

# City of Signal Hill, California



Comprehensive Annual Financial Report  
Year Ended June 30, 2012



## **History of Signal Hill**

Signal Hill has a rich and colorful history. Most famous for the discovery of oil in 1921, and commonly known as an "oil town", the City is now a diverse community with an "oil history" and bright future.

In the 1500's, the Puva Indians used the hilltop to signal the other native tribes of Santa Catalina Island, 26 miles offshore. Because of its use as a signaling point, Spanish settlers call the hill "Loma Sental", which translates as "Signal Hill".

Signal Hill's first owner of record was Manuel Nieto, who received the land in 1784 as a grant from King Carlos III of Spain. Nieto later divided the land into six cattle and horse ranchos, two of which encompassed Signal Hill: Rancho Los Alamitos and Rancho Los Cerritos. Later purchased by New Englanders, the ranchos were used mostly for grazing and agriculture until the 1800's. A harsh winter in 1862, drought, and other financial hardships resulted in the sale of the ranchos to the Bixby family, who used the land to raise sheep.

By the turn of the 20<sup>th</sup> Century, stately mansions dotted the hilltop, as the value of the panoramic view became evident. However, by 1917, the prospect of striking oil on the hilltop surpassed the value of the view and the Union Oil Company drilled the first oil well in the area. The well failed to produce any oil and it was abandoned. Further exploration was suspended until the Royal Dutch Shell Oil Company resumed exploration and hit pay dirt on June 23, 1921. The first "gusher", at Alamitos Well #1, marked the turning point in Signal Hill's history and put the City on the map. Ultimately one of the richest oil fields in the world, it produced over 1 billion barrels of oil by 1984. The field is still active and produced over 1.6 million barrels of oil in 1994 alone.

Signal Hill, completely surrounded by the City of Long Beach, had been located in unincorporated Los Angeles County. In 1924, in order to avoid Long Beach's per-barrel tax on oil, Signal Hill's founding fathers voted for incorporation. Right from the beginning, Signal Hill proved to be a progressive city, electing Mrs. Jesse Nelson as the City's first mayor.

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 shifted focus from oil to economic development and diversity. Today, Signal Hill is a well balanced, financially sound, and economically diverse community with a population of over 11,000.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

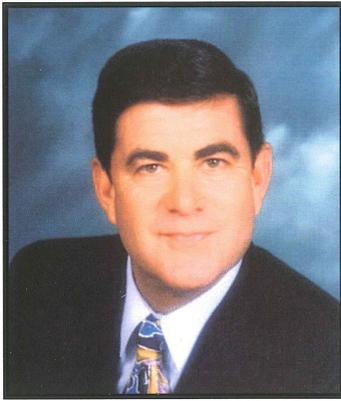
**CITY OF SIGNAL HILL, CALIFORNIA**

**FISCAL YEAR ENDED JUNE 30, 2012**



**Prepared by  
Department of Finance**

**Maida Alcantara  
Director of Finance**



**Michael Noll**  
Vice Mayor



**Larry Forester**  
Councilmember



**Tina L. Hansen**  
Mayor



**Ellen Ward**  
Councilmember



**Edward H. J. Wilson**  
Councilmember

**Kathleen Pacheco**  
City Clerk

**Emerson Fersch**  
City Treasurer

### ADMINISTRATIVE PERSONNEL

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

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

CITY OF SIGNAL HILL

TABLE OF CONTENTS

For the year ended June 30, 2012

	<u>Page Number</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i - x
Certificate of Achievement for Excellence in Financial Reporting	xi
Elected Officials	xii
City Organization Chart	xiii
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 16
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	17
Statement of Activities	18 - 19
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
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
<b>Proprietary Funds:</b>	
Statement of Net Assets	27
Statement of Revenues, Expenses and Changes in Net Assets	28
Statement of Cash Flows	29 - 30
<b>Fiduciary Fund:</b>	
Statement of Fiduciary Net Assets	31
Statement of Changes in Fiduciary Net Assets	32
Notes to Basic Financial Statements	33 - 85

CITY OF SIGNAL HILL

TABLE OF CONTENTS  
(Continued)

For the year ended June 30, 2012

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION:	87
Schedule of Funding Progress:	
Other Post-Employment Benefit Plan	89
Budgetary Comparison Schedules:	
General Fund	90 - 91
Housing Authority Special Revenue Fund	92
Note to Required Supplementary Information	93
SUPPLEMENTARY INFORMATION:	
Other Major Governmental Funds:	95
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Debt Service Fund	97
Capital Improvement Capital Projects Fund	98
Community Redevelopment Capital Projects Fund	99
Other Governmental Funds:	100 - 101
Combining Balance Sheet	102 - 105
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106 - 109
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Asset Seizure Special Revenue Fund	110
DOJ Grants Special Revenue Fund	111
Park Development Special Revenue Fund	112
HCDA Grant Special Revenue Fund	113
Special Gas Tax Special Revenue Fund	114
Transportation Special Revenue Fund	115
Pipeline Removal Special Revenue Fund	116
Air Quality Improvement Special Revenue Fund	117
Water Development Special Revenue Fund	118
Traffic Impact Special Revenue Fund	119
Proposition C Special Revenue Fund	120
Lighting and Landscape Special Revenue Fund	121
Supplemental Law Enforcement Special Revenue Fund	122
OTS Grant Special Revenue Fund	123
Housing Impact Special Revenue Fund	124
MTA-STP Grant Special Revenue Fund	125
Measure R Special Revenue Fund	126
Affordable Housing Special Revenue Fund	127

CITY OF SIGNAL HILL

TABLE OF CONTENTS  
(Continued)

For the year ended June 30, 2012

Page  
Number

SUPPLEMENTARY INFORMATION (CONTINUED):

Agency Funds:	129
Combining Statement of Fiduciary Assets and Liabilities	130
Combining Statement of Changes in Fiduciary Assets and Liabilities	131

STATISTICAL SECTION (UNAUDITED):

Description of Statistical Section Contents	133
---	-----

Financial Trends:

Net Assets by Component - Last Ten Fiscal Years	134 - 135
Changes in Net Assets - Last Ten Fiscal Years	136 - 137
Fund Balances of Governmental Funds - Last Ten Fiscal Years	138 - 139
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	140 - 141

Revenue Capacity:

Assessed Value of Taxable Property - Last Ten Fiscal Years	142
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	143
Principal Property Taxpayers - Current Year and Nine Years Ago	144
Property Tax Levies and Collections - Last Eight Fiscal Years	145

Debt Capacity:

Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	146
Direct and Overlapping Debt	147
Legal Debt Margin Information - Last Ten Fiscal Years	148
Pledged-Revenue Bond Coverage:	
Redevelopment Tax Allocation Bonds - Last Ten Fiscal Years	149

Demographic and Economic Information:

Demographic and Economic Statistics - Last Ten Calendar Years	150
Principal Employers - Current Year and Nine Years Ago	151

Operating Information:

Full-Time Equivalent City Government Employees by Department - Last Ten Fiscal Years	152
Operating Indicators by Function - Last Seven Fiscal Years	153
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	154

## **INTRODUCTORY SECTION**

**This page intentionally left blank**



## CITY OF SIGNAL HILL

---

2175 Cherry Avenue • Signal Hill, California 90755-3799

January 31, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Signal Hill (the City) for the fiscal year ended June 30, 2012. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association (GFOA).

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for fiscal year ended June 30, 2012. The City received a thirty-day extension to complete the audit, due to the unusual amount of work, required by the auditors to complete two due diligence reviews of the former Signal Hill Redevelopment Agency. Many cities statewide were granted extensions as well, due to the statutory deadlines to complete the former redevelopment agencies agreed upon procedures.

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

White Nelson Diehl Evans LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Signal Hill’s financial statements for the year ended June 30, 2012. The independent auditor’s report is located at the front of the financial section of this report.

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

### **Profile of the Government**

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

The City of Signal Hill, encompassing 2.25 square miles, is located in the southwestern coastal area of Los Angeles County and has a population of 11,095. 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, Los Alamitos and Carson.

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

The City has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. Policy-making and legislative authority are vested in a governing City Council consisting of a Mayor and four other members, all elected on a non-partisan basis. Council members serve four-year terms, with two members elected every two years. The City budgets for a staff of approximately 108 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 and public health 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 Signal Hill Redevelopment Agency which was dissolved on February 1, 2012, the Signal Hill Successor Agency to the Redevelopment Agency, the Signal Hill Housing Authority, and the Signal Hill Public Financing Authority. The operations of these units are included within the Basic Financial Statements of the City.

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

During the course of the 2011-2012 fiscal year the legislature introduced and subsequently approved Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. Immediately after passage of the bill the League of California Cities (League) and the California Redevelopment Association (CRA) joined together and filed suit against the State to stop AB1X 26. On December 29, 2011 the California Supreme Court sided with the State and AB1X 26 became law and all redevelopment agencies were dissolved as February 1, 2012. The December 29, 2011 California Supreme Court decision to uphold AB 1 X 26 dissolved the Signal Hill Redevelopment Agency on February 1, 2012.

The City of Signal Hill opted to become the Successor Agency for the Signal Hill Redevelopment Agency with the responsibility to dissolve the Agency's operations. The City also elected to retain the housing assets and functions of the dissolved agency and transfer such housing assets and functions to the Signal Hill Housing Authority. Please see Note 16 of the Notes to the Basic Financial Statements. The financial transactions for the seven month period from July 1, 2011 through January 31, 2012 of the Agency have been included in the governmental activities in the financial statements.

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

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

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

### **Economic Outlook and Condition**

The U.S. economy (GDP) grew at 2.7% real (after inflation) annual rate during 2011’s third quarter (July-Sept), which largely matched economists’ forecasts. Such growth represented the thirteenth consecutive quarter of U.S. economic growth since the Great Recession officially ended in June 2009. Although growth in the US economy was relatively lackluster, the underlying economic drivers continue to show signs of improvement. Retail sales have bounced back after dipping negative during the summer months, and seasonally adjusted auto sales have surged. Residential construction and business investment also added to real GDP growth, and the primary driver of the slowdown was the public government sector and its lack of capital infrastructure investments due to budget cutbacks. Growth is expected to increase modestly in 2013-14 as the economy heals further. The threat of inflation remains a distant concern, with immediate threats of price increases are on the horizon.

The City's economy is dominated primarily by auto and retail sales. Although experts believe that the recession technically ended in June, 2009, there remains a slow and uneven recovery and many uncertainties. Sales Tax in the City accounts for 64% of all General Fund revenues. Sales tax and sales tax in lieu revenue in FY 2012-13 is forecasted to improve by 15%, over the revised budget of FY 2011-12, due to an adjustment in the Triple Flip and other one-time sales tax adjustments. The base sales tax growth rate is projected at 12.1% after adjustments. Economists warn however, that there could possibly be a "new auto bubble" forming with many Americans purchasing new cars to replace the cars they held onto during the recession. The demand could suddenly drop after all the older used cars are replaced with new car sales. Since a large part of sales tax revenue of the City comes from new auto sales, the growth rate of 12.1% is considered unsustainable and our sales tax forecasts have taken a more conservative approach.

Unemployment remains elevated. The unemployment rate for Signal Hill at December 2012 was 8.1%. The County of Los Angeles unemployment rate was 10.2% for December 2012. California's overall unemployment rate was 9.8%, compared to 11.2% for the previous year, for the same period. The government sector posted the largest declines in jobs on a numerical basis, down 31,500 jobs - a 1.3% decline. The loss in government jobs will continue to be a drag on the regions employment growth. The City budget is adversely affected by unemployment because it reduces consumer spending. Consumer spending makes up over 70% of the US economy.

There is respectable news for property values in Signal Hill. Southern California's housing market ended 2012 with the highest December home sales in three years, the result of robust investment activity, a record level of cash buyers and more sales gains in move-up markets. The median Signal Hill sale price of an average single family residence jumped 19.2% from a year ago, and the average condominium residence rose 20.3%. The values were pushed higher by greater demand and the market's shift away from foreclosure resales and toward more mid- to high-end transactions. Due to an approximate two year lag time from the increase in property values to receiving the increase in property tax revenues from Los Angeles County, the City's property tax revenues generally show a 2% growth rate.

In response to the recession, the City Council implemented a cost reduction strategy to address loss of revenues in early Fiscal year 2008-09. The strategy is to reduce department operating budgets by 2% to 3% per year for a period of 3 years. As of June 30, 2011, a total 6.7% or \$1.2 million in budget savings has been achieved. Budget cutbacks, step freezes, employees' contributions toward retirement benefits, and a hiring freeze are still in place. The hiring freeze did not extend to police officers.

### **Major Initiatives and Accomplishments**

The Signal Hill Redevelopment Agency was eliminated by the State of California's passage of AB 1x 26 enacted in late June 2011 and was upheld by the California Supreme Court on December 29, 2012. Redevelopment in Signal Hill was eliminated effective on February 1, 2012. The dissolution process formally began after this date with the creation of 6 month budgets called Recognized Obligation Payment Schedules ("ROPS") and the appointment of an Oversight Board to wind down the affairs of the former Signal Hill Redevelopment Agency. The Successor Agency and the Oversight Board have completed the required Due Diligence Reviews (low to moderate housing asset review and non-housing asset review.) It is expected that the Successor Agency will be completing a long range asset management plan and receiving a finding of completion from the State of California Department of Finance in the upcoming year.

Significant development projects that were completed in FY 11-12, include the opening of Fresh and Easy Neighborhood Market and the Boulevard Cadillac auto dealership. In addition, In-and-Out Burger and Black Bear Diner opened. City Ventures continued construction of 54-townhomes called The Signal Hill Collection and MBK Argon townhomes also began construction. EDCO's recycling and transfer station on California Avenue and EDCO's Los Angeles County Administrative Offices and Truck Service facilities were completed. Construction of the Police Station continued in FY 11-12 and is expected to open at the end of January 2013. The project was financed from the 2009 Tax Allocation Bond proceeds.

The Public Works Department was responsible for the planning, implementation, and management of a \$10.2 million capital improvement program for fiscal year 2011-12. Over \$8.2 million of the capital program funding was allocated for street and transportation related projects with all of these funds being received through grants and dedicated transportation funds. No City General fund monies were used. Also, a total of \$10 million was allocated from the fiscal year capital program budget for construction of the new Signal Hill Police facility and Emergency Operations Center which is scheduled for completion in January of 2013.

The Community Services Department continues to see increases in usage throughout all of its programs and facilities. Attendance at city wide special events has increased by approximately 11% over the course of the year. Revenue for facility and field rentals has increased by approximately 32% from a total of \$29,000 in FY 10-11 to \$38,500 in FY 11-12. This year is the second year of operation of the free afterschool program, Afterschool Recreation Club or ARC. The average monthly registration in the program continues to be strong, increasing by more than 35% this year.

During 2012, the police department continued to work on leveraging grant funds to supplement operations. The department received over \$104,000 from the State of California, Office of Traffic Safety for Traffic Safety enforcement efforts. The Department also received over \$42,000 from the United States Department of Homeland Security for additional Automated License Plate Reader (ALPR) technology. Previous grant funding for ALPR technology was utilized to assist in building a robust independent computer network for the police department to support the implementation of the ALPR technology and other new technologies. The Department continues to benefit from the Federal Department of Justice and Community Oriented Policing grant funds to fund a sworn police officer position. Finally, command staff began final preparations for the opening of the new police facility and emergency operations center slated to open late January 2013.

### **Long Term Financial Planning**

Unassigned fund balance in the General Fund and the fund balance of the Economic Uncertainties Fund (63% of total general fund expenditures) fall within policy guidelines set by the City Council for budgetary and planning purposes. This percentage reflects a 13% increase from the prior year's reserve ratio of 50%. The two reserve funds would be utilized to mitigate the adverse impact of a recession, economic slowdown, or if the City loses a major sales tax provider. The City's Financial Policy recommends maintaining a combined General Fund and Economic Uncertainties Fund reserve equivalent to a minimum of six months operating expenditures.

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

City management believes that the City has positioned itself to weather any unanticipated economic fluctuations through adequate reserve accumulation and continuation of the privatization of City functions such as street sweeping and park maintenance, enhanced and renewed focus on a proactive economic development effort with the completion of the long range asset management plan and a continued focus on our human development effort to reshape and retrain our work force to meet the changing times.

The City's first strategic plan was called Signal Hill 2000. Developed in 1991, many of its goals had been accomplished. The City's second Strategic Plan covered the time period from 2006-2011. Many of the goals of the current Strategic Plan have been accomplished, including the construction of the new Signal Hill Police Station. However, the plan could not have anticipated the dissolution of the Signal Hill Redevelopment Agency.

As part of the annual budget process a five year forecast of expenditures and revenues is presented to guide decision makers for the next five to seven years. Several major adjustments to account for the dissolution of the Redevelopment Agency and its immediate impact on the General Fund have been addressed.

### **Financial Controls**

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

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

### **Single Audit**

The City is legally required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments if total federal grants exceed \$500,000 in a single year. The City of Signal Hill is a recipient of federal, state and county assistance and for Fiscal Year 2011-2012; and has reached the \$500,000 threshold requiring a single audit. Under the provisions of the Single Audit Act, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the city has complied with applicable laws and regulation.

### **Budgetary Controls**

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

### **Spending Limitation**

The City foresees no problem for several years in complying with the spending limitation under Proposition 4, the Gann Initiative, passed by the California voters in 1979. The City's accounting firm has attested to the accuracy of the computation of the spending limitations for the current period, which indicated that the City was under the calculated limit by \$38.7 million. The City is well under its spending limitation and is not expected to reach that limit in the foreseeable future.

### **Independent Audit**

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

### **Awards and Acknowledgements**

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

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terri J. Marsh". The signature is written in black ink and is positioned above the printed name and title.

