ 59,494	$ 61,232
Restricted	2,258	13,709	9,560	9,672	31,578
Unrestricted	(37,132)	(42,254)	(37,081)	(27,459)	(40,871)
Total primary government net assets	$ 21,520	$ 30,850	$ 32,355	$ 41,707	$ 51,939

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

Source: City of Signal Hill, Finance Department

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	$ 3,054	$ 3,176	$ 5,152	$ 4,110	$ 3,009
Community services	1,066	1,149	1,162	1,189	1,248
Police	5,029	5,733	6,599	6,631	7,434
Community development	6,428	3,340	5,940	3,877	5,254
Public works	3,645	5,866	5,636	5,915	5,328
Unallocated infrastructure depreciation	445	446	448	482	523
Interest on long-term liabilities	3,967	3,565	3,631	3,503	4,252
Total governmental activites expenses	23,634	23,275	28,568	25,707	27,048
Business-type activities - Water	2,956	3,861	3,366	4,058	3,896
Total primary government expenses	$ 26,590	$ 27,136	$ 31,934	$ 29,765	$ 30,944
Program Revenues					
Governmental activities:					
Charges for services					
General government	$ 144	$ 215	$ 164	$ 135	$ 213
Community services	217	266	268	260	282
Police	312	330	408	538	549
Community development	13	1	7	7	588
Public works	1,164	1,361	1,206	1,264	989
Operating grants and contributions	906	1,041	1,055	3,178	1,748
Capital grants and contributions	5,107	7,063	2,415	2,728	2,366
Total governmental activites program revenues	7,863	10,277	5,523	8,110	6,735
Business-type activities:					
Charges for services - water	3,196	3,296	3,355	3,433	3,601
Total primary government program revenues	$ 11,059	$ 13,573	$ 8,878	$ 11,543	$ 10,336
Net (expense)/revenue					
Governmental activities	$ (15,771)	$ (12,998)	$ (23,045)	$ (17,597)	$ (20,313)
Business-type activities	240	(565)	(11)	(625)	(295)
Total primary government net expeneses	$ (15,531)	$ (13,563)	$ (23,056)	$ (18,222)	$ (20,608)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property	$ 8,107	$ 9,243	$ 9,451	$ 11,393	$ 13,995
Sales and use	10,025	10,598	11,125	12,015	12,177
Franchise	456	455	462	412	591
Motor vehicle	608	490	952	774	74
Other	682	769	816	1,016	1,302
Investment income	1,002	385	912	1,067	2,295
Unrestricted grants and contributions	624	905	733	764	206
Gain on disposition of assets	25	19	-	18	16
Transfers	17	-	(690)	(988)	(660)
Total governmental activities	21,546	22,864	23,761	26,471	29,996
Business-type activities					
Investment income	173	29	109	115	183
Unrestricted grants and contributions	1	-	-	-	-
Gain on disposition of assets	-	-	1	-	1
Transfers	(17)	-	690	988	660
Total business-type activities	157	29	800	1,103	844
Total primary government	$ 21,703	$ 22,893	$ 24,561	$ 27,574	$ 30,840
Changes in Net Assets					
Governmental activities	$ 5,775	$ 9,866	$ 716	$ 8,874	$ 9,683
Business-type activities	397	(536)	789	478	549
Total primary government	$ 6,172	$ 9,330	$ 1,505	$ 9,352	$ 10,232

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

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

Source: City of Signal Hill, Finance Department

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

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved	$ 460	$ 433	$ 456	$ 822
Unreserved	6,230	7,732	9,033	12,287
Total General Fund	6,690	8,165	9,489	13,109
All Other Governmental Funds				
Reserved	10,004	9,401	5,011	7,484
Unreserved, reported in:				
Special revenue funds	9,395	8,684	7,527	6,117
Debt service funds	1,887	730	180	(658)
Capital projects funds	9,257	7,829	5,690	4,447
Total All Other Governmental Funds	30,543	26,644	18,408	17,390
Total All Governmental Funds	$ 37,233	$ 34,809	$ 27,897	$ 30,499

Source: City of Signal Hill, Finance Department

Fiscal Year					
2002	2003	2004	2005	2006	2007
$ 2,286	$ 2,607	$ 2,349	$ 2,289	$ 2,290	$ 43
14,364	16,222	18,502	18,843	21,287	26,564
16,650	18,829	20,851	21,132	23,577	26,607
6,624	3,517	3,801	4,726	4,101	20,150
5,059	7,575	11,346	6,192	9,216	10,983
(1,080)	(1,063)	176	1,603	3,688	5,904
77	456	3,102	3,144	3,693	770
10,680	10,485	18,425	15,665	20,698	37,807
$ 27,330	$ 29,314	$ 39,276	$ 36,797	$ 44,275	$ 64,414

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			
	1998	1999	2000	2001
Revenues				
Taxes	$ 15,100	$ 15,016	$ 14,793	$ 17,484
Licenses and permits	306	270	370	407
Intergovernmental revenues	611	1,251	1,405	1,963
Charges for services	446	644	748	962
Fines and forfeitures	165	259	248	263
Investment income	1,752	1,552	1,539	2,533
Other	1,093	770	738	931
Total Revenues	19,473	19,762	19,841	24,543
Expenditures				
General government	4,728	4,465	2,296	2,728
Community services	862	886	917	903
Police	4,393	4,345	4,579	4,644
Community development	834	973	862	851
Public works	2,459	2,387	2,450	2,815
Capital outlay	597	2,442	9,907	4,513
Debt Service				
Principal retirement	1,020	1,191	1,451	1,528
Interest	4,448	4,385	4,228	3,876
Other debt service	21	1,090	343	1,085
Total Expenditures	19,362	22,164	27,033	22,943
Excess of revenues over/(under) expenditures	111	(2,402)	(7,192)	1,600
Other Financing Sources/(Uses)				
Transfers in	1,480	2,520	1,915	3,207
Transfers out	(1,480)	(2,507)	(1,915)	(3,205)
Residual equity transfers	-	(35)	-	-
Other	-	-	280	1,000
Total other financing sources	-	(22)	280	1,002
Net change in fund balances	$ 111	$ (2,424)	$ (6,912)	$ 2,602
Debt service as a percentage of noncapital expenditures	29.0%	34.0%	35.0%	35.0%

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

Source: City of Signal Hill, Finance Department

Fiscal Year					
2002	2003	2004	2005	2006	2007
$ 17,826	$ 19,650	$ 21,452	$ 21,609	$ 25,225	$ 28,181
423	426	421	429	348	369
1,791	5,488	4,304	2,910	2,985	2,224
838	924	1,185	1,020	1,236	1,142
217	199	203	284	359	356
1,589	1,109	328	1,014	1,185	2,960
1,630	3,549	2,600	1,948	4,212	2,130
24,314	31,345	30,493	29,214	35,550	37,362
2,793	3,073	3,009	5,058	4,155	2,919
922	1,050	1,048	1,130	1,175	1,246
4,602	4,897	5,473	6,339	6,586	7,295
958	907	1,108	1,123	1,187	1,198
3,008	3,164	3,577	3,683	3,761	4,025
9,713	9,468	5,578	7,191	2,891	5,280
1,664	1,904	820	2,595	2,888	2,451
3,868	3,939	2,976	3,427	3,334	3,749
2,807	1,096	4,510	457	1,114	1,842
30,335	29,498	28,099	31,003	27,091	30,005
(6,021)	1,847	2,394	(1,789)	8,459	7,357
2,301	2,884	3,406	2,372	2,765	5,024
(2,301)	(2,867)	(3,406)	(3,062)	(3,746)	(5,742)
-	-	-	-	-	-
2,852	120	7,568	-	-	13,500
2,852	137	7,568	(690)	(981)	12,782
$ (3,169)	$ 1,984	$ 9,962	$ (2,479)	$ 7,478	$ 20,139
40.0%	35.0%	37.0%	27.0%	30.0%	33.0%

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

Fiscal Year Ended June 30	City				Redevelopment Agency			
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
1998	$ 290,174	$ 29,585	$ (5,137)	$ 314,622	$ 542,587	$ 57,098	$ (4,290)	$ 595,395
1999	285,504	30,738	(5,161)	311,081	533,122	61,890	(4,185)	590,827
2000	291,099	27,080	(5,196)	312,983	527,355	72,011	(4,171)	595,195
2001	310,487	31,799	(5,211)	337,075	547,298	72,621	(4,138)	615,781
2002	333,659	31,904	(5,264)	360,299	597,456	75,582	(4,270)	668,768
2003	348,170	32,980	(5,287)	375,863	660,935	77,624	(4,371)	734,188
2004	381,532	37,819	(5,292)	414,059	731,513	83,675	(4,550)	810,638
2005	421,446	34,542	(5,453)	450,535	865,759	81,094	(5,019)	941,834
2006	474,373	30,102	(5,450)	499,025	980,644	83,292	(5,173)	1,058,763
2007	537,818	29,189	(5,418)	561,589	1,133,343	104,301	(5,285)	1,232,359