Terri J. Marsh  
Administrative Services Officer and Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Signal Hill  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



*Christopher P. Mouill*

President

*Jeffrey R. Emer*

Executive Director

CITY OF SIGNAL HILL

JUNE 30, 2012

ELECTED OFFICIALS

Tina L Hansen  
Mayor

Michael Noll  
Vice Mayor

Larry Forester  
Councilmember

Ellen Ward  
Councilmember

Edward Wilson  
Councilmember

Kathleen Pacheco  
City Clerk

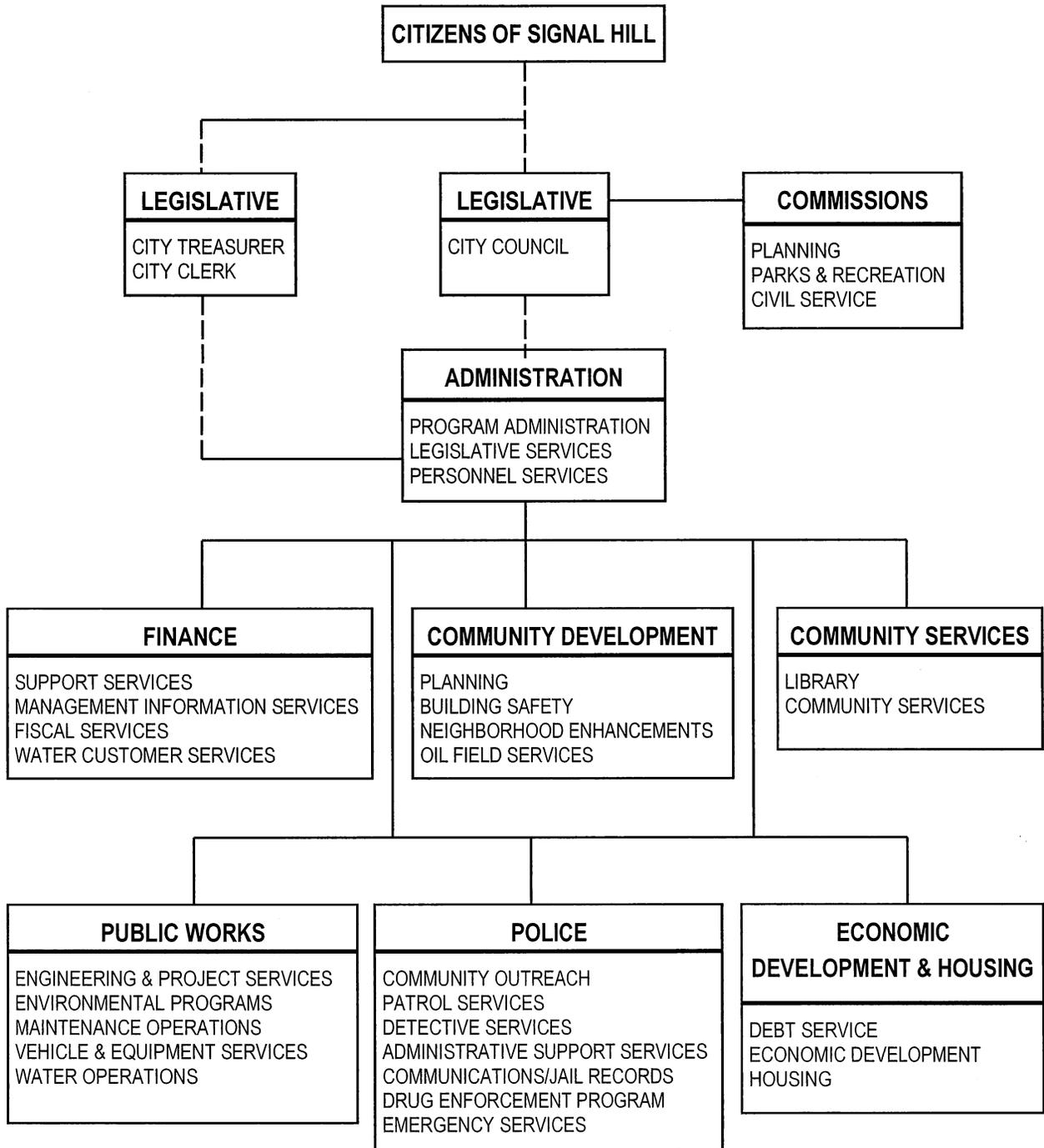
Emerson Fersch  
City Treasurer

ADMINISTRATIVE PERSONNEL

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

Kenneth Farfsing  
Charlie Honeycutt  
David Aleshire  
Pilar Alcivar McCoy  
Scott Charney  
Terri Marsh  
Michael Langston  
Stephen Myrter

# CITY OF SIGNAL HILL ORGANIZATIONAL CHART



## **FINANCIAL SECTION**

**This page intentionally left blank**

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Signal Hill's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012, 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.

As discussed in Note 16 to the basic financial statements, the Signal Hill Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2013 on our consideration of the City of Signal Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

*White Nelson Dick Evans LLP*

Irvine, California  
January 30, 2013

# CITY OF SIGNAL HILL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

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, 2012. This information should be read in conjunction with the basic financial statements and the notes, which accompany the basic financial statements.

### FINANCIAL HIGHLIGHTS

The comparisons in the discussion and analysis below are between FY 2010-11 and FY 2011-12. All increases and decreases are expressed relative to FY 2010-11 amounts.

As of January 31, 2012, all Redevelopment Agencies in the State of California were dissolved. Cities had the option of becoming a Successor Agency or not. The City elected to become a Successor Agency, and with the exception of the Housing Authority Special Revenue Fund, all former Redevelopment Agency assets and debts are now reported as a Successor Agency Private Purpose Trust Fund. Private Purpose Trust Funds are not reflected in the government-wide financial statements; thus, there are major variances between the FY 2010-11 and FY 2011-12 amounts.

Citywide financial highlights are summarized below:

- The City's total net assets, the amount by which total assets exceed total liabilities, equal \$125,164,290.
- The City's total net assets increased by \$63,045,901 to \$125,164,290. Of this amount, there was a \$44,947,466 decrease in total assets from \$182,250,557 to \$137,303,091 and a \$107,993,367 decrease in total liabilities from \$120,132,168 to \$12,138,801. The majority of the increase in net assets (\$56.5 million) is due to the gain on the dissolution of the redevelopment agency.
- At the close of the current fiscal year, the City's governmental activities reported net assets of \$103,459,292 and the City's business-type activities reported net assets of \$21,704,998.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four required parts: The management discussion and analysis (this portion), the basic financial statements, notes to the basic financial statements, and required supplementary information. In addition to the required parts, we have included optional supplementary information on major funds, combining statements for other governmental funds and agency funds, and a statistical section. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements.

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

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

See independent auditors' report.

# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Statement of Net Assets presents information on all of the City of Signal Hill's assets (including capital assets) and liabilities (including long-term liabilities); the difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may be one indicator of whether the financial position of the City is improving or deteriorating.

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.

The government-wide financial statements can be found beginning on page 17 of this report.

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

Governmental funds - Governmental funds are used to account for the governmental activities reported in the government-wide financial statements. Most of the City's basic services are included in governmental funds. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental funds focus on near term revenues/financial resources and expenditures, while the government-wide financial statements include both near term and long term revenues/financial resources and expenses.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

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

##### **Fund Financial Statements (continued)**

The information in the governmental fund statements can be used to evaluate the city's near term financial requirements. 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 near-term financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental fund financial statements can be found beginning on page 20 of this report.

Proprietary funds - Proprietary funds consist of both internal service and enterprise 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 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 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.

The basic proprietary fund financial statements can be found beginning on page 27 of this report.

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 three Agency Funds as well as the new Private-Purpose Trust Fund which was established when the Redevelopment Agency was dissolved.

The basic fiduciary fund financial statements can be found beginning on page 31 of this report.

**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 to the basic financial statements can be found beginning on page 33 of this report.

See independent auditors' report.

# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Other information

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

Optional supplementary information is presented for some major funds as well as combining and individual statements for other governmental funds and agency funds. This optional supplementary information can be found immediately following the required supplementary information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, 2012 total \$125,164,290. Following is a condensed version of the government-wide statement of net assets. A discussion of significant changes follows the table.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other asse	\$ 49,910,875	\$ 88,278,262	\$ 6,760,708	\$ 6,100,761	\$ 56,671,583	\$ 94,379,023
Capital assets, net	57,653,097	64,227,921	22,978,411	23,643,613	80,631,508	87,871,534
<b>Total Assets</b>	<b>107,563,972</b>	<b>152,506,183</b>	<b>29,739,119</b>	<b>29,744,374</b>	<b>137,303,091</b>	<b>182,250,557</b>
<b>Liabilities:</b>						
Current liabilities	2,914,086	13,983,929	1,108,594	645,256	4,022,680	14,629,185
Long-term liabilities	1,190,594	98,184,720	6,925,527	7,318,263	8,116,121	105,502,983
<b>Total Liabilities</b>	<b>4,104,680</b>	<b>112,168,649</b>	<b>8,034,121</b>	<b>7,963,519</b>	<b>12,138,801</b>	<b>120,132,168</b>
<b>Net assets:</b>						
Invested in capital assets,						
net of related debt	57,653,097	59,680,285	16,791,623	17,076,133	74,444,720	76,756,418
Restricted	10,748,665	47,378,271	674,248	679,065	11,422,913	48,057,336
Unrestricted	35,057,530	(66,721,022)	4,239,127	4,025,657	39,296,657	(62,695,365)
<b>Total Net Assets</b>	<b>\$ 103,459,292</b>	<b>\$ 40,337,534</b>	<b>\$ 21,704,998</b>	<b>\$ 21,780,855</b>	<b>\$ 125,164,290</b>	<b>\$ 62,118,389</b>

The City's total assets decreased by \$44.9 million or 24.66%, and liabilities decreased by \$108.0 million or 89.9%. This resulted in an increase of \$63.1 million or 101.5% to net assets. These changes are primarily attributed to the dissolution of the Redevelopment Agency and the creation of the Successor Agency Private Purpose Trust Fund. These changes are discussed further in the Governmental Activities section below.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

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

The largest portion of the City's net assets is attributable to capital assets (e.g., land, buildings, infrastructure, furniture and equipment, etc.), net of related debt. The City's investment in capital assets is \$74.4 million (59.5%) of total net assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's restricted net assets total \$11.4 million (9.1%) of total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$39.3 million (31.4%) of total net assets may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental Activities** – Governmental assets decreased by \$44.9 million (29.5%), and liabilities decreased by \$108.0 million (96.3%). This resulted in an increase to net assets of \$63.1 million (156.5%).

The Redevelopment Agency was active for seven months during FY 2011-12, and with the exception of the Housing Authority, all other assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund. In the prior year, any loans between the City and the Redevelopment Agency were excluded from the CAFR because the Redevelopment Agency was considered to be a component unit of the City. Now that the City is considered to be a Fiduciary for the Successor Agency, these loans totaling \$12.9 million are reported as an asset within the Governmental Activities of the CAFR. This increase to the City's assets is offset by a reduction of \$59 million of Redevelopment Agency assets (consisting of restricted cash and investments, cash and investments, and land held for resale) which were transferred to the Successor Agency Private Purpose Trust Fund.

**Business-Type Activities** – Business-type assets decreased by \$5,255 (0.02%), and liabilities increased by \$70,602 (0.9%). This resulted in a decrease to net assets of \$75,857 (0.3%). The Business-type activities had no significant variances from the prior year.

Following is the Government-wide Statement of Activities. Discussion regarding significant revenue and expense changes follows the table.

See independent auditors' report.

**CITY OF SIGNAL HILL**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2012

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

**Table 2  
Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,141,662	\$ 2,583,104	\$ 3,515,533	\$ 3,383,486	\$ 5,657,195	\$ 5,966,590
Operating grants and contributions	1,585,506	1,447,884	-	-	1,585,506	1,447,884
Capital grants and contributions	2,691,524	440,487	-	-	2,691,524	440,487
General revenues:						
Property taxes	7,486,595	14,800,968	-	-	7,486,595	14,800,968
Sales taxes	11,210,563	9,946,353	-	-	11,210,563	9,946,353
Other taxes	1,824,977	1,735,118	-	-	1,824,977	1,735,118
Investment income	1,251,646	649,373	75,345	65,671	1,326,991	715,044
Unrestricted grants and contributions	19,860	71,464	37,500	-	57,360	71,464
Miscellaneous	4,278	6,081	-	-	4,278	6,081
Total revenues	<u>28,216,611</u>	<u>31,680,832</u>	<u>3,628,378</u>	<u>3,449,157</u>	<u>31,844,989</u>	<u>35,129,989</u>
Expenses:						
General government	3,082,262	2,789,510	-	-	3,082,262	2,789,510
Community services	1,217,405	1,240,799	-	-	1,217,405	1,240,799
Police	7,570,820	7,520,876	-	-	7,570,820	7,520,876
Community development	1,280,243	8,863,140	-	-	1,280,243	8,863,140
Public works	4,141,226	4,462,221	-	-	4,141,226	4,462,221
Unallocated infrastructure depreciation	534,413	524,410	-	-	534,413	524,410
Interest on long-term liabilities	3,686,759	4,787,380	-	-	3,686,759	4,787,380
Water	-	-	3,804,235	4,163,199	3,804,235	4,163,199
Total Expenses	<u>21,513,128</u>	<u>30,188,336</u>	<u>3,804,235</u>	<u>4,163,199</u>	<u>25,317,363</u>	<u>34,351,535</u>
Increase in net assets before transfers	6,703,483	1,492,496	(175,857)	(714,042)	6,527,626	778,454
Transfers	(100,000)	-	100,000	-	-	-
Change in net assets before extraordinary item	6,603,483	1,492,496	(75,857)	(714,042)	6,527,626	778,454
Extraordinary item:						
Gain on dissolution of redevelopment agency	56,518,275	-	-	-	56,518,275	-
Change in net assets	<u>63,121,758</u>	<u>1,492,496</u>	<u>(75,857)</u>	<u>(714,042)</u>	<u>63,045,901</u>	<u>778,454</u>
Net assets - beginning	40,337,534	38,845,038	21,780,855	22,494,897	62,118,389	61,339,935
Net assets - ending	<u>\$ 103,459,292</u>	<u>\$ 40,337,534</u>	<u>\$ 21,704,998</u>	<u>\$ 21,780,855</u>	<u>\$ 125,164,290</u>	<u>\$ 62,118,389</u>

See independent auditors' report.

# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The statement of activities table illustrates the increase or decrease in net assets of the city resulting from its operating activities. City-wide revenues decreased by \$3.3 million (9.4%). Due to the transfer of assets and liabilities from the Redevelopment Agency to the Successor Agency, there was a \$56.5 million one-time gain recorded. Please see Note 16 to the Basic Financial Statements for additional discussion regarding this one-time adjustment.

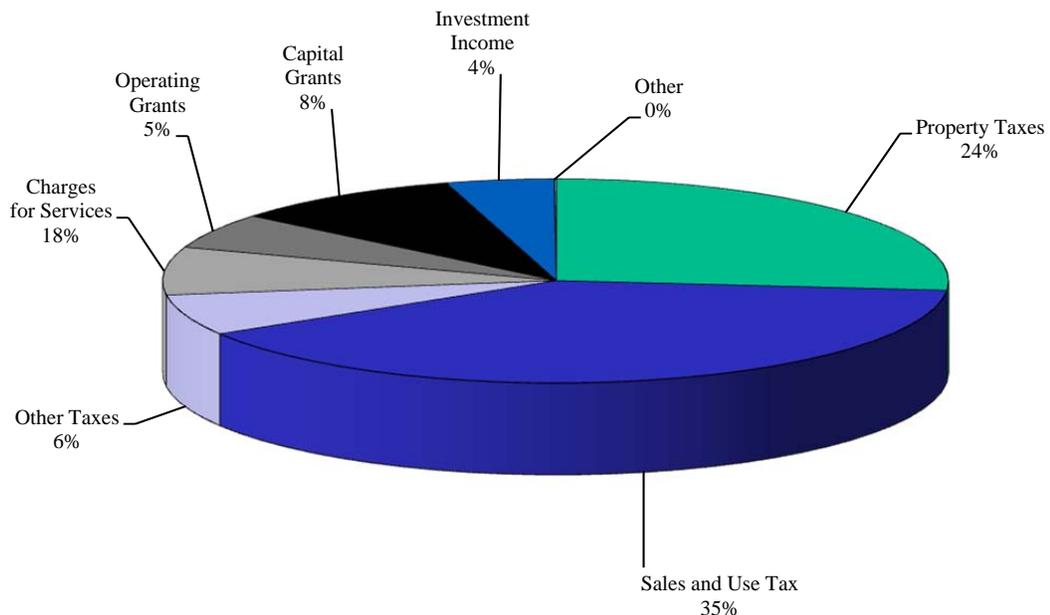
The City's total revenues were \$31.8 million. A significant portion of the City's revenue came from sales and use tax, accounting for 35.2% of total revenues, local property tax accounted for 23.5%, and 17.8% was received for charges for services.

The total cost of all City programs and services during fiscal year ended June 30, 2012 was \$25.3 million. Police services expenditures accounted for 29.9% of the total expenditures, 16.4% of expenditures were for public works, interest expense contributed 14.6%, general government contributed 12.2%, and 15.0% was expended for business-type water activities.

The increase in total net assets of \$63.0 million is the result of the \$56.5 million one-time transfer from the redevelopment agency to the Successor Agency plus the \$6.5 million difference between the City's total revenues and expenses.

The following two charts show the source and use of funds for Governmental Activities:

**Revenues by Source – Governmental Activities  
Fiscal Year 2012**



See independent auditors' report.

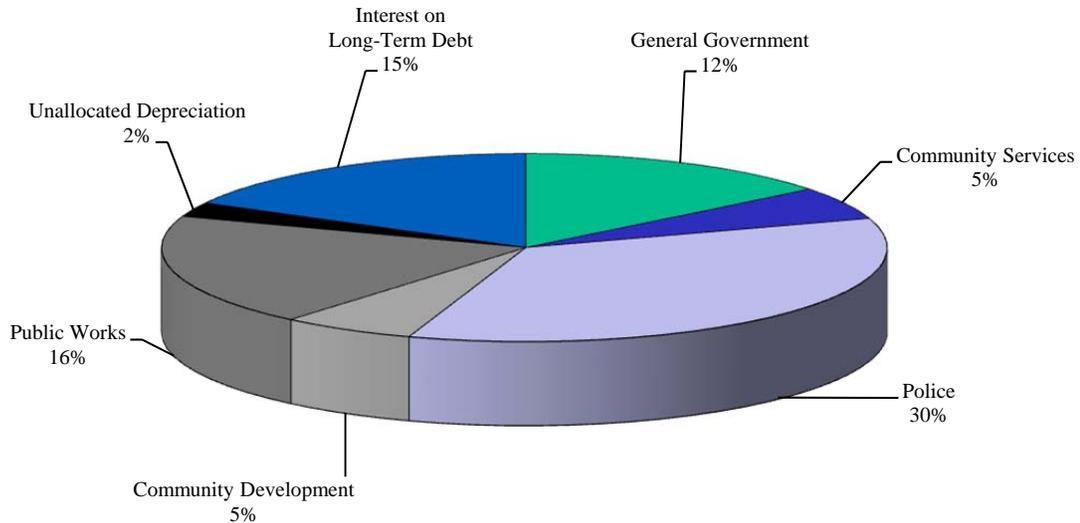
# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Expenses – Governmental Activities Fiscal Year 2012



**Governmental activities** contributed \$63.1 million to the increase in net assets. The extraordinary gain from the dissolution of the redevelopment agency accounted for \$56.5 of this increase with the remaining change resulting from revenues exceeding expenses and transfers by \$6.6 million.