Note:

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

Source: County of Los Angeles Assessor

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	0.0007
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	0.0088	0.0077	0.0067	0.0061	0.0058	0.0052	0.0047
LA County Sanitation District	0.0186	0.0202	0.0178	0.0198	0.0166	0.0155	0.0152	0.0101	0.0101	0.0101
LA County Flood Control	0.0149	0.0147	0.0145	0.0143	0.0132	0.0136	0.0235	0.0129	0.0128	0.0127
L.B Comm. Coll. District	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0290	0.0476	0.0290
Educational Augmentation Fund	0.2040	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950	0.1950
Los Angeles County Fire	0.1860	0.1940	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	0.2282	0.2358	0.2521	0.2338	0.2427
County of Los Angeles	0.2806	0.2815	0.2814	0.2813	0.2811	0.2810	0.2810	0.2809	0.2808	0.2808
Total Rate	1.0212	1.0224	1.0198	1.0213	1.0158	1.0492	1.0658	1.0660	1.0654	1.0551

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 shared by all taxing agencies for which the subject property reasides within.

Source: HdL Coren & Cone

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

Taxpayer	2006-07 Taxable Assessed Value	2006-07 Percent of Total City Taxable Assessed Value	1997-98 Taxable Assessed Value	1997-98 Percent of Total City Taxable Assessed Value
Signal Hill Petroleum	$ 80,992	4.51%	$ 14,257	1.57%
PL Signal Hill	36,334	2.03%	-	0.00%
LBSH Development	25,000	1.39%	17,186	1.89%
Arco Terminal Services Corp.	21,647	1.21%	43,131	4.74%
Costco Wholesale Corp.	18,680	1.04%	-	0.00%
Home Depot	17,520	0.98%	-	0.00%
Long Beach Acquisition Corp.	14,027	0.78%	-	0.00%
Town Center Signal Hill LLC	10,613	0.59%	-	0.00%
Samantha Maketplace LLC	9,462	0.53%	-	0.00%
Eastman Inc.	9,439	0.53%	-	0.00%
Price Enterprises, Inc.	-	0.00%	22,731	2.50%
Cablevision Industries	-	0.00%	15,286	1.68%
Price Company	-	0.00%	14,020	1.54%
Signal Hill Company	-	0.00%	12,583	1.38%
American Office Park	-	0.00%	8,980	0.99%
Memorial Health Services	-	0.00%	8,861	0.97%
Signal Hill Land Company	-	0.00%	6,671	0.73%
	$ 243,714	13.59%	$ 163,706	17.99%

Note:
The amounts shown above include assessed value data for both the City and the Redevelopement Agency.

Source: HdL Coren & Cone

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	$ 9,129,181	$ 8,936,641	97.89%	N/A	N/A	N/A
2006	10,461,029	10,142,108	96.95%	N/A	N/A	N/A
2007	12,440,136	12,030,441	96.71%	N/A	N/A	N/A

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 information about subsequent collections is not available.

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

Source: County of Los Angeles Auditor-Controller

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

	Governmental Activities			Business-type Activities					
Fiscal Year	Redevelopment Tax Allocation Bonds	Notes	Loans	Certificates of Participation	Water Revenue Bonds	Loans	Total Primary Government	Percent of Assessed Valuation	Per Capita
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
2007	73,770	3,866	2,000	-	8,220	454	88,310	4.923%	7,864.46

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

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2007

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
Los Angles County Flood Control Storm Drain DS #4	$ 370,000	0.078%	$ 290
*Central Basin MWD 1114	165,681,509	0.086%	142,820
Long Beach CCD DS 2002 S-A2003	6,705,000	4.040%	270,913
Long Beach CCD DS 2002 Series B 2005	61,085,000	4.040%	2,468,116
Long Beach Unified School District DS 1999 Series A	22,075,000	4.041%	892,062
Long Beach Unified School District DS 1999 Series B	27,085,000	4.041%	1,094,519
Long Beach Unified School District DS 1999 Series C	54,780,000	4.041%	2,213,688
Long Beach Unified School District DS 1999 Series D	37,510,000	4.041%	1,515,798
Long Beach Unified School District DS 1999 Series E	56,940,000	4.041%	2,300,975
Long Beach Unified School District DS 1999 Series F	48,725,000	4.041%	1,969,002
Total Overlapping Debt:			$ 12,868,183

2006/07 Assessed Valuation: $756,396,178 After Deducting $1,037,551,880 Redevelopment Increment.