Governmental activities revenues decreased from the prior year by \$3.5 million (10.9%) with the largest changes in revenues coming from decreases in property taxes (\$7.3 million) and charges for services (\$0.5 million). These decreases were somewhat offset by increases in capital grants and contributions (\$2.3 million), sales tax (\$1.3 million), investment income (\$0.6 million). Property taxes declined by \$7.3 million or 49.4% mainly due to the dissolution of the Redevelopment Agency seven months into the year. Revenues from operating and capital grants and contributions vary from year to year based on funding received from federal and state grants. Sales tax revenues increased as a result of continued statewide improvement in consumer spending, as well as strong sales in the City for the autos and transportation sector, the fuel and service station sector, and the food and drugs sector.

Governmental activities expenses decreased by \$8.7 million (28.7%). Community development expenses decreased by \$7.6 million or 85.6% as a result of Redevelopment Agency activities being transferred to the Successor Agency. Interest expense on long-term liabilities decreased by \$1.1 million (23.0%) mainly as a result of the Redevelopment Agency debt being transferred to the Successor Agency seven months into the year.

See independent auditors' report.

**CITY OF SIGNAL HILL**

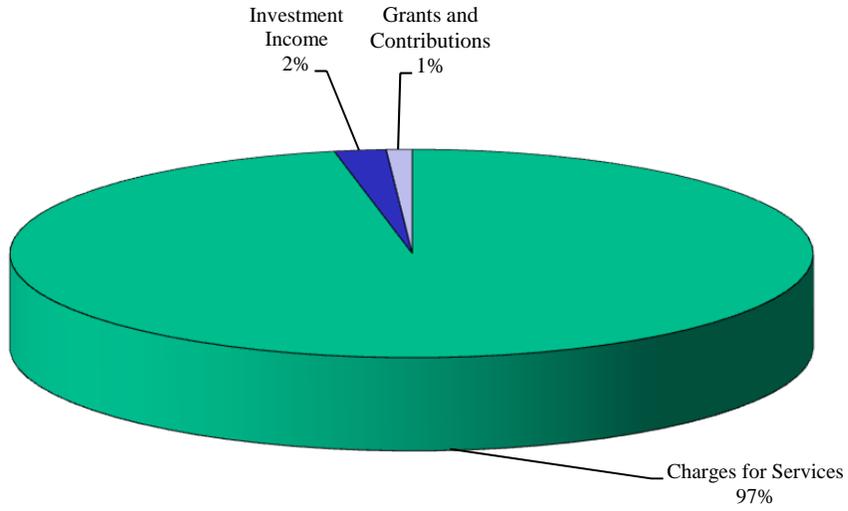
**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

Fiscal Year Ended June 30, 2012

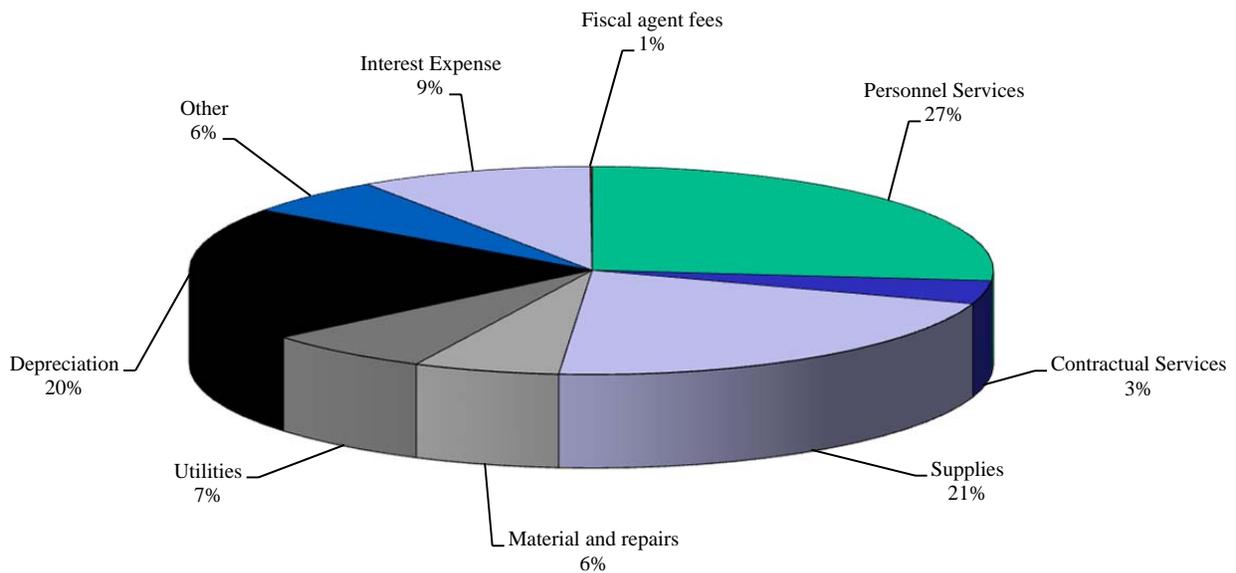
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following two charts show the source and use of funds for Business-type Activities:

**Revenues by Sources – Business-type Activities  
Fiscal Year 2012**



**Expenses – Business-type Activities  
Fiscal Year 2012**



See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

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

**Business-type activities** consist solely of the Water Utilities Enterprise Fund. The financial goal of the City's business-type activities is to operate on a more or less "break-even" basis without making significant profit or needing general tax subsidies. Total net assets at the end of the year were \$21,704,998 as compared to \$21,780,855 at the end of the prior year. This represents a \$75,857 or 0.3% decline in net assets.

Although revenues increased by \$179,221 and expenses decreased by \$358,964, total expenses of \$3,804,235 exceeded revenues of \$3,628,378 plus transfers of \$100,000. Operating revenues increased due to earning more for charges for services, higher interest earnings, and from receiving a one-time grant. Operating expenses decreased primarily because the City did not need to purchase additional water like in the prior year due to wells coming back on line after being repaired.

#### FUND FINANCIAL ANALYSIS

The City's major governmental funds for the fiscal year ended June 30, 2012 were the General Fund, Debt Service Fund, Capital Improvement Capital Projects Fund, and the Community Redevelopment Capital Projects Fund.

##### General Fund

The General Fund's fund balance increased by \$678,000 in fiscal year 2011-12 as compared to a \$2.4 million increase in fiscal year 2010-11. The prior year's increase was mainly due to transfers from other funds whereas fiscal year 2011-12 had net transfers out to other funds of \$361,000. In fiscal year 2011-12, revenues of \$16.9 million exceeded expenditures of \$15.9 million plus net transfers out of \$361,000.

General fund revenues increased by a net of \$463,000. Sales tax increased by \$1.1 million due to continued improvement in consumer spending as well as strong sales in the City for the autos and transportation sector, the fuel and service station sector, and the food and drugs sector. The investment earnings decreased by \$664,000 as the prior year was unusually high due to a catch-up of interest earnings on an advance to the Redevelopment Agency. The General Fund's operating expenditures increased by \$164,431 as a result of slightly higher capital outlay for projects.

##### Housing Authority Special Revenue Fund

The Fund Balance increased by \$1.33 million to \$5,354,164. The extraordinary gain from the dissolution of the redevelopment agency accounted for \$1.15 million of this increase with the remaining change resulting from revenues exceeding expenses and transfers by \$0.18 million.

See independent auditors' report.

## CITY OF SIGNAL HILL

### MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

#### FUND FINANCIAL ANALYSIS (CONTINUED)

##### **Debt Service Fund**

The Debt Service Fund fund balance decreased by \$4.5 million and is zero at June 30, 2012. The debt service fund was used to accumulate and expend monies for the payment of Redevelopment Agency debt. As a result of the dissolution of the Redevelopment Agency, the assets and liabilities of the Debt Service Fund were transferred to the Successor Agency Private Purpose Trust Fund.

##### **Capital Improvement Capital Projects Fund**

Capital expenditures within the Capital Improvement Capital Projects Fund totaled \$2.3 million for the fiscal year. The major projects worked on in FY 2011-12 were major street improvement projects including Cherry Avenue Widening.

##### **Community Redevelopment Capital Projects Fund**

The Community Redevelopment Capital Projects Fund fund balance increased by \$29.4 million and is zero at June 30, 2012. As a result of the dissolution of the Redevelopment Agency, the assets and liabilities of the Community Redevelopment Capital Projects Fund were transferred to the Successor Agency Private Purpose Trust Fund.

##### **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 totaled \$17.0 million. Total General Fund revenues were higher than the adjusted budget amount by \$1.1 million. Sales and use tax was the largest revenue source with \$10.8 million in realized revenues. This amount was \$965,000 higher than the adjusted budget. Sales tax revenue increased by \$1.1 million or 11.34% over the fiscal year 2010-11 amount as a result of increased consumer spending, as well as strong sales in the City for the autos and transportation sector, the fuel and service station sector, and the food and drugs sector.

Property taxes of \$1.48 million were \$4,800 higher than the adjusted budget and were \$64,000 higher than the prior year. Similarly, other taxes of \$1.9 million were \$40,000 higher than the adjusted budget and were \$154,000 higher than the prior year.

See independent auditors' report.

# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### FUND FINANCIAL ANALYSIS (CONTINUED)

#### General Fund Budgetary Highlights (continued)

Interest earnings totaled \$989,000 and were under the adjusted budget by \$227,000. Interest earnings decreased by \$664,000 from the prior year since the prior year's revenue was unusually high due to receiving a catch-up of interest earnings on an advance to the Redevelopment Agency.

General Fund expenditures totaled \$15.9 million. Expenditures were projected at \$16.9 million during the budget process and were later revised to \$17.9 million. Total expenditures were under this final budget amount by \$2.0 million (11.0%). Historically, the City's total expenditures will run 3% below the final budget projection. Some of the under run in the budget was caused by vacant positions within the city. The majority of the under run occurred within the police and public works categories and was a result of the City's emphasis on cost-control.

### 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, 2012, totaled \$80,631,508, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in process.

**Table 3**  
**Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 27,684,367	\$ 39,424,045	\$ 4,427,416	\$ 4,427,416	\$ 32,111,783	\$ 43,851,461
Water rights	-	-	578,113	608,493	578,113	608,493
Construction in progress	14,753,965	9,825,434	128,325	89,733	14,882,290	9,915,167
Buildings & equipment	4,708,858	4,881,356	17,844,557	18,517,971	22,553,415	23,399,327
Infrastructure	10,505,907	10,097,086	-	-	10,505,907	10,097,086
Total assets	<u>\$ 57,653,097</u>	<u>\$ 64,227,921</u>	<u>\$ 22,978,411</u>	<u>\$ 23,643,613</u>	<u>\$ 80,631,508</u>	<u>\$ 87,871,534</u>

During 2011-12, the main change to governmental capital assets was the transfer of land to the Successor Agency totaling \$11.8 million. There were no significant changes to capital assets for the water fund. For additional information see Note 3 of the Notes to Basic Financial Statements.

See independent auditors' report.

# CITY OF SIGNAL HILL

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2012

### CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

#### Debt Administration

**Table 4**  
**Debt Administration**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Tax allocation bonds	\$ -	\$ 91,677,669	\$ -	\$ -	\$ -	\$ 91,677,669
Notes payable	-	4,402,162	-	-	-	4,402,162
Loans payable	-	1,000,000	75,595	151,190	75,595	1,151,190
Certificates of Participati	-	-	-	-	-	-
Water revenue bonds	-	-	6,785,441	7,095,355	6,785,441	7,095,355
Compensated absences	1,190,594	1,104,889	64,491	71,718	1,255,085	1,176,607
Total assets	<u>\$ 1,190,594</u>	<u>\$ 98,184,720</u>	<u>\$ 6,925,527</u>	<u>\$ 7,318,263</u>	<u>\$ 8,116,121</u>	<u>\$ 105,502,983</u>

As a result of the Redevelopment Agency dissolution during FY 2011-12, the Tax Allocation Bonds, Notes Payable, and Loans Payable of the Redevelopment Agency were transferred to the Successor Agency Private Purpose Trust Fund. Consequently, the only Governmental Activities long-term liability at June 30, 2012 is compensated absences. For additional information, see Note 4 of the Notes to Basic Financial Statements.

The City has one issue of bonded indebtedness outstanding in its business-type fund with \$6.8 million outstanding at year-end. This bond issue is rated A+. The City's Water Utility Debt Service Coverage for the Water Revenue Bonds is 211.7% at June 30, 2012. This ratio is calculated by subtracting expenses (less depreciation) from revenues (including interest earnings and developer fees which are recorded in the Water Development special revenue fund) and then dividing the result by the annual debt service (principal and interest). The City is required by the bond covenants to maintain a coverage ratio of at least 125%.

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

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has always been very conservative in its budgeting projections, and cost containment is a practice that the City is proud of. We have survived the recent recession and economic crises without having to result in layoffs or cutbacks to city services. The slow recovery and the loss of our redevelopment agency has made us even more conservative.

See independent auditors' report.

## **CITY OF SIGNAL HILL**

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

Fiscal Year Ended June 30, 2012

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

With the State's dissolution of the Redevelopment Agency as of February 1, 2012, the City will continue to work on the process of dissolving the Redevelopment Agency during FY 2012-13.

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

The City's contingency reserves of the General Fund and Economic Uncertainties Fund at the beginning of the year has improved from approximately 50% of General Fund expenditures in Fiscal Year 2010-11 to its current approximate of 63% for Fiscal Year budget 2011-12. As a reflection of the City's commitment to provide the highest level of services to the community within the City's financial constraints and prudent management, the Economic Uncertainties Fund was set up as early as 1996 with an initial contribution of \$600,000 to the current \$4.1 million balance at the beginning of the Fiscal Year 2012-13 budget year. Other reserve funds include funding for the City's Other Post Employment Benefits for future obligations as result of the Governmental Accounting Standard Board's Pronouncement Number 45, a PERS reserve fund for future rate hikes, and several project specific funds.

The new budget includes funding for capital projects totaling \$19.8 million with over 32% funded by grants. The major project will be the completion of the new police facility funded by the Signal Hill Redevelopment Agency up to \$15 million. The Capital Improvement Reserve Fund's portion of all the capital projects is \$320,000 and \$50,000 for the General Fund share.

#### **REQUESTS FOR INFORMATION**

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

See independent auditors' report.

CITY OF SIGNAL HILL

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments	\$ 27,955,177	\$ 5,383,591	\$ 33,338,768
Receivables:			
Accounts	2,152,397	527,265	2,679,662
Accrued interest	119,091	18,980	138,071
Loans	93,374	-	93,374
Due from other governments	1,996,892	-	1,996,892
From Successor Agency	12,963,561	-	12,963,561
Internal balances	10,808	(10,808)	-
Inventory	41,314	-	41,314
Deposits	241,300	-	241,300
Deferred charges	-	167,432	167,432
Net OPEB asset	271,114	-	271,114
Land and improvements held for resale, net	4,068,014	-	4,068,014
Restricted assets:			
Cash and investments	-	674,248	674,248
Capital assets:			
Land	27,684,367	4,427,416	32,111,783
Construction in progress	14,753,965	128,325	14,882,290
Infrastructure, net	10,505,907	-	10,505,907
Water rights, net	-	578,113	578,113
Source of supply, net	-	10,096,815	10,096,815
Pumping plant, net	-	5,645,743	5,645,743
Transmission/distribution, net	-	756,243	756,243
Structures and improvements, net	3,494,503	810,180	4,304,683
Vehicles, equipment and furniture, net	1,214,355	535,576	1,749,931
<b>TOTAL ASSETS</b>	<b>107,566,139</b>	<b>29,739,119</b>	<b>137,305,258</b>
<b>LIABILITIES:</b>			
Accounts payable	676,138	677,554	1,353,692
Accrued liabilities	1,007,749	34,011	1,041,760
Accrued interest payable	-	52,604	52,604
Refundable deposits	-	344,425	344,425
Unearned revenue	1,230,199	-	1,230,199
Noncurrent liabilities:			
Due within one year	284,405	442,181	726,586
Due in more than one year	906,189	6,483,346	7,389,535
<b>TOTAL LIABILITIES</b>	<b>4,104,680</b>	<b>8,034,121</b>	<b>12,138,801</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	57,653,097	16,791,623	74,444,720
Restricted for:			
Capital improvements	2,529,235	-	2,529,235
Development impact	5,626,274	-	5,626,274
Transportation	807,103	-	807,103
Public protection	420,702	-	420,702
Low and moderate income housing	1,365,351	-	1,365,351
Debt service	-	674,248	674,248
Unrestricted	35,059,697	4,239,127	39,298,824
<b>TOTAL NET ASSETS</b>	<b>\$ 103,461,459</b>	<b>\$ 21,704,998</b>	<b>\$ 125,166,457</b>

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

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 3,080,095	\$ 175,844	\$ -	\$ -
Community services	1,217,405	209,463	-	42,474
Police	7,570,820	452,641	378,032	-
Community development	1,280,243	530,881	394,420	2,104,897
Public works	4,141,226	772,833	813,054	544,153
Unallocated infrastructure depreciation	534,413	-	-	-
Interest on long-term liabilities	3,686,759	-	-	-
<b>Total governmental activities</b>	<b>21,510,961</b>	<b>2,141,662</b>	<b>1,585,506</b>	<b>2,691,524</b>
<b>Business-type activity:</b>				
Water	3,804,235	3,515,533	-	-
<b>Total</b>	<b>\$ 25,315,196</b>	<b>\$ 5,657,195</b>	<b>\$ 1,585,506</b>	<b>\$ 2,691,524</b>