Debt To Assessed Valuation Ratios:		
	Direct Debt	0.000%
	Overlapping Debt	1.700%
	Total Debt	1.700%

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

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

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone.

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

Source: HdL Coren & Cone, Los Angeles County Assessor Combined 2006/07 Lien Date Tax Rolls

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

Legal Debt Margin Calculation for the Current Year	
Assessed value	$ 1,793,948,058
Debt limit (15% of assessed value)	269,092,209
Debt applicable to limit	0
Legal debt margin - Current Year	$ 269,092,209

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
1998	$ 136,507,139	$ -	$ 136,507,139	0.00%
1999	135,286,284	-	135,286,284	0.00%
2000	136,226,739	-	136,226,739	0.00%
2001	142,928,449	-	142,928,449	0.00%
2002	154,359,905	-	154,359,905	0.00%
2003	166,507,665	-	166,507,665	0.00%
2004	183,704,523	-	183,704,523	0.00%
2005	208,855,187	-	208,855,187	0.00%
2006	233,668,165	-	233,668,165	0.00%
2007	269,092,209	-	269,092,209	0.00%

Source: City of Signal Hill, Finance Department

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

	Redevelopment Tax Allocation Bonds			
Fiscal Year	Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
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
2007	12,747	2,451	3,749	2.06

Source: City of Signal Hill, Finance Department

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

		Los Angeles-Long Beach-Santa Ana Area			
Calendar Year	City Population	Area Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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	12,933,839	475,262,940	36,746	5.0%
2006	11,089	N/A	N/A	N/A	4.4%
2007	11,229	N/A	N/A	N/A	4.7%

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

	2006-07			1997-98*		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	747	1	8.34%			
Home Depot	376	2	4.20%			
Costco	308	3	3.44%			
Target	191	4	2.13%	* Information not available		
Long Beach BMW Motorcycl	179	5	2.00%			
Long Beach BMW Auto	158	6	1.76%			
Universal Care	152	7	1.70%			
Mercedes Benz of Long Beacl	126	8	1.41%			
Charter Communications	116	9	1.30%			
Platt Security	111	10	1.24%			
	2,464		27.52%			

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 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administration	6.00	6.00	6.00	6.00	6.00	5.00	5.25	4.50	4.00	4.00
Finance	8.00	8.44	8.44	7.44	7.44	7.44	7.44	6.44	6.44	6.44
Community services	20.44	23.15	23.88	24.03	23.53	24.29	24.11	23.78	23.05	22.46
Police	51.45	50.45	52.45	52.17	53.38	53.28	52.18	52.18	50.40	52.40
Community development	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Public works	30.00	30.00	30.00	30.48	31.00	31.00	30.42	30.92	29.00	29.00
Redevelopment	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	126.89	129.04	131.77	130.12	130.35	130.01	128.40	126.82	121.89	123.30

Source: City of Signal Hill, Finance Department

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

Function/Program	Fiscal Year 2006	Fiscal Year 2007
Police		
Calls for service	7,151	8,092
Reports written	4,884	4,792
Total arrests	1,736	2,074
Hazardous traffic conditions	2,871	3,480
Parking citations	6,553	6,410
Community Development		
Code enforcement cases	26	30
Building permits	187	193
Site plan design reviews	13	14
Water		
# of customers	2,846	2,890
Average daily consumption (in millions of gallons)	2.13	2.15
Number of hydrants maintained	552	473
Public Works		
Traffic signals maintained	29	29
Street sweeping miles	3,500	3,500
Sidewalk repairs (Square feet)	8,000	4,200
Linear feed of curb & gutter replaced	400	325
Engineering		
Number of infrastructure projects administered	17	14
Plan checks completed	19	17
Number of residential refuse accounts	1,434	1,456
Community Services		
Library items borrowed	44,024	68,321
Youth sports participants	408	5,886
Summer youth programs	11,693	13,324
Facility rental permits	265	356

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

Source: Various City Departments

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

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

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

Source: City of Signal Hill, Finance Department