General revenues:

Taxes:

Property

Sales and use

Franchise

Other taxes

Investment income

Unrestricted grants and contributions

Gain on disposal of assets

Transfers

Total general revenues and transfers

Change in net assets, before extraordinary item

Extraordinary item:

Gain on dissolution of redevelopment agency (Note 16)

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
\$ (2,904,251)	\$ -	\$ (2,904,251)
(965,468)	-	(965,468)
(6,740,147)	-	(6,740,147)
1,749,955	-	1,749,955
(2,011,186)	-	(2,011,186)
(534,413)	-	(534,413)
(3,686,759)	-	(3,686,759)
(15,092,269)	-	(15,092,269)
-	(288,702)	(288,702)
(15,092,269)	(288,702)	(15,380,971)
7,486,595	-	7,486,595
11,210,563	-	11,210,563
547,344	-	547,344
1,277,633	-	1,277,633
1,251,646	75,345	1,326,991
19,860	37,500	57,360
4,278	-	4,278
(100,000)	100,000	-
21,697,919	212,845	21,910,764
6,605,650	(75,857)	6,529,793
56,518,275	-	56,518,275
63,123,925	(75,857)	63,048,068
40,337,534	21,780,855	62,118,389
<u>\$ 103,461,459</u>	<u>\$ 21,704,998</u>	<u>\$ 125,166,457</u>

CITY OF SIGNAL HILL

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2012

	General	Housing Authority Special Revenue Fund	Debt Service Fund
ASSETS	<u>General</u>	<u>Fund</u>	<u>Fund</u>
Cash and investments	\$ 17,567,558	\$ 150,162	\$ -
Accounts receivable	2,016,700	-	-
Accrued interest receivable	63,367	15,952	-
Due from other funds	670,556	-	-
Due from other governments	1,319,945	-	-
Receivable from Successor Agency	11,900,399	1,063,162	-
Advances to other funds	-	56,874	-
Deposits	241,300	-	-
Loans receivable	-	79,201	-
Land and improvements held for resale, net	-	4,068,014	-
<b>TOTAL ASSETS</b>	<b><u>\$ 33,779,825</u></b>	<b><u>\$ 5,433,365</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 553,903	\$ -	\$ -
Accrued liabilities	990,141	-	-
Deferred revenue	4,631,407	79,201	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>6,175,451</u></b>	<b><u>79,201</u></b>	<b><u>-</u></b>
<b>FUND BALANCES (DEFICIT):</b>			
Nonspendable	10,241,300	4,068,014	-
Restricted	-	1,286,150	-
Committed	10,720,783	-	-
Unassigned	6,642,291	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b><u>27,604,374</u></b>	<b><u>5,354,164</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 33,779,825</u></b>	<b><u>\$ 5,433,365</u></b>	<b><u>\$ -</u></b>

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

Capital Projects Funds		Other	Total
Capital Improvement	Community Redevelopment	Governmental Funds	Governmental Funds
\$ 204,249	\$ -	\$ 8,663,317	\$ 26,585,286
2,073	-	133,624	2,152,397
-	-	35,040	114,359
-	-	-	670,556
639,120	-	37,827	1,996,892
-	-	-	12,963,561
-	-	-	56,874
-	-	-	241,300
-	-	14,173	93,374
-	-	-	4,068,014
<u>\$ 845,442</u>	<u>\$ -</u>	<u>\$ 8,883,981</u>	<u>\$ 48,942,613</u>
\$ 37,745	\$ -	\$ 43,070	\$ 634,718
-	-	11,197	1,001,338
869,319	-	104,439	5,684,366
-	-	670,556	670,556
-	-	56,874	56,874
<u>907,064</u>	<u>-</u>	<u>886,136</u>	<u>8,047,852</u>
-	-	-	14,309,314
-	-	8,655,328	9,941,478
-	-	-	10,720,783
<u>(61,622)</u>	<u>-</u>	<u>(657,483)</u>	<u>5,923,186</u>
<u>(61,622)</u>	<u>-</u>	<u>7,997,845</u>	<u>40,894,761</u>
<u>\$ 845,442</u>	<u>\$ -</u>	<u>\$ 8,883,981</u>	<u>\$ 48,942,613</u>

**This page intentionally left blank**

CITY OF SIGNAL HILL

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

June 30, 2012

Fund balances - total governmental funds		\$ 40,894,761
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$ 27,684,367	
Construction in progress	14,753,965	
Infrastructure, net of \$13,525,369 accumulated depreciation	10,505,907	
Structures and improvements, net of \$6,973,342 accumulated depreciation	3,437,282	
Vehicles, equipment and furniture, net of \$1,542,142 accumulated depreciation	<u>707,468</u>	
Total capital assets used in governmental activities		57,088,989
<p>Certain receivables will be collected after year-end, but are not available soon enough to pay for current-period expenditures, and therefore are offset by deferred revenue in the funds. Those receivables at June 30, 2012 totaled:</p>		
		4,454,167
<p>The net OPEB asset is not an available current financial resource and therefore, it is not reported in the governmental funds.</p>		
		271,114
<p>Internal Service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>		
		1,938,577
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at June 30, 2012 are:</p>		
Compensated absences	<u>(1,186,149)</u>	
Total long-term liabilities		<u>(1,186,149)</u>
Net assets of governmental activities		<u>\$ 103,461,459</u>

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

CITY OF SIGNAL HILL

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

For the year ended June 30, 2012

	General	Housing Authority Special Revenue Fund	Debt Service Fund
REVENUES:			
Property taxes	\$ 1,480,417	\$ -	\$ 6,029,957
Sales and use tax	10,840,044	-	-
Other taxes	1,910,085	-	-
Licenses and permits	311,783	-	-
Intergovernmental revenues	95,795	-	-
Charges for services	642,778	-	-
Fines and forfeitures	317,372	-	-
Investment income	988,881	60,020	(11,039)
Developer fees	-	-	-
Other revenue	379,842	62,667	-
TOTAL REVENUES	<u>16,966,997</u>	<u>122,687</u>	<u>6,018,918</u>
EXPENDITURES:			
Current:			
General government	3,097,997	-	-
Community services	1,213,977	-	-
Police	7,154,474	-	-
Community development	698,670	-	359,511
Public works	3,580,079	-	-
Capital outlay	182,897	50	-
Debt service:			
Principal retirement	-	-	3,781,903
Interest	-	-	3,381,629
Fiscal agent fees	-	-	13,750
TOTAL EXPENDITURES	<u>15,928,094</u>	<u>50</u>	<u>7,536,793</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,038,903</u>	<u>122,637</u>	<u>(1,517,875)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	292,700	60,000	908,580
Transfers out	(653,694)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(360,994)</u>	<u>60,000</u>	<u>908,580</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	677,909	182,637	(609,295)
EXTRAORDINARY ITEM:			
Gain (loss) on dissolution of redevelopment agency (Note 16)	-	1,148,473	5,156,230
NET CHANGE IN FUND BALANCES	677,909	1,331,110	4,546,935
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>26,926,465</u>	<u>4,023,054</u>	<u>(4,546,935)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 27,604,374</u>	<u>\$ 5,354,164</u>	<u>\$ -</u>

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

Capital Projects Funds		Other	Total
Capital	Community	Governmental	Governmental
Improvement	Redevelopment	Funds	Funds
\$ -	\$ -	\$ -	\$ 7,510,374
-	-	-	10,840,044
-	-	880,058	2,790,143
-	-	-	311,783
451,622	-	666,923	1,214,340
-	-	2,240	645,018
-	-	-	317,372
-	(2,415)	124,938	1,160,385
-	-	2,105,376	2,105,376
-	370,433	41,418	854,360
<u>451,622</u>	<u>368,018</u>	<u>3,820,953</u>	<u>27,749,195</u>
-	-	4,946	3,102,943
-	-	1,923	1,215,900
-	-	327,830	7,482,304
-	352,446	278,381	1,689,008
-	-	59,656	3,639,735
2,281,539	2,964,851	617,807	6,047,144
-	1,037,741	-	4,819,644
-	290,196	-	3,671,825
-	-	-	13,750
<u>2,281,539</u>	<u>4,645,234</u>	<u>1,290,543</u>	<u>31,682,253</u>
<u>(1,829,917)</u>	<u>(4,277,216)</u>	<u>2,530,410</u>	<u>(3,933,058)</u>
2,411,854	-	81,750	3,754,884
-	-	(3,201,190)	(3,854,884)
<u>2,411,854</u>	<u>-</u>	<u>(3,119,440)</u>	<u>(100,000)</u>
581,937	(4,277,216)	(589,030)	(4,033,058)
-	(25,144,538)	(4,618,246)	(23,458,081)
581,937	(29,421,754)	(5,207,276)	(27,491,139)
<u>(643,559)</u>	<u>29,421,754</u>	<u>13,205,121</u>	<u>68,385,900</u>
<u>\$ (61,622)</u>	<u>\$ -</u>	<u>\$ 7,997,845</u>	<u>\$ 40,894,761</u>

CITY OF SIGNAL HILL

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

For the year ended June 30, 2011

Net change in fund balances, after extraordinary items - total governmental funds \$ (27,491,139)

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 (\$6,092,576) exceeded depreciation (\$787,202) in the current period: 5,305,374

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	\$ 4,819,644	
Amortization of issuance costs	(92,912)	
Amortization of deferred amount on refunding	(33,510)	
Amortization of bond discounts	(20,962)	
	<hr/>	4,672,260

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	\$ 196,635	
Net change in net OPEB asset	122,136	
Net change in compensated absences	(85,219)	
	<hr/>	233,552

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. 392,779

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. 34,743

The Signal Hill Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x 26 and 1484. As a result, assets and liabilities of the Agency were transferred to the successor agency for purposes of winding up Agency affairs:

Transfer of land	\$(11,739,678)	
Transfer of long-term liabilities	92,314,659	
Transfer of unamortized bond issuance costs	(2,030,492)	
Transfer of accrued interest payable	1,431,867	
	<hr/>	79,976,356

Change in net assets of governmental activities \$ 63,123,925

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

CITY OF SIGNAL HILL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2012

	Business-type Activity	Governmental Activity
ASSETS	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 5,383,591	\$ 1,369,891
Restricted cash and investments	674,248	-
Accounts receivable	527,265	-
Accrued interest receivable	18,980	4,732
Inventory	-	41,314
TOTAL CURRENT ASSETS	6,604,084	1,415,937
<b>NONCURRENT ASSETS:</b>		
Deferred charges	167,432	-
Capital assets:		
Land	4,427,416	-
Construction in progress	128,325	-
Depreciable assets, net of accumulated depreciation	18,422,670	564,108
TOTAL NONCURRENT ASSETS	23,145,843	564,108
TOTAL ASSETS	29,749,927	1,980,045
<b>LIABILITIES</b>		
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	677,554	41,420
Accrued liabilities	34,011	6,411
Accrued interest payable	52,604	-
Refundable deposits	344,425	-
Current portion of long-term liabilities	442,181	4,445
TOTAL CURRENT LIABILITIES	1,550,775	52,276
<b>LONG-TERM LIABILITIES:</b>		
Certificates payable	6,435,441	-
Compensated absences	47,905	-
TOTAL LONG-TERM LIABILITIES	6,483,346	-
TOTAL LIABILITIES	8,034,121	52,276
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	16,791,623	564,108
Restricted for debt service	674,248	-
Unrestricted	4,249,935	1,363,661
TOTAL NET ASSETS	21,715,806	\$ 1,927,769
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(10,808)	
Net assets of business-type activity	\$ 21,704,998	

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, 2012

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 3,515,533	\$ 567,552
OPERATING EXPENSES:		
Personnel services	1,013,421	191,098
Contractual services	137,090	5,553
Supplies	802,875	4,439
Material and repairs	222,591	93,966
Utilities	254,519	3,435
Depreciation/amortization	797,637	230,470
Other	218,479	26,062
TOTAL OPERATING EXPENSES	<u>3,446,612</u>	<u>555,023</u>
OPERATING INCOME	<u>68,921</u>	<u>12,529</u>
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental revenues	37,500	-
Investment income	75,345	19,923
Interest expense	(356,860)	-
Fiscal agent fees	(2,750)	-
Gain on sale of assets	-	4,278
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(246,765)</u>	<u>24,201</u>
INCOME (LOSS) BEFORE TRANSFERS	(177,844)	36,730
TRANSFERS IN	<u>100,000</u>	<u>-</u>
CHANGE IN NET ASSETS	(77,844)	36,730
TOTAL NET ASSETS AT BEGINNING OF YEAR		<u>1,891,039</u>
TOTAL NET ASSETS AT END OF YEAR		<u>\$ 1,927,769</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>1,987</u>	
Change in net assets of business-type activity	<u>\$ (75,857)</u>	

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

CITY OF SIGNAL HILL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2012

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,489,537	\$ -
Receipts from interfund services provided	-	567,552
Payments to suppliers	(1,017,013)	(158,606)
Payments to employees	(1,178,384)	(190,133)
	<b>1,294,140</b>	<b>218,813</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash received from other funds	100,000	-
	<b>100,000</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from disposition of capital assets	-	4,278
Intergovernmental grants	37,500	-
Acquisition of property, plant and equipment	(132,435)	(89,950)
Principal paid	(410,595)	-
Interest paid	(322,326)	-
Fiscal agent fees	(2,750)	-
	<b>(830,606)</b>	<b>(85,672)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	78,902	20,556
	<b>78,902</b>	<b>20,556</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>642,436</b>	<b>153,697</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>5,415,403</b>	<b>1,216,194</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 6,057,839</b>	<b>\$ 1,369,891</b>

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

(Continued)

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

For the year ended June 30, 2012

	Business-type Activity	Governmental Activity
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 68,921	\$ 12,529
Depreciation/amortization	797,637	230,470
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(30,763)	-
(Increase) decrease in inventory	-	(4,003)
Increase (decrease) in accounts payable	457,170	(21,146)
Increase (decrease) in accrued liabilities	3,635	661
Increase (decrease) in refundable deposits	4,767	-
Increase (decrease) in compensated absences	(7,227)	302
	<u>\$ 1,294,140</u>	<u>\$ 218,813</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,294,140</u>	<u>\$ 218,813</u>

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2012

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
<b>ASSETS:</b>		
Cash and investments	\$ 5,000,502	\$ 1,798,727
Restricted cash and investments	26,373,087	-
Accounts receivable	4,384	-
Accrued interest receivable	44,952	2,152
Unamortized bond issuance costs	1,964,126	-
Capital assets:		
Nondepreciable	<u>24,494,592</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>57,881,643</u>	<u>\$ 1,800,879</u>
<b>LIABILITIES:</b>		
Accounts payable	533,424	\$ 185,003
Accrued liabilities	1,040,260	-
Accrued interest payable	1,211,873	-
Refundable deposits	6,000,000	1,615,876
Payable to the City of Signal Hill	12,963,561	-
Long-term liabilities:		
Due within one year	4,957,601	-
Due in more than one year	<u>87,357,371</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>114,064,090</u>	<u>\$ 1,800,879</u>
<b>NET ASSETS (DEFICIT) HELD IN TRUST</b>	<u>\$ (56,182,447)</u>	

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

CITY OF SIGNAL HILL

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

For the five months ended June 30, 2012

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 6,025,265
Investment income	202,025
Other revenue	97,045
	<hr/>
TOTAL ADDITIONS	6,324,335
	<hr/>
DEDUCTIONS:	
Personal services	218,155
Contractual services	131,312
Tax sharing payments	753,105
Project expenses	1,556,273
Development incentives	1,051,031
Interest	2,212,265
Amortization	66,366
	<hr/>
TOTAL DEDUCTIONS	5,988,507
	<hr/>
EXTRAORDINARY ITEM:	
Loss on dissolution of redevelopment agency (Note 16)	(56,518,275)
	<hr/>
CHANGE IN NET ASSETS	(56,182,447)
	<hr/>
NET ASSETS (DEFICIT) - BEGINNING OF PERIOD	-
	<hr/>
NET ASSETS (DEFICIT) - END OF YEAR	\$ (56,182,447)
	<hr/> <hr/>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**This page intentionally left blank**

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

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 primary government), 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. Effective February 1, 2012, the Signal Hill Redevelopment Agency was dissolved as a result of Assembly Bill X26 (the Dissolution Act). See Note 16 for additional information. The Agency' financial transactions for the seven month period from July 1, 2011 through January 31, 2012 are included within the special revenue, debt service and capital projects fund type.

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

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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.

These component units do not issue separate component unit financial statements.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

See independent auditors’ report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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.

Private-purpose trust fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fiduciary funds have no measurement focus but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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 Housing Authority Special Revenue Fund is used to account for the activities of the Housing Authority.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term liability principal, interest and related costs of the Agency. The Agency was dissolved effective February 1, 2012.

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. The Agency was dissolved effective February 1, 2012.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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:

Proprietary Funds:

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.

Fiduciary Funds:

The Private Purpose Trust Fund is used to account for the county-auditor controller's semi-annual property tax distributions from the Redevelopment Property Tax Trust Fund of the Successor Agency of the former Signal Hill Redevelopment Agency to pay amounts due on enforceable obligations and to pay for specified administrative costs.

The Agency Funds are 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.

D. Cash and Cash Equivalents:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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 \$674,248 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, with an initial cost of more than \$5,000 and a useful life that is greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

H. Inventory:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Deferred Charges:

Deferred bond issue costs related to the business-type activity were \$167,432, net of accumulated amortization, as of June 30, 2012. The costs are amortized on a straight-line basis through 2027. Amortization expense related to the business-type activity totaled \$11,681 for the year ended June 30, 2012.

J. Employee Compensated Absences:

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

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

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

K. Fund Balances:

The fund balances reported on the fund statements consist of the following categories:

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Fund Balances (Continued):

Committed - This classification includes amounts that can be used only for the specific purposes determined by the City Council through the adoption of an ordinance or a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council assigns fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The City's minimum fund balance policy is to maintain, in reserves, six months of General Fund operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first, followed by assigned fund balance, and then finally unassigned fund balance.

L. Property Taxes:

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

M. Claims and Judgments:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Claims and Judgments (Continued):

Under the City's self-insurance program, deposits to the Joint Powers Insurance Authority (Note 13) are recorded as insurance expenditures in the period to which they relate in the General Fund. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Insurance Authority and such refunds, if any, are recorded as deposits since they will be used to offset future deposit requirements. Included in deposits as of June 30, 2012 are refunds totaling \$241,300 related to the workers' compensation coverage program. Adverse claims experience in prior years results in the payment of additional deposits which are recorded as insurance expenditures when incurred. Included in accrued liabilities as of June 30, 2012 is the cumulative retrospective deposit payable of \$607,265 for the general and automobile liability coverage program.

N. Net Assets:

Net assets reported in the government-wide and proprietary fund financial statements are classified into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

At June 30, 2012, invested in capital assets, net of related debt, was determined as follows:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Capital assets, net of accumulated depreciation	\$ 57,653,097	\$ 22,978,411
Less:		
Bonds, net	-	(6,785,441)
Loan payable	-	(75,595)
Add back:		
Unspent bonds proceeds - reserve funds	-	674,248
Total	<u>\$ 57,653,097</u>	<u>\$ 16,791,623</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Net Assets (Continued):

- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

O. Estimates:

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

P. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 30, 2013, the date the financial statements were available to be issued.

See independent auditors’ report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2012 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Assets</u>	Fiduciary Funds Statement of <u>Net Assets</u>	<u>Total</u>
Cash and investments	\$ 33,338,768	\$ 6,799,230	\$ 40,137,998
Restricted cash and investments	<u>674,248</u>	<u>26,373,087</u>	<u>27,047,335</u>
Total Cash and Investments	<u>\$ 34,013,016</u>	<u>\$ 33,172,317</u>	<u>\$ 67,185,333</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 3,770
Deposits with financial institutions	2,143,566
Investments	<u>65,037,997</u>
Total Cash and Investments	<u>\$ 67,185,333</u>

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

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

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

N/A - Not Applicable

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

Investments Authorized by Debt Agreements:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 30,113,915	\$ -	\$ -	\$ 30,113,915
United States Government Sponsored				
Agency Securities:				
FHLMC	2,036,580	-	-	2,036,580
Corporate Notes	6,736,762	2,091,360	-	8,828,122
Mutual Funds	5,323,109	-	-	5,323,109
Negotiable Certificates of Deposit	-	501,815	462,576	964,391
Held by Bond Trustee:				
Money market mutual funds	16,196,046	-	-	16,196,046
Negotiable Certificates of Deposit	-	251,358	251,435	502,793
Local Agency Bonds	110,022	-	963,019	1,073,041
	<u>\$ 60,516,434</u>	<u>\$ 2,844,533</u>	<u>\$ 1,677,030</u>	<u>\$ 65,037,997</u>

Disclosures Relating to Credit Risk:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	AAA	Other Ratings	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 30,113,915	N/A	\$ -	\$ -	\$ 30,113,915	\$ -
United States Government Sponsored Agency Securities:						
FHLMC	2,036,580	N/A	-	2,036,580	-	-
Corporate Notes	8,828,122	A	522,655	8,305,467	-	-
Mutual Funds	5,323,109	Multiple**	5,323,109	-	-	-
Negotiable Certificates of Deposit	964,391	N/A	-	-	-	964,391
Held by Bond Trustee:						
Money market mutual funds	16,196,046	Multiple**	16,196,046	-	-	-
Negotiable Certificates of Deposit	502,793	N/A	-	-	-	502,793
Local Agency Bonds	<u>1,073,041</u>	N/A	-	<u>1,073,041</u>	-	-
Total	<u>\$ 65,037,997</u>		<u>\$ 22,041,810</u>	<u>\$ 11,415,088</u>	<u>\$ 30,113,915</u>	<u>\$ 1,467,184</u>

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

N/A - Not Applicable

Other ratings on United States Government Sponsored Agency Securities, Corporate Notes, and Local Agency Bonds are as follows:

Investment Type	Total as of June 30, 2012	AA+	AA-	A+	A
FHLMC	\$ 2,036,580	\$ 2,036,580	\$ -	\$ -	\$ -
Corporate Notes	8,305,467	5,221,057	539,065	1,021,930	1,523,415
Held by Bond Trustee:					
Local Agency Bonds	<u>1,073,041</u>	-	-	-	<u>1,073,041</u>
	<u>\$ 11,415,088</u>	<u>\$ 7,257,637</u>	<u>\$ 539,065</u>	<u>\$ 1,021,930</u>	<u>\$ 2,596,456</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

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. The City did not have any investments in any one issuer that represented 5% or more of total City's investments.

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, 2012, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation and the remaining balances were collateralized under California Law. The local agency bonds held by bond trustee are uninsured, unregistered and not held in the City's name.

Investment in State Investment Pool:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental Activities:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 39,424,045	\$ -	\$ -	\$ (11,739,678)	\$ 27,684,367
Construction in progress	<u>9,825,434</u>	<u>5,932,802</u>	<u>(1,004,271)</u>	<u>-</u>	<u>14,753,965</u>
Total capital assets, not being depreciated	<u>49,249,479</u>	<u>5,932,802</u>	<u>(1,004,271)</u>	<u>(11,739,678)</u>	<u>42,438,332</u>
Capital assets, being depreciated:					
Structures and improvements	10,597,591	59,397	-	-	10,656,988
Equipment and furniture	2,235,126	161,414	(76,579)	(7,729)	2,312,232
Vehicles and major equipment	2,199,003	89,950	(28,237)	-	2,260,716
Infrastructure	<u>23,088,042</u>	<u>943,234</u>	<u>-</u>	<u>-</u>	<u>24,031,276</u>
Total capital assets, being depreciated	<u>38,119,762</u>	<u>1,253,995</u>	<u>(104,816)</u>	<u>(7,729)</u>	<u>39,261,212</u>
Less accumulated depreciation for:					
Structure and improvements	(7,015,415)	(147,070)	-	-	(7,162,485)
Equipment and furniture	(1,571,242)	(114,091)	76,579	7,729	(1,601,025)
Vehicles and major equipment	(1,563,707)	(222,098)	28,237	-	(1,757,568)
Infrastructure	<u>(12,990,956)</u>	<u>(534,413)</u>	<u>-</u>	<u>-</u>	<u>(13,525,369)</u>
Total accumulated depreciation	<u>(23,141,320)</u>	<u>(1,017,672)</u>	<u>104,816</u>	<u>7,729</u>	<u>(24,046,447)</u>
Total capital assets, being depreciated, net	<u>14,978,442</u>	<u>236,323</u>	<u>-</u>	<u>-</u>	<u>15,214,765</u>
Total governmental activities capital, net	<u>\$ 64,227,921</u>	<u>\$ 6,169,125</u>	<u>\$ (1,004,271)</u>	<u>\$ (11,739,678)</u>	<u>\$ 57,653,097</u>

(a) The transfer relates to the transfer of capital assets to the successor agency from the former redevelopment agency. The transfer of land in the amount of \$11,739,678 was transferred to land and improvements held for resale, net of the successor agency. See Notes 15 and 16 for additional information.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

3. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>
Capital assets, not being depreciated				
Land	\$ 4,427,416	\$ -	\$ -	\$ 4,427,416
Construction in progress	<u>89,733</u>	<u>119,159</u>	<u>(80,567)</u>	<u>128,325</u>
Total capital assets, not being depreciated	<u>4,517,149</u>	<u>119,159</u>	<u>(80,567)</u>	<u>4,555,741</u>
Capital assets, being depreciated:				
Water rights	1,215,186	-	-	1,215,186
Reservoirs and tanks	12,154,473	-	-	12,154,473
Wells	1,917,963	13,276	-	1,931,239
Mains	9,897,973	-	-	9,879,973
Pumps	1,213,661	80,567	-	1,294,228
Fire hydrants	687,071	-	-	687,071
Meters	510,346	-	-	510,346
Services	1,449,220	-	-	1,449,220
Structures	1,246,044	-	-	1,246,044
Equipment and furniture	<u>1,159,812</u>	<u>-</u>	<u>-</u>	<u>1,159,812</u>
Total capital assets, being depreciated	<u>31,451,749</u>	<u>93,843</u>	<u>-</u>	<u>31,545,592</u>
Less accumulated depreciation/ amortization for:				
Water rights	(606,693)	(30,380)	-	(637,073)
Reservoirs and tanks	(2,976,920)	(273,921)	-	(3,250,841)
Wells	(689,886)	(48,170)	-	(738,056)
Mains	(4,670,201)	(195,491)	-	(4,865,692)
Pumps	(704,730)	(105,833)	-	(810,563)
Fire hydrants	(571,474)	(13,751)	-	(585,225)
Meters	(472,751)	(9,644)	-	(482,395)
Services	(665,286)	(27,691)	-	(692,977)
Structures	(407,150)	(28,714)	-	(435,864)
Equipment and furniture	<u>(560,194)</u>	<u>(64,042)</u>	<u>-</u>	<u>(624,236)</u>
Total accumulated depreciation	<u>(12,325,285)</u>	<u>(797,637)</u>	<u>-</u>	<u>(13,122,922)</u>
Total capital assets, being depreciated, net	<u>19,126,464</u>	<u>(703,794)</u>	<u>-</u>	<u>18,422,670</u>
Total business-type activity capital assets, net	<u>\$ 23,643,613</u>	<u>\$ (584,635)</u>	<u>\$ (80,567)</u>	<u>\$ 22,978,411</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

3. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

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

Governmental activities:

General government	\$ 4,306
Community services	1,157
Police	95,034
Public works	152,292
Internal service fund depreciation charged to programs	<u>230,470</u>

Allocated depreciation 483,259

Unallocated infrastructure depreciation 534,413

Total depreciation expense - governmental activities \$ 1,017,672

Business-type activity:

Water \$ 797,637

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012	Due Within One Year
Bonds payable:						
2001 TABs	\$ 9,305,000	\$ -	\$ (575,000)	\$ (8,730,000)	\$ -	\$ -
2003 TABs Series A	14,300,000	-	(1,945,000)	(12,355,000)	-	-
2003 TABs Series C	10,515,000	-	(80,000)	(10,435,000)	-	-
2003 TABs Series D	2,350,000	-	(145,000)	(2,205,000)	-	-
2006 TABs	12,740,000	-	(225,000)	(12,515,000)	-	-
2007 Refunding TABs	14,610,000	-	(105,000)	(14,505,000)	-	-
2009 Tax Allocation						
Parity Bonds	19,890,000	-	(660,000)	(19,230,000)	-	-
2011 Tax Allocation						
Parity Bonds	8,835,000	-	-	(8,835,000)	-	-
Less deferred amounts:						
For issuance discounts	(515,881)	-	20,962	494,919	-	-
On refunding	<u>(351,450)</u>	<u>-</u>	<u>33,510</u>	<u>317,940</u>	<u>-</u>	<u>-</u>
Total bonds payable	91,677,669		(3,680,528)	(87,997,141)	-	-
Notes payable	4,402,162	-	(84,644)	(4,317,518)	-	-
Loans payable	1,000,000	-	(1,000,000)	-	-	-
Compensated absences	<u>1,104,889</u>	<u>438,282</u>	<u>(352,577)</u>	<u>-</u>	<u>1,190,594</u>	<u>284,405</u>
Total governmental activities	<u>\$ 98,184,720</u>	<u>\$ 438,282</u>	<u>\$ (5,117,749)</u>	<u>\$ (92,314,659)</u>	<u>\$ 1,190,594</u>	<u>\$ 284,405</u>
Business-type activity:						
2006 Water revenue refunding bonds	\$ 7,480,000	\$ -	\$ (335,000)	\$ -	\$ 7,145,000	\$ 350,000
Less deferred amounts:						
For issuance discount	(7,957)	-	519	-	(7,438)	-
On refunding	<u>(376,688)</u>	<u>-</u>	<u>24,567</u>	<u>-</u>	<u>(352,121)</u>	<u>-</u>
Total refunding bonds payable	7,095,355	-	(309,914)	-	6,785,441	350,000
Loan payable	151,190	-	(75,595)	-	75,595	75,595
Compensated absences	<u>71,718</u>	<u>26,826</u>	<u>(34,053)</u>	<u>-</u>	<u>64,491</u>	<u>16,586</u>
Total business-type activity	<u>\$ 7,318,263</u>	<u>\$ 26,826</u>	<u>\$ (419,562)</u>	<u>\$ -</u>	<u>\$ 6,925,527</u>	<u>\$ 442,181</u>

(a) The transfers of certain long-term liabilities relate to the dissolution of the Agency effective February 1, 2012. See Notes 15 and 16 for additional information.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. LONG-TERM LIABILITIES (CONTINUED):

A. Loans Payable:

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. The principal and accrued interest balances were paid in full on July 2, 2011.

B. Compensated Absences:

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

C. 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%.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. LONG-TERM LIABILITIES (CONTINUED):

C. 2006 Water Revenue Refunding Bonds (Continued):

The City is required by the 2006 Bond Covenant to maintain a debt service coverage ratio of at least 125%. As of and for the year ended June 30, 2012, the ratio was 83.1%

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 350,000	\$ 308,626	\$ 658,626
2014	365,000	294,326	659,326
2015	380,000	279,426	659,426
2016	395,000	263,433	658,433
2017	410,000	246,325	656,325
2018 - 2022	2,335,000	941,166	3,276,166
2023 - 2027	<u>2,910,000</u>	<u>347,854</u>	<u>3,257,854</u>
Totals	<u>\$ 7,145,000</u>	<u>\$ 2,681,156</u>	<u>\$ 9,826,156</u>

D. 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, 2012, are as follows:

Year Ending June 30,	Principal
2013	<u>\$ 75,595</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

5. LONG-TERM RECEIVABLES:

A. Receivables from Successor Agency:

On March 18, 2008, the City made an advance of \$10,000,000 to the Agency from the General Fund to provide financial assistance for the Agency's property acquisition program related to Phase II of the Signal Hill Automotive Center. The advance bears interest at a rate of 10% compounded annually, which is added to the balance of the advance. Repayment of the advance and accrued unpaid interest is to commence no later than October 2, 2017. Currently, there is no set payment schedule. The Agency repaid \$750,000 of the advance on December 1, 2011. Upon dissolution of the Agency on February 1, 2012, the liability side of this advance was transferred to the Successor Agency Private-Purpose Trust Fund (see Notes 15 and 16. The receivable balance as of June 30, 2012 totals \$11,900,399.

On April 5, 2011, the Agency Board approved a 5-year loan from the Affordable Housing Special Revenue Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On February 1, 2012, the receivable side of this interfund advance was transferred to the Housing Authority, in its capacity as Successor Housing Agency. The liability side of this interfund advance was transferred to the Successor Agency Private-Purpose Trust Fund (see Notes 15 and 16. No interest accrues on this loan and the loan must be repaid on or before June 30, 2016. The total loan balance at June 30, 2012 is \$1,063,162.

B. Loans Receivables:

The discontinued First Time Homebuyer Program provided downpayment assistance to first time low or moderate income homebuyers. Financial assistance was provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. The second mortgage loan is due if the unit is sold or if the property no longer qualifies as the buyer's principal residence. The loans are equity participation loans if paid within the first 10 years. The principal loan amount plus a declining percentage of equity (depending on how long the home was owned) is due to the Agency at the time of sale. After 10 years, no equity is due the Agency. After 30 years, the homebuyer has the option of repaying the principal amount in full, or amortizing the principal amount due over 10 years with an interest payment at the prime rate plus 1%. Currently, 7 loans totaling \$71,083 remain outstanding.

The discontinued Residential Rehabilitation Loan Program provided funding to Signal Hill homeowners for exterior improvements to their residences. The loans are secured by promissory notes and second deeds of trust on the property. Loans are to be repaid upon sale or transfer of the property. Currently, 3 loans totaling \$14,173 remain outstanding.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2012, is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 670,556</u>

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

Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Housing Authority Special Revenue Fund	Other Governmental Funds	<u>\$ 56,874</u>

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. Upon dissolution of the Agency on February 1, 2012, the receivable side of this advance was transferred to the Housing Authority in its capacity as Successor Housing Agency (see Note 16).

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfers Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 292,700
Housing Authority Special Revenue Fund	Other Governmental Funds	60,000
Debt Service Fund	Other Governmental Fund	908,580
Capital Improvement Capital Projects Fund	General Fund	571,944
	Other Governmental Funds	1,839,910
Other Governmental Funds	General Fund	81,750
Water Enterprise Fund	Other Governmental Funds	<u>100,000</u>
		<u>\$ 3,854,884</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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

Interfund Transfers (Continued):

The purposes for significant interfund transfers made during the fiscal year ended June 30, 2012 were as follows:

- The transfers into the General Fund from Other Governmental Funds related to a transfer from the Gas Tax Fund for street maintenance (\$217,500) and a transfer from the Prop C Fund for eligible Prop C expenditures (\$75,200) incurred by the General Fund.
- The transfer into the Debt Service Fund was related to payment of debt service.
- The transfers into the Capital Improvement Capital Projects Fund were to cover costs of various projects.
- The transfers into Other Governmental Funds related to a transfer from the General Fund to the Supplemental Law Enforcement Fund for non-sworn personnel costs not fully funded by grant revenue (\$77,810) and a transfer of developer fees from the Housing Impact Fund to the Housing Authority Fund for affordable housing development (\$60,000).
- The transfers into The Water Enterprise Fund related to a transfer of water impact fees from the Park Development Fund to cover the cost of Water Enterprise capital projects.

7. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the year ended June 30, 2012, the following funds had deficit fund balances:

Major Fund:	
Capital Improvement Capital Projects Fund	\$ (61,622)
Other Governmental Funds:	
DOJ Grants Special Revenue Fund	(49,489)
Traffic Impact Special Revenue Fund	(577,779)
Domestic Preparedness Special Revenue Fund	(3,843)
OTS Grant Special Revenue Fund	(26,372)

The deficits in the Capital Improvement Capital Projects Fund and the Other Governmental Funds will be eliminated by revenues that were deferred at year end since they did not meet the availability criteria required for recognition in the governmental funds and by transfers in from other funds.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

7. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

Expenditures Exceeding Appropriations:

For the year ended June 30, 2012, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

Major Funds:

General Fund:

General government - Program administration \$ 58,046

Community development - Planning services 8,052

Community Redevelopment Capital Projects Fund:

Debt service - Principal retirement 1,037,741

Debt service - Interest 290,196

Other Governmental Funds:

DOJ Grants Special Revenue Fund:

Police - Patrol services 6,914

Capital outlay 10,442

Park Development Special Revenue Fund:

Community services - Contract services 323

Supplemental Law Enforcement Special Revenue Fund:

Police - Patrol services 8,265

OTS Grant Special Revenue Fund:

Police - Patrol services 18,182

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.

8. PENSION PLAN:

Plan Description:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

8. PENSION PLAN (CONTINUED):

Funding Policy:

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

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2011-12 were 14.479% and 8.197% for the local miscellaneous members 2% at 55 Pool and 2% at 60 Pool, respectively and 38.517% and 18.175% for the local safety members 3% at 50 Pool and 3% at 55 Pool, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS. The City's contributions to CalPERS for the past three years, which were equal to the required contribution each year, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Local Miscellaneous</u>		<u>Local Safety</u>	
	<u>2% at 55 Pool</u>	<u>2% at 60 Pool</u>	<u>3% at 50 Pool</u>	<u>3% at 55 Pool</u>
2012	\$ 561,373	\$ 30,324	\$ 1,082,522	\$ 23,264
2011	547,456	10,738	925,834	1,526
2010	604,279	-	957,742	-

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

a. Plan Description:

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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

a. Plan Description (Continued):

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

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

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

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

- Employees with less than 5 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$115 monthly).
- Employees with 5-10 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee only.
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee only.
- Employees with over 16 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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

- Employees with less than 11 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$115 monthly).
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 25% of the monthly benefit applicable towards the employee only.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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

a. Plan Description (Continued):

- Employees with 16-19 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.
- Employees with over 20 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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

b. Funding Policy:

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

c. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2012 was \$663,161 and was determined as part of an actuarial valuation dated March 31, 2012.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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

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

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

Annual required contribution	\$ 663,161
Interest on net OPEB asset	(11,173)
Adjustment to annual required contribution	<u>9,006</u>
Annual OPEB cost (expense)	660,994
Actual contributions made	<u>(783,130)</u>
Change in net OPEB obligation (asset)	(122,136)
Net OPEB Obligation (Asset) - beginning of year	<u>(148,978)</u>
Net OPEB Obligation (Asset) - end of year	<u>\$ (271,114)</u>

The City's annual OPEB cost, actual contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/10	\$ 655,562	\$ 655,562	100.00 %	\$ -
6/30/11	655,562	804,540	122.73 %	(148,978)
6/30/12	663,161	783,130	118.09%	(271,114)

d. Funded Status and Funding Progress:

As of March 1, 2012, the third and latest actuarial valuation date, the Plan was 10.12 percent funded. The actuarial accrued liability for benefits was \$9,264,652, and the actuarial value of assets was \$937,194, resulting in an unfunded accrued actuarial liability (UAAL) of \$8,327,458. The covered payroll (annual payroll of active employees covered by the plan) was \$7,877,810 and the ratio of the UAAL to the covered payroll was 105.71%.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

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

d. Funded Status and Funding Progress (Continued):

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

e. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the March 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment return/discount rate of 7.5% per annum, projected salary increases of 3.0% per annum, a general inflation rate of 3.0% per annum, and a medical trend rate of 4.0%. A level percentage of payroll method was used to allocate amortization cost by year. A closed 30-year amortization period was used for the initial UAAL and an open 30-year amortization period was used for any residual UAAL.

10. DEFINED CONTRIBUTION PLANS:

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under PERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.5% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of plan or date of employment, whichever is later, and all contributions are fully vested. For the year ended June 30, 2012, the employees contributed \$12,703 and the City contributed \$2,663 to the Plan.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

10. DEFINED CONTRIBUTION PLANS (CONTINUED):

On May 15, 2001, the City Council authorized establishment of a 401(a) Deferred Compensation Plans for its management and middle management employees. The Plans are qualified defined contribution plans under Section 401(a) of the Internal Revenue Code. Management and middle management employees will place their City-paid contributions which total 4.0% and 3.0%, respectively, of salary into the Plans. Management employees are required to match the 4% City contribution with an 8% employee contribution, and middle management employees are required to match the 3.0% City contribution with a 6% employee contribution. For the year ended June 30, 2012, the employees contributed \$102,594 and the City contributed \$51,196 to the Plans.

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

11. DEFERRED COMPENSATION:

The City has made available to its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, whereby employees authorize the City to defer a portion of their salary to be deposited in individual investment accounts. Funds may be withdrawn by participants upon termination of employment or retirement. The City contributes on a 50% matching basis up to 4% of management's compensation and up to 3% of middle management's compensation. Total matching contributions made by the City totaled \$24,021 for the fiscal year ended June 30, 2012.

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

12. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2012 were as follows:

	<u>General</u>	<u>Housing Authority Special Revenue Fund</u>	<u>Capital Improvement Capital Projects Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:				
Land and improvements held for resale	\$ -	\$ 4,068,014	\$ -	\$ -
Advances to other funds	10,000,000	-	-	-
Deposits	<u>241,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,241,300</u>	<u>4,068,014</u>	<u>-</u>	<u>-</u>
Restricted for:				
Low and moderate income housing	-	1,286,150	-	-
Public protection	-	-	-	331,836
Development	-	-	-	5,626,274
Transportation	-	-	-	807,103
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,115</u>
	<u>-</u>	<u>1,286,150</u>	<u>-</u>	<u>8,655,328</u>
Committed for Contingencies:				
Equipment replacement	165,160	-	-	-
Insurance premium increases	304,119	-	-	-
Capital improvements	1,231,060	-	-	-
Economic uncertainty	4,077,159	-	-	-
New police building	66,708	-	-	-
Library expansion	1,744,397	-	-	-
Park expansion	57,162	-	-	-
PERS rate increases	776,426	-	-	-
Building and land acquisition	702,609	-	-	-
OPEB future costs	1,555,404	-	-	-
Trash reduction	24,572	-	-	-
ABX 1 27	<u>16,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,720,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>6,642,291</u>	<u>-</u>	<u>(61,622)</u>	<u>(657,483)</u>
	<u>\$ 27,604,374</u>	<u>\$ 5,354,164</u>	<u>\$ (61,622)</u>	<u>\$ 7,997,845</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

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

A. Description of Joint Powers Insurance Authority:

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-insurance Programs of the Insurance Authority:

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

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

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

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

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

General Liability Insurance (Continued). (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

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

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

13. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

C. Purchased Insurance:

Environmental Insurance. The City of Signal Hill participates in the pollution legal liability and remediation legal liability insurance which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Signal Hill. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Insurance Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance. The City of Signal Hill participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. City of Signal Hill property is currently insured according to a schedule of covered property submitted by City of Signal Hill to the Insurance Authority. The City of Signal Hill currently has all-risk property insurance protection in the amount of \$37,657,308. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City of Signal Hill purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City of Signal Hill property currently has earthquake protection in the amount of \$24,780,272. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance. The City of Signal Hill purchases crime insurance coverage in the amount of \$1 million 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.

Special Event Tenant User Liability Insurance. The City of Signal Hill further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Signal Hill according to a schedule. The City of Signal Hill then pays for the insurance. The insurance is arranged by the Authority.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

13. 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 experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-2012.

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

14. OTHER INFORMATION:

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.

15. SUCCESSOR AGENCY DISCLOSURES:

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Signal Hill Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to the capital assets and long-term liabilities reported in the Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund are as follows:

Capital Assets:

At June 30, 2012, the Successor Agency had nondepreciable land of \$24,494,592 and fully depreciated furniture and fixtures of \$7,729. There was no depreciation expense relating to these assets for the period from February 1, 2012 through June 30, 2012.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liability activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Balance at July 1, 2011	Transfers (a) Feb. 1, 2012	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
Bonds payable:						
2001 TABs	\$ -	\$ 8,730,000	\$ -	\$ -	\$ 8,730,000	\$ 595,000
2003 TABs Series A	-	12,355,000	-	-	12,355,000	2,285,000
2003 TABs Series C	-	10,435,000	-	-	10,435,000	85,000
2003 TABs Series D	-	2,205,000	-	-	2,205,000	110,000
2006 TABs	-	12,515,000	-	-	12,515,000	160,000
2007 Refunding TABs	-	14,505,000	-	-	14,505,000	110,000
2009 Tax Allocation						
Parity Bonds	-	19,230,000	-	-	19,230,000	680,000
2011 Tax Allocation						
Parity Bonds	-	8,835,000	-	-	8,835,000	410,000
Less deferred amounts:						
For issuance discounts	-	(494,919)	-	14,972	(479,947)	-
On refunding	-	(317,940)	-	23,936	(294,004)	-
Total bonds payable	-	87,997,141	-	38,908	88,036,049	4,435,000
Notes payable	-	4,317,518	-	(38,595)	4,278,923	522,601
Total governmental activities	\$ -	\$92,314,659	\$ -	\$ 313	\$ 92,314,972	\$4,957,601

(a) The transfers relate to the dissolution of the Agency effective February 1, 2012. The Successor Agency of the Signal Hill Redevelopment Agency has assumed these liabilities as a result of the dissolution. See Notes 4 and 16 for additional information

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

A. 2001 Tax Allocation Bonds:

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 595,000	\$ 366,291	\$ 961,291
2014	615,000	343,143	958,143
2015	635,000	318,450	953,450
2016	660,000	292,220	952,220
2017	685,000	264,305	949,305
2018 - 2022	3,810,000	842,110	4,652,110
2023 - 2024	<u>1,730,000</u>	<u>80,600</u>	<u>1,810,600</u>
Totals	<u>\$ 8,730,000</u>	<u>\$ 2,507,119</u>	<u>\$ 11,237,119</u>

See independent auditors’ report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

B. 2003 Tax Allocation Bonds - Series A:

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

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,285,000	\$ 482,646	\$ 2,767,646
2014	2,380,000	390,774	2,770,774
2015	2,500,000	290,768	2,790,768
2016	2,650,000	179,549	2,829,549
2017	275,000	114,686	389,686
2018 - 2022	1,550,000	369,538	1,919,538
2023 - 2024	<u>715,000</u>	<u>36,125</u>	<u>751,125</u>
Totals	<u>\$ 12,355,000</u>	<u>\$ 1,864,086</u>	<u>\$ 14,219,086</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

C. 2003 Tax Allocation Bonds - Series C:

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

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 85,000	\$ 443,218	\$ 528,218
2014	90,000	440,110	530,110
2015	90,000	436,825	526,825
2016	95,000	433,355	528,355
2017	1,085,000	409,850	1,494,850
2018 - 2022	6,140,000	1,323,888	7,463,888
2023 - 2024	<u>2,850,000</u>	<u>129,600</u>	<u>2,979,600</u>
Totals	<u>\$ 10,435,000</u>	<u>\$ 3,616,846</u>	<u>\$ 14,051,846</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

D. 2003 Tax Allocation Bonds - Series D:

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 110,000	\$ 126,785	\$ 236,785
2014	115,000	121,239	236,239
2015	115,000	114,966	229,966
2016	115,000	108,089	223,089
2017	65,000	102,707	167,707
2018 - 2022	380,000	449,397	829,397
2023 - 2025	<u>1,305,000</u>	<u>178,652</u>	<u>1,483,652</u>
Totals	<u>\$ 2,205,000</u>	<u>\$ 1,201,835</u>	<u>\$ 3,406,835</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

E. 2006 Tax Allocation Bonds:

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 160,000	\$ 724,080	\$ 884,080
2014	165,000	715,011	880,011
2015	165,000	705,802	870,802
2016	130,000	697,570	827,570
2017	235,000	687,385	922,385
2018 - 2022	1,375,000	3,214,224	4,589,224
2023 - 2027	<u>10,285,000</u>	<u>2,025,403</u>	<u>12,310,403</u>
Totals	<u>\$ 12,515,000</u>	<u>\$ 8,769,475</u>	<u>\$ 21,284,475</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

F. 2007 Refunding Tax Allocation Bonds:

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

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

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 110,000	\$ 594,904	\$ 704,904
2014	115,000	590,404	705,404
2015	115,000	585,804	700,804
2016	120,000	581,104	701,104
2017	1,505,000	548,604	2,053,604
2018 - 2022	8,565,000	1,759,812	10,324,812
2023 - 2024	<u>3,975,000</u>	<u>172,266</u>	<u>4,147,266</u>
Totals	<u>\$ 14,505,000</u>	<u>\$ 4,832,898</u>	<u>\$ 19,337,898</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

G. 2009 Tax Allocation Parity Bonds:

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

During the year ended June 30, 2012, the Agency reimbursed the City of Signal Hill \$1,280,360 using bond proceeds for eligible planning and design costs incurred by the City related to the building of the City's new police facility.

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 680,000	\$ 939,950	\$ 1,619,950
2014	700,000	915,750	1,615,750
2015	725,000	887,250	1,612,250
2016	760,000	857,550	1,617,550
2017	830,000	825,231	1,655,231
2018 - 2022	4,785,000	3,465,938	8,250,938
2023 - 2027	<u>10,750,000</u>	<u>1,722,150</u>	<u>12,472,150</u>
Totals	<u>\$ 19,230,000</u>	<u>\$ 9,613,819</u>	<u>\$ 28,843,819</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

H. 2011 Tax Allocation Parity Bonds:

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

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

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 410,000	\$ 525,644	\$ 935,644
2014	420,000	510,581	930,581
2015	435,000	492,666	927,666
2016	455,000	471,775	926,775
2017	500,000	447,275	947,275
2018 - 2022	2,975,000	1,757,775	4,732,775
2023 - 2027	<u>3,640,000</u>	<u>642,950</u>	<u>4,282,950</u>
Totals	<u>\$ 8,835,000</u>	<u>\$ 4,848,666</u>	<u>\$ 13,683,666</u>

I. Notes Payable:

- 1) A \$5,000,000 note payable dated October 29, 1991, resulted from the acquisition of real property held for resale by the Agency. The note bears interest at 10% per annum. Interest and principal payments are due semi-annually on July 30 and January 30 in an amount equal to the sales tax revenue received or to be received by the City from all businesses and activities conducted on the property. Payments will be made for a period of 20 years (ending December 31, 2012) or until interest and principal due on the note is paid in full. In the event that payments are insufficient to fully discharge the note in 20 years, the unpaid balance of principal and interest will be forgiven. At June 30, 2012, the outstanding balance of this note was \$3,791,582.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

I. Notes Payable (Continued):

1) (Continued):

Based on current available information, estimated sales tax revenue will not be sufficient to pay principal and accrued interest. Based on this, the annual debt requirements at June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 442,771	\$ 175,383	\$ 618,154
Estimated amount to be forgiven	<u>3,349,394</u>	<u>-</u>	<u>3,349,394</u>
Totals	<u>\$ 3,792,165</u>	<u>\$ 175,383</u>	<u>\$ 3,967,548</u>

- 2) On December 16, 2010, the Agency issued a promissory note in the amount of \$850,000 in connection with the acquisition of land held for resale. The note bears interest at 4.5% per annum. There was a one-time principal only repayment of \$250,000 due on January 30, 2011, and quarterly interest and principal payments of \$25,100 commenced on March 15, 2011 in order to fully amortize the note by December 15, 2017. At June 30, 2012, the outstanding balance of this note was \$486,758.

The annual debt requirements of this note at June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 79,830	\$ 20,570	\$ 100,400
2014	83,483	16,916	100,399
2015	87,304	13,096	100,400
2016	91,299	9,100	100,399
2017	95,477	4,922	100,399
2018	<u>49,365</u>	<u>835</u>	<u>50,200</u>
Totals	<u>\$ 486,758</u>	<u>\$ 65,439</u>	<u>\$ 552,197</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

J. Advances from the City of Signal Hill:

The City made an advance to the Agency totaling \$10,000,000 to assist in funding the Agency's operating budget. The advance now bears interest at the average LAIF interest rate, however prior to the Agency's dissolution on February 1, 2012 the rate was 10.0% compounded annually. There is no set payment schedule for this advance. For the year ended June 30, 2012, the Agency made a payment totaling \$750,000 to the City prior to the dissolution of the Agency. The balance of principal and accrued interest totaled \$11,900,399 at June 30, 2012.

On April 5, 2011, the Agency Board approved a 5-year loan from the Affordable Housing Special Revenue Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On February 1, 2012, the receivable side of this advance was transferred from the Affordable Housing Special Revenue Fund to the Housing Authority in its capacity as the successor housing agency. The liability side of this advance was transferred from the Debt Service Fund to the Successor Agency Private-Purpose Trust Fund. No interest accrues on this loan and the loan must be repaid on or before June 30, 2016. The total loan balance at June 30, 2012 is \$1,063,162.

K. 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 \$237,800.

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

Year Ending <u>June 30,</u>	
2013	\$ 238,200
2014	238,200
2015	238,200
2016	246,019
2017	251,604
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	<u>1,237,176</u>
Total	<u>\$ 13,061,351</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

K. Operating Lease Obligations (Continued):

The operating lease covers three parcels of land, which are subleased to auto dealers. For the year ended June 30, 2012, the Agency received \$259,305 in rental payments to offset the Agency's lease payments to the lessor.

(2) The Agency is leasing land for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires December 31, 2055. The current period rental payments, which are classified as project costs, were \$214,662.

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

Year Ending June 30,	
2013	\$ 213,731
2014	213,731
2015	216,937
2016	220,142
2017	220,142
2018 - 2022	1,117,218
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	1,334,018
2053 - 2055	<u>816,301</u>
Total minimum lease payments	<u>\$ 10,461,613</u>

The operating lease covers five parcels of land, which are subleased to auto dealers. For the year ended June 30, 2012, the Agency received \$258,312 in rental payments to offset the Agency's lease payments to lessor.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

L. Spring Street Corridor Joint Powers Authority:

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

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

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

Pursuant to an Owner Participation and Implementation Agreement (OPIA) dated September 19, 1996, the Authority is required to pay a developer a formulated amount based on the sales tax generated at a site developed within the City of Signal Hill. The payments are due annually through the calendar year 2015. The source of these payments is to be provided by the Agency. The first source is available tax increment revenue which is limited based on the amount of the Agency's annual tax increment revenue less amounts required by law to be deposited in the Agency's Affordable Housing Special Revenue Fund. The second source is a loan from the City which would be made from the City's share of sales tax revenue generated from the developed site. No other sources of funds are available for payments. At June 30, 2012, there was no balance due under this agreement.

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 17, 2012, the City elected to serve as the Successor Agency of the Signal Hill Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Signal Hill Housing Authority elected on January 17, 2012, to serve as the Housing Successor Agency.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a special revenue fund (Housing Authority Special Revenue Fund) in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (except for certain assets of the former Affordable Housing Fund, which were transferred to the Housing Authority Special Revenue Fund) (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 23,458,081
Unamortized bond issuance costs in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	2,030,492
Land reported in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	11,739,678
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(1,431,867)
Long-term debt reported in the government-wide financial statements including related bond deferral costs - decrease to net assets of the Successor Agency Trust Fund	<u>(92,314,659)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfer (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (56,518,275)</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$5,608,921 from the County Auditor-Controller in June 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

Advances from City of Signal Hill - AB 1484 specifies the actions to be taken and the method of repayment for advances by the Successor Agency to the City. Upon application and approval by the Successor Agency and approval by the Oversight Board, loan agreements (advances) entered into by the former redevelopment agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the advances were for legitimate redevelopment purposes. The accumulated interest on the remaining amount of advances will be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The advances are to be repaid with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by the funds deposited into the Local Agency Investment Fund. The annual advance repayments are subject to certain limitations. Advance repayments shall not begin prior to the 2013-2014 fiscal year, are subject to a formula distribution, and have a lower priority for repayment as described in AB 1484 (Health and Safety Code Section 34191.4(2)(A)). As of June 30, 2012, the advances, including accrued interest, totaled \$11,900,399.

See independent auditors' report.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Advances from City of Signal Hill (Continued) - The advances related to the borrowing for the SERAF payment have a priority over repayment of the other advances. 20% of the repayment of the other advances not related to the SERAF advances shall be deducted and transferred to the Housing Authority for low and moderate income housing purposes. Management of the City has not made any adjustment to accrued unpaid interest prior to February 1, 2012 and has not recorded an allowance for uncollectible advances as all the advances are anticipated to be repaid.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The former Agency made \$1,500,000 in advance repayments to the City subsequent to January 1, 2011. These repayments are subject to unwinding and possible transfer of the funds to affected local agencies pending a final determination by the California State Department of Finance.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

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

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

See independent auditors' report.

**This page intentionally left blank**

**REQUIRED SUPPLEMENTARY INFORMATION**

**This page intentionally left blank**

CITY OF SIGNAL HILL

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2012

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
10/01/08	\$ -	\$ 13,356,267	\$ 13,356,267	0.00%	\$ 6,668,337	200.29%
03/01/10	532,514	9,640,527	9,108,013	5.52%	7,810,629	116.61%
03/01/12	937,194	9,264,652	8,327,458	10.12%	7,877,810	105.71%

See independent auditors' report.

CITY OF SIGNAL HILL  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,475,664	\$ 1,475,664	\$ 1,480,417	\$ 4,753
Sales and use tax	9,829,639	9,875,231	10,840,044	964,813
Other taxes	4,320,619	1,870,000	1,910,085	40,085
Licenses and permits	266,405	286,405	311,783	25,378
Intergovernmental revenues	133,000	133,000	95,795	(37,205)
Charges for services	595,035	663,035	642,778	(20,257)
Fines and forfeitures	255,500	255,500	317,372	61,872
Investment income	1,216,000	1,216,000	988,881	(227,119)
Other revenue	83,000	83,000	379,842	296,842
TOTAL REVENUES	<u>18,174,862</u>	<u>15,857,835</u>	<u>16,966,997</u>	<u>1,109,162</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
City Council	193,630	197,494	177,988	19,506
City Treasurer	4,700	4,700	3,871	829
City Clerk	125,205	129,205	120,198	9,007
Program administration	373,060	373,060	431,106	(58,046)
Legislative services	187,450	235,450	168,339	67,111
Personnel services	249,100	262,598	213,274	49,324
Support services	1,369,860	1,459,860	1,309,432	150,428
Management information services	164,200	202,348	173,753	28,595
Fiscal services	524,970	532,470	500,036	32,434
TOTAL GENERAL GOVERNMENT	<u>3,192,175</u>	<u>3,397,185</u>	<u>3,097,997</u>	<u>299,188</u>
<b>COMMUNITY SERVICES:</b>				
Library programs and services	405,790	414,804	363,405	51,399
Community support and services	412,065	421,829	396,059	25,770
Recreation	534,055	542,279	454,513	87,766
TOTAL COMMUNITY SERVICES	<u>1,351,910</u>	<u>1,378,912</u>	<u>1,213,977</u>	<u>164,935</u>
<b>POLICE:</b>				
Patrol services	4,247,910	4,267,487	3,935,789	331,698
Investigative services	1,076,710	1,090,384	1,012,427	77,957
Support services	1,289,300	1,344,846	1,283,555	61,291
Emergency and disaster services	13,050	24,235	9,652	14,583
Community outreach	97,150	107,187	61,921	45,266
Communications	625,704	647,485	532,142	115,343
Records	429,340	467,151	318,988	148,163
TOTAL POLICE	<u>7,779,164</u>	<u>7,948,775</u>	<u>7,154,474</u>	<u>794,301</u>

See independent auditors' report.

(Continued)

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

(Continued)

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
COMMUNITY DEVELOPMENT:				
Planning services	\$ 234,230	\$ 234,230	\$ 242,282	\$ (8,052)
Neighborhood enhancement	107,845	122,233	87,874	34,359
Building and safety	230,180	351,828	267,805	84,023
Oil field services	150,035	150,035	100,709	49,326
TOTAL COMMUNITY DEVELOPMENT	<u>722,290</u>	<u>858,326</u>	<u>698,670</u>	<u>159,656</u>
PUBLIC WORKS:				
Engineering and project services	591,202	591,202	483,464	107,738
Building maintenance	556,120	566,120	500,076	66,044
Environmental programs	623,510	646,510	608,514	37,996
Park maintenance	817,040	835,840	766,109	69,731
Street maintenance operations	1,333,349	1,342,449	1,221,916	120,533
TOTAL PUBLIC WORKS	<u>3,921,221</u>	<u>3,982,121</u>	<u>3,580,079</u>	<u>402,042</u>
CAPITAL OUTLAY	<u>19,000</u>	<u>336,500</u>	<u>182,897</u>	<u>153,603</u>
TOTAL EXPENDITURES	<u>16,985,760</u>	<u>17,901,819</u>	<u>15,928,094</u>	<u>1,973,725</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,189,102</u>	<u>(2,043,984)</u>	<u>1,038,903</u>	<u>3,082,887</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	560,000	1,860,325	292,700	(1,567,625)
Transfers out	(187,810)	(1,187,810)	(653,694)	534,116
TOTAL OTHER FINANCING SOURCES (USES)	<u>372,190</u>	<u>672,515</u>	<u>(360,994)</u>	<u>(1,033,509)</u>
NET CHANGE IN FUND BALANCE	1,561,292	(1,371,469)	677,909	2,049,378
FUND BALANCE AT BEGINNING OF YEAR	<u>26,926,465</u>	<u>26,926,465</u>	<u>26,926,465</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,487,757</u>	<u>\$ 25,554,996</u>	<u>\$ 27,604,374</u>	<u>\$ 2,049,378</u>

See independent auditors' report.

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

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 60,020	\$ 60,020
Other revenue	-	-	62,667	62,667
 TOTAL REVENUES	 -	 -	 122,687	 122,687
EXPENDITURES:				
Capital outlay	-	60,000	50	59,950
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 -	 (60,000)	 122,637	 182,637
OTHER FINANCING SOURCES:				
Transfers in	-	60,000	60,000	-
 NET CHANGE IN FUND BALANCE, BEFORE EXTRAORDINARY ITEM	 -	 -	 182,637	 182,637
EXTRAORDINARY ITEM:				
Gain on dissolution of redevelopment agency	-	-	1,148,473	1,148,473
 NET CHANGE IN FUND BALANCE	 -	 -	 1,331,110	 1,331,110
FUND BALANCE AT BEGINNING OF YEAR	4,023,054	4,023,054	4,023,054	-
FUND BALANCE AT END OF YEAR	<u>\$ 4,023,054</u>	<u>\$ 4,023,054</u>	<u>\$ 5,354,164</u>	<u>\$ 1,331,110</u>

See independent auditors' report.

CITY OF SIGNAL HILL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- 1) The annual budget is adopted by the City Council after the holding of a public hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- 2) Budgets for the General, Special Revenue, Debt Service and Capital Project Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. No budget was adopted for the Domestic Preparedness and STC Subvention Special Revenue Funds for the current year.
- 3) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
- 4) Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level (i.e. City Council, City Treasurer, City Attorney), except as approved in advance by the City Council.
- 5) Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the Governmental Fund Types during the year. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally reappropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.
- 6) The City Council approves all significant budgetary changes.
- 7) Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in following year. For the fiscal year ended June 30, 2012, based on calculations by City management, proceeds of taxes did not exceed appropriations.

See independent auditors' report.

**This page intentionally left blank**

## **SUPPLEMENTAL INFORMATION**

**This page intentionally left blank**

## **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. The Agency was dissolved effective February 1, 2012.

### **CAPITAL PROJECTS FUNDS**

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

Community Redevelopment Fund - Accounts for the financial activity of the Signal Hill Redevelopment Project. This activity includes administrative, overhead and capital project costs necessary for, or incidental to, implementing the redevelopment plan. The Agency was dissolved effective February 1, 2012.

**This page intentionally left blank**

CITY OF SIGNAL HILL

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

DEBT SERVICE FUND

For the seven month period July 1, 2011 to January 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 10,700,800	\$ 10,700,800	\$ 6,029,957	\$ (4,670,843)
Investment income	180,100	180,100	(11,039)	(191,139)
<b>TOTAL REVENUES</b>	<b>10,880,900</b>	<b>10,880,900</b>	<b>6,018,918</b>	<b>(4,861,982)</b>
EXPENDITURES:				
Community development:				
Redevelopment	1,279,000	1,279,000	359,511	919,489
Debt service:				
Principal retirement	6,335,000	6,335,000	3,781,903	2,553,097
Interest	3,824,605	3,824,605	3,381,629	442,976
Fiscal agent fees	24,750	24,750	13,750	11,000
<b>TOTAL EXPENDITURES</b>	<b>11,463,355</b>	<b>11,463,355</b>	<b>7,536,793</b>	<b>3,926,562</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(582,455)</b>	<b>(582,455)</b>	<b>(1,517,875)</b>	<b>(935,420)</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,359,593	1,359,593	908,580	(451,013)
Transfers out	(784,460)	(784,460)	-	784,460
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>575,133</b>	<b>575,133</b>	<b>908,580</b>	<b>333,447</b>
<b>NET CHANGE IN FUND BALANCE, BEFORE EXTRAORDINARY ITEM</b>	<b>(7,322)</b>	<b>(7,322)</b>	<b>(609,295)</b>	<b>(601,973)</b>
EXTRAORDINARY ITEM:				
Gain on dissolution of redevelopment agency	-	-	5,156,230	5,156,230
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,322)</b>	<b>(7,322)</b>	<b>4,546,935</b>	<b>4,554,257</b>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(4,546,935)	(4,546,935)	(4,546,935)	-
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ (4,554,257)</b>	<b>\$ (4,554,257)</b>	<b>\$ -</b>	<b>\$ 4,554,257</b>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 7,033,997	\$ 7,033,997	\$ 451,622	\$ (6,582,375)
TOTAL REVENUES	7,033,997	7,033,997	451,622	(6,582,375)
EXPENDITURES:				
Capital outlay	-	9,017,997	2,281,539	6,736,458
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,033,997	(1,984,000)	(1,829,917)	154,083
OTHER FINANCING SOURCES:				
Transfers in	1,924,000	2,031,000	2,411,854	380,854
NET CHANGE IN FUND BALANCE	8,957,997	47,000	581,937	534,937
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(643,559)	(643,559)	(643,559)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 8,314,438	\$ (596,559)	\$ (61,622)	\$ 534,937

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 seven month period July 1, 2011 to January 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 155,000	\$ 155,000	\$ (2,415)	\$ (157,415)
Other revenue	723,000	723,000	370,433	(352,567)
TOTAL REVENUES	878,000	878,000	368,018	(509,982)
EXPENDITURES:				
Community development:				
Redevelopment	924,470	924,470	352,446	572,024
Capital outlay	14,167,200	19,807,200	2,964,851	16,842,349
Debt service:				
Principal retirement	-	-	1,037,741	(1,037,741)
Interest	-	-	290,196	(290,196)
TOTAL EXPENDITURES	15,091,670	20,731,670	4,645,234	16,086,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,213,670)	(19,853,670)	(4,277,216)	15,576,454
OTHER FINANCING SOURCES:				
Transfers in	784,460	784,460	-	(784,460)
TOTAL OTHER FINANCING SOURCES (USES)	784,460	784,460	-	(784,460)
NET CHANGE IN FUND BALANCE, BEFORE EXTRAORDINARY ITEM	(13,429,210)	(19,069,210)	(4,277,216)	14,791,994
EXTRAORDINARY ITEM:				
Loss on dissolution of redevelopment agency	-	-	(25,144,538)	(25,144,538)
NET CHANGE IN FUND BALANCE	(13,429,210)	(19,069,210)	(29,421,754)	(10,352,544)
FUND BALANCE AT BEGINNING OF YEAR	29,421,751	29,421,754	29,421,754	-
FUND BALANCE AT END OF YEAR	\$ 15,992,541	\$ 10,352,544	\$ -	\$ (10,352,544)

See independent auditors' report.

## **OTHER GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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.

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.

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.

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

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

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

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

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

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

STC Subvention Fund - Accounts for receipts and disbursements of monies awarded by the California Board of State and Community Corrections for the selection and training of Police Department Corrections Personnel.

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

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

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

Affordable Housing Fund - Accounts 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 Agency was dissolved effective February 1, 2012.

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
ASSETS				
Cash and investments	\$ 181,809	\$ 6,235	\$ 3,728,461	\$ -
Accounts receivable	46,186	22,965	-	-
Accrued interest receivable	601	28	11,596	1,400
Due from other governments	-	20,932	-	8,918
Loans receivable	-	-	-	14,173
<b>TOTAL ASSETS</b>	<b><u>\$ 228,596</u></b>	<b><u>\$ 50,160</u></b>	<b><u>\$ 3,740,057</u></b>	<b><u>\$ 24,491</u></b>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 10,442	\$ 1,600	\$ 1,071
Accrued liabilities	-	3,897	-	-
Deferred revenue	-	28,417	-	15,573
Due to other funds	-	56,893	-	7,847
Advances from other funds	-	-	56,874	-
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>99,649</u></b>	<b><u>58,474</u></b>	<b><u>24,491</u></b>
FUND BALANCES (DEFICITS):				
Restricted for:				
Public protection	228,596	-	-	-
Development	-	-	3,681,583	-
Transportation	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	(49,489)	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>228,596</u></b>	<b><u>(49,489)</u></b>	<b><u>3,681,583</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 228,596</u></b>	<b><u>\$ 50,160</u></b>	<b><u>\$ 3,740,057</u></b>	<b><u>\$ 24,491</u></b>

See independent auditors' report.

Special Revenue Funds (Continued)

Special Gas Tax	Transportation	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Proposition C
\$ 40,044	\$ 484,230	\$ 1,803,169	\$ 87,270	\$ 1,201,990	\$ 2,080	\$ 87,321
60,976	-	-	-	-	-	-
759	1,722	6,588	309	4,212	3,514	283
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 101,779</u>	<u>\$ 485,952</u>	<u>\$ 1,809,757</u>	<u>\$ 87,579</u>	<u>\$ 1,206,202</u>	<u>\$ 5,594</u>	<u>\$ 87,604</u>
\$ -	\$ 27,330	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,569	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	583,373	-
-	-	-	-	-	-	-
-	28,899	-	-	-	583,373	-
-	-	-	-	-	-	-
-	-	-	-	1,206,202	-	-
101,779	457,053	-	87,579	-	-	87,604
-	-	1,809,757	-	-	-	-
-	-	-	-	-	(577,779)	-
<u>101,779</u>	<u>457,053</u>	<u>1,809,757</u>	<u>87,579</u>	<u>1,206,202</u>	<u>(577,779)</u>	<u>87,604</u>
<u>\$ 101,779</u>	<u>\$ 485,952</u>	<u>\$ 1,809,757</u>	<u>\$ 87,579</u>	<u>\$ 1,206,202</u>	<u>\$ 5,594</u>	<u>\$ 87,604</u>

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2012

	Special Revenue Funds (Continued)			
	Lighting and Landscape	Supplemental Law Enforcement	Domestic Preparedness	OTS Grant
<b>ASSETS</b>				
Cash and investments	\$ 79,198	\$ 131,807	\$ -	\$ 18,610
Accounts receivable	3,497	-	-	-
Accrued interest receivable	290	320	-	68
Due from other governments	-	-	-	7,977
Loans receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 82,985</b>	<b>\$ 132,127</b>	<b>\$ -</b>	<b>\$ 26,655</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,627	\$ -	\$ -	\$ -
Accrued liabilities	-	5,731	-	-
Deferred revenue	-	23,156	-	34,427
Due to other funds	-	-	3,843	18,600
Advances from other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>2,627</b>	<b>28,887</b>	<b>3,843</b>	<b>53,027</b>
<b>FUND BALANCES (DEFICITS):</b>				
Restricted for:				
Public protection	-	103,240	-	-
Development	-	-	-	-
Transportation	-	-	-	-
Capital improvements	80,358	-	-	-
Unassigned	-	-	(3,843)	(26,372)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>80,358</b>	<b>103,240</b>	<b>(3,843)</b>	<b>(26,372)</b>
<b>TOTAL LIABILITIES AND AND FUND BALANCES</b>	<b>\$ 82,985</b>	<b>\$ 132,127</b>	<b>\$ -</b>	<b>\$ 26,655</b>

See independent auditors' report.

Special Revenue Funds (Continued)

STC Subvention	Housing Impact	MTA-STP Grant	Measure R	Affordable Housing Fund	Total Other Governmental Funds
\$ 2,866	\$ 735,580	\$ 69,633	\$ 3,014	\$ -	\$ 8,663,317
-	-	-	-	-	133,624
-	2,909	255	186	-	35,040
-	-	-	-	-	37,827
-	-	-	-	-	14,173
<u>\$ 2,866</u>	<u>\$ 738,489</u>	<u>\$ 69,888</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 8,883,981</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,070
-	-	-	-	-	11,197
2,866	-	-	-	-	104,439
-	-	-	-	-	670,556
-	-	-	-	-	56,874
<u>2,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,136</u>
-	-	-	-	-	331,836
-	738,489	-	-	-	5,626,274
-	-	69,888	3,200	-	807,103
-	-	-	-	-	1,890,115
-	-	-	-	-	(657,483)
<u>-</u>	<u>738,489</u>	<u>69,888</u>	<u>3,200</u>	<u>-</u>	<u>7,997,845</u>
<u>\$ 2,866</u>	<u>\$ 738,489</u>	<u>\$ 69,888</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 8,883,981</u>

CITY OF SIGNAL HILL

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

For the year ended June 30, 2012

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
REVENUES:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	126,783	109,732	-	303,481
Charges for services	-	-	-	-
Investment income	2,541	92	42,849	-
Developer fees	-	-	1,637,793	-
Other revenue	-	-	-	-
TOTAL REVENUES	<u>129,324</u>	<u>109,824</u>	<u>1,680,642</u>	<u>303,481</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community services	-	-	1,923	-
Police	-	120,314	-	-
Community development	-	-	-	24,752
Public works	-	-	-	-
Capital outlay	-	10,442	229,753	278,725
TOTAL EXPENDITURES	<u>-</u>	<u>130,756</u>	<u>231,676</u>	<u>303,477</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>129,324</u>	<u>(20,932)</u>	<u>1,448,966</u>	<u>4</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(46,519)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(46,519)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	129,324	(20,932)	1,402,447	4
EXTRAORDINARY ITEM:				
Loss on dissolution of redevelopment agency	-	-	-	-
NET CHANGE IN FUND BALANCES	129,324	(20,932)	1,402,447	4
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>99,272</u>	<u>(28,557)</u>	<u>2,279,136</u>	<u>(4)</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 228,596</u>	<u>\$ (49,489)</u>	<u>\$ 3,681,583</u>	<u>\$ -</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Special Gas Tax	Transportation	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Proposition C
\$ 322,794	\$ 167,538	\$ 94,545	\$ -	\$ -	\$ -	\$ 138,434
-	-	-	10,460	-	-	-
-	2,240	-	-	-	-	-
2,441	6,967	26,760	1,278	16,958	13,693	77
-	-	-	-	395,345	72,238	-
-	-	-	-	-	-	-
<u>325,235</u>	<u>176,745</u>	<u>121,305</u>	<u>11,738</u>	<u>412,303</u>	<u>85,931</u>	<u>138,511</u>
-	-	-	2,488	-	-	2,458
-	-	-	-	-	-	-
-	143,783	-	-	-	-	-
-	-	16,886	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>143,783</u>	<u>16,886</u>	<u>2,488</u>	<u>-</u>	<u>-</u>	<u>2,458</u>
<u>325,235</u>	<u>32,962</u>	<u>104,419</u>	<u>9,250</u>	<u>412,303</u>	<u>85,931</u>	<u>136,053</u>
-	-	-	-	-	-	-
<u>(377,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(1,563,391)</u>	<u>(75,200)</u>
<u>(377,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(1,563,391)</u>	<u>(75,200)</u>
(52,265)	32,962	104,419	9,250	312,303	(1,477,460)	60,853
-	-	-	-	-	-	-
<u>(52,265)</u>	<u>32,962</u>	<u>104,419</u>	<u>9,250</u>	<u>312,303</u>	<u>(1,477,460)</u>	<u>60,853</u>
<u>154,044</u>	<u>424,091</u>	<u>1,705,338</u>	<u>78,329</u>	<u>893,899</u>	<u>899,681</u>	<u>26,751</u>
<u>\$ 101,779</u>	<u>\$ 457,053</u>	<u>\$ 1,809,757</u>	<u>\$ 87,579</u>	<u>\$ 1,206,202</u>	<u>\$ (577,779)</u>	<u>\$ 87,604</u>

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2012

	Special Revenue Funds (Continued)			
	Lighting and Landscape	Supplemental Law Enforcement	Domestic Preparedness	OTS Grant
REVENUES:				
Other taxes	\$ 53,195	\$ -	\$ -	\$ -
Intergovernmental revenues	-	107,215	-	9,963
Charges for services	-	-	-	-
Investment income	1,065	1,079	-	246
Developer fees	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	<u>54,260</u>	<u>108,294</u>	<u>-</u>	<u>10,209</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community services	-	-	-	-
Police	-	186,105	-	18,182
Community development	-	-	-	-
Public works	42,770	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>42,770</u>	<u>186,105</u>	<u>-</u>	<u>18,182</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,490</u>	<u>(77,811)</u>	<u>-</u>	<u>(7,973)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	77,810	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>77,810</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	11,490	(1)	-	(7,973)
EXTRAORDINARY ITEM:				
Loss on dissolution of redevelopment agency	-	-	-	-
NET CHANGE IN FUND BALANCES	11,490	(1)	-	(7,973)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>68,868</u>	<u>103,241</u>	<u>(3,843)</u>	<u>(18,399)</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 80,358</u>	<u>\$ 103,240</u>	<u>\$ (3,843)</u>	<u>\$ (26,372)</u>

See independent auditors' report.

Special Revenue Funds (Continued)

STC Subvention	Housing Impact	MTA-STP Grant	Measure R	Affordable Housing Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 103,552	\$ -	\$ 880,058
(711)	-	-	-	-	666,923
-	-	-	-	-	2,240
-	11,952	1,068	(471)	(3,657)	124,938
-	-	-	-	-	2,105,376
-	-	-	-	41,418	41,418
<u>(711)</u>	<u>11,952</u>	<u>1,068</u>	<u>103,081</u>	<u>37,761</u>	<u>3,820,953</u>
-	-	-	-	-	4,946
-	-	-	-	-	1,923
3,229	-	-	-	-	327,830
-	-	-	-	109,846	278,381
-	-	-	-	-	59,656
-	-	-	-	98,887	617,807
<u>3,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,733</u>	<u>1,290,543</u>
<u>(3,940)</u>	<u>11,952</u>	<u>1,068</u>	<u>103,081</u>	<u>(170,972)</u>	<u>2,530,410</u>
3,940	-	-	-	-	81,750
-	(60,000)	-	(70,000)	(908,580)	(3,201,190)
<u>3,940</u>	<u>(60,000)</u>	<u>-</u>	<u>(70,000)</u>	<u>(908,580)</u>	<u>(3,119,440)</u>
-	(48,048)	1,068	33,081	(1,079,552)	(589,030)
-	-	-	-	(4,618,246)	(4,618,246)
-	(48,048)	1,068	33,081	(5,697,798)	(5,207,276)
-	786,537	68,820	(29,881)	5,697,798	13,205,121
<u>\$ -</u>	<u>\$ 738,489</u>	<u>\$ 69,888</u>	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 7,997,845</u>

CITY OF SIGNAL HILL

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

ASSET SEIZURE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 5,000	\$ 5,000	\$ 126,783	\$ 121,783
Investment income	500	500	2,541	2,041
TOTAL REVENUES	5,500	5,500	129,324	123,824
FUND BALANCE AT BEGINNING OF YEAR	99,272	99,272	99,272	-
FUND BALANCE AT END OF YEAR	\$ 104,772	\$ 104,772	\$ 228,596	\$ 123,824

See independent auditors' report.

CITY OF SIGNAL HILL

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

DOJ GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 109,732	\$ 9,732
Investment income	1,300	1,300	92	(1,208)
<b>TOTAL REVENUES</b>	<b>101,300</b>	<b>101,300</b>	<b>109,824</b>	<b>8,524</b>
EXPENDITURES:				
Police:				
Patrol services	113,400	113,400	120,314	(6,914)
Capital outlay	-	-	10,442	(10,442)
<b>TOTAL EXPENDITURES</b>	<b>113,400</b>	<b>113,400</b>	<b>130,756</b>	<b>(17,356)</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,100)	(12,100)	(20,932)	(8,832)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(28,557)	(28,557)	(28,557)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (40,657)</u>	<u>\$ (40,657)</u>	<u>\$ (49,489)</u>	<u>\$ (8,832)</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 42,849	\$ (7,151)
Developer fees	550,000	550,000	1,637,793	1,087,793
<b>TOTAL REVENUES</b>	<b>600,000</b>	<b>600,000</b>	<b>1,680,642</b>	<b>1,080,642</b>
EXPENDITURES:				
Community services:				
Contract services	-	1,600	1,923	(323)
Capital outlay	-	230,000	229,753	247
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>231,600</b>	<b>231,676</b>	<b>(76)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>600,000</b>	<b>368,400</b>	<b>1,448,966</b>	<b>1,080,566</b>
OTHER FINANCING USES:				
Transfers out	-	(290,000)	(46,519)	243,481
<b>NET CHANGE IN FUND BALANCE</b>	<b>600,000</b>	<b>78,400</b>	<b>1,402,447</b>	<b>1,324,047</b>
FUND BALANCE AT BEGINNING OF YEAR	2,279,136	2,279,136	2,279,136	-
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 2,879,136</b>	<b>\$ 2,357,536</b>	<b>\$ 3,681,583</b>	<b>\$ 1,324,047</b>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 289,230	\$ 343,609	\$ 303,481	\$ (40,128)
EXPENDITURES:				
Community development:				
CDBG program	30,237	30,237	24,752	5,485
Capital outlay	271,093	325,472	278,725	46,747
TOTAL EXPENDITURES	301,330	355,709	303,477	52,232
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,100)	(12,100)	4	12,104
OTHER FINANCING USES:				
Transfers out	(12,100)	-	-	-
NET CHANGE IN FUND BALANCE	(24,200)	(12,100)	4	12,104
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(4)	(4)	(4)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (24,204)	\$ (12,104)	\$ -	\$ 12,104

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 307,921	\$ 307,921	\$ 322,794	\$ 14,873
Investment income	2,000	2,000	2,441	441
TOTAL REVENUES	309,921	309,921	325,235	15,314
OTHER FINANCING USES:				
Transfers out	(360,000)	(377,500)	(377,500)	-
NET CHANGE IN FUND BALANCE	(50,079)	(67,579)	(52,265)	15,314
FUND BALANCE AT BEGINNING OF YEAR	154,044	154,044	154,044	-
FUND BALANCE AT END OF YEAR	\$ 103,965	\$ 86,465	\$ 101,779	\$ 15,314

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 157,805	\$ 157,805	\$ 167,538	\$ 9,733
Charges for services	3,700	3,700	2,240	(1,460)
Investment income	2,000	2,000	6,967	4,967
TOTAL REVENUES	163,505	163,505	176,745	13,240
EXPENDITURES:				
Community development:				
Public transportation	156,054	156,054	143,783	12,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,451	7,451	32,962	25,511
OTHER FINANCING USES:				
Transfers out	(50,000)	(50,000)	-	50,000
NET CHANGE IN FUND BALANCE	(42,549)	(42,549)	32,962	75,511
FUND BALANCE AT BEGINNING OF YEAR	424,091	424,091	424,091	-
FUND BALANCE AT END OF YEAR	\$ 381,542	\$ 381,542	\$ 457,053	\$ 75,511

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 100,000	\$ 100,000	\$ 94,545	\$ (5,455)
Investment income	40,000	40,000	26,760	(13,240)
TOTAL REVENUES	140,000	140,000	121,305	(18,695)
EXPENDITURES:				
Public works:				
Contract services	-	24,100	16,886	7,214
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	140,000	115,900	104,419	(11,481)
FUND BALANCE AT BEGINNING OF YEAR	1,705,338	1,705,338	1,705,338	-
FUND BALANCE AT END OF YEAR	\$ 1,845,338	\$ 1,821,238	\$ 1,809,757	\$ (11,481)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 13,000	\$ 13,000	\$ 10,460	\$ (2,540)
Investment income	<u>1,500</u>	<u>1,500</u>	<u>1,278</u>	<u>(222)</u>
TOTAL REVENUES	14,500	14,500	11,738	(2,762)
EXPENDITURES:				
General government:				
City Council	<u>3,000</u>	<u>3,000</u>	<u>2,488</u>	<u>512</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,500	11,500	9,250	(2,250)
FUND BALANCE AT BEGINNING OF YEAR	<u>78,329</u>	<u>78,329</u>	<u>78,329</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 89,829</u>	<u>\$ 89,829</u>	<u>\$ 87,579</u>	<u>\$ (2,250)</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 23,000	\$ 23,000	\$ 16,958	\$ (6,042)
Developer fees	710,000	710,000	395,345	(314,655)
TOTAL REVENUES	733,000	733,000	412,303	(320,697)
OTHER FINANCING USES:				
Transfers out	-	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	733,000	633,000	312,303	(320,697)
FUND BALANCE AT BEGINNING OF YEAR	893,899	893,899	893,899	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,626,899</u>	<u>\$ 1,526,899</u>	<u>\$ 1,206,202</u>	<u>\$ (320,697)</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 25,000	\$ 25,000	\$ 13,693	\$ (11,307)
Developer fees	115,000	115,000	72,238	(42,762)
TOTAL REVENUES	140,000	140,000	85,931	(54,069)
OTHER FINANCING USES:				
Transfers out	-	(800,000)	(1,563,391)	(763,391)
NET CHANGE IN FUND BALANCE	140,000	(660,000)	(1,477,460)	(817,460)
FUND BALANCE AT BEGINNING OF YEAR	899,681	899,681	899,681	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 1,039,681</u>	<u>\$ 239,681</u>	<u>\$ (577,779)</u>	<u>\$ (817,460)</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

PROPOSITION C SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 130,895	\$ 130,895	\$ 138,434	\$ 7,539
Investment income	1,000	1,000	77	(923)
TOTAL REVENUES	131,895	131,895	138,511	6,616
EXPENDITURES:				
General government:				
City Council	4,500	4,500	2,458	2,042
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	127,395	127,395	136,053	8,658
OTHER FINANCING USES:				
Transfers out	(85,000)	(75,200)	(75,200)	-
NET CHANGE IN FUND BALANCE	42,395	52,195	60,853	8,658
FUND BALANCE AT BEGINNING OF YEAR	26,751	26,751	26,751	-
FUND BALANCE AT END OF YEAR	\$ 69,146	\$ 78,946	\$ 87,604	\$ 8,658

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 52,974	\$ 52,974	\$ 53,195	\$ 221
Investment income	1,600	1,600	1,065	(535)
TOTAL REVENUES	54,574	54,574	54,260	(314)
EXPENDITURES:				
Public works:				
Lighting and landscape maintenance	52,974	52,974	42,770	10,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,600	1,600	11,490	9,890
FUND BALANCE AT BEGINNING OF YEAR	68,868	68,868	68,868	-
FUND BALANCE AT END OF YEAR	\$ 70,468	\$ 70,468	\$ 80,358	\$ 9,890

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 107,215	\$ 7,215
Investment income	700	700	1,079	379
TOTAL REVENUES	100,700	100,700	108,294	7,594
EXPENDITURES:				
Police:				
Patrol services	177,840	177,840	186,105	(8,265)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,140)	(77,140)	(77,811)	(671)
OTHER FINANCING SOURCES:				
Transfers in	77,810	77,810	77,810	-
NET CHANGE IN FUND BALANCE	670	670	(1)	(671)
FUND BALANCE AT BEGINNING OF YEAR	103,241	103,241	103,241	-
FUND BALANCE AT END OF YEAR	\$ 103,911	\$ 103,911	\$ 103,240	\$ (671)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 12,000	\$ 12,000	\$ 9,963	\$ (2,037)
Investment income	-	-	246	246
TOTAL REVENUES	12,000	12,000	10,209	(1,791)
EXPENDITURES:				
Police:				
Patrol services	-	-	18,182	(18,182)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,000	12,000	(7,973)	(19,973)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(18,399)	(18,399)	(18,399)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (6,399)	\$ (6,399)	\$ (26,372)	\$ (19,973)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 11,952	\$ 1,952
OTHER FINANCING USES:				
Transfers out	-	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	10,000	(50,000)	(48,048)	1,952
FUND BALANCE AT BEGINNING OF YEAR	786,537	786,537	786,537	-
FUND BALANCE AT END OF YEAR	<u>\$ 796,537</u>	<u>\$ 736,537</u>	<u>\$ 738,489</u>	<u>\$ 1,952</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

MTA-STP GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,068	\$ 1,068
OTHER FINANCING USES:				
Transfers out	-	(60,000)	-	60,000
NET CHANGE IN FUND BALANCE	-	(60,000)	1,068	61,068
FUND BALANCE AT BEGINNING OF YEAR	68,820	68,820	68,820	-
FUND BALANCE AT END OF YEAR	<u>\$ 68,820</u>	<u>\$ 8,820</u>	<u>\$ 69,888</u>	<u>\$ 61,068</u>

See independent auditors' report.

CITY OF SIGNAL HILL

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

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 98,172	\$ 98,172	\$ 103,552	\$ 5,380
Investment income	-	-	(471)	(471)
TOTAL REVENUES	98,172	98,172	103,081	4,909
OTHER FINANCING USES:				
Transfers out	-	(70,000)	(70,000)	-
NET CHANGE IN FUND BALANCE	98,172	28,172	33,081	4,909
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(29,881)	(29,881)	(29,881)	-
FUND BALANCE AT END OF YEAR	\$ 68,291	\$ (1,709)	\$ 3,200	\$ 4,909

See independent auditors' report.

CITY OF SIGNAL HILL

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

AFFORDABLE HOUSING SPECIAL REVENUE FUND

For the seven month period July 1, 2011 to January 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,675,300	\$ 2,675,300	\$ -	\$ (2,675,300)
Investment income	100,000	100,000	(3,657)	(103,657)
Other revenue	102,000	102,000	41,418	(60,582)
TOTAL REVENUES	2,877,300	2,877,300	37,761	(2,839,539)
EXPENDITURES:				
Community development:				
Redevelopment	2,987,846	268,660	109,846	158,814
Capital outlay	800,000	800,000	98,887	701,113
TOTAL EXPENDITURES	3,787,846	1,068,660	208,733	859,927
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(910,546)	1,808,640	(170,972)	(1,979,612)
OTHER FINANCING SOURCES (USES):				
Transfers in	230,000	230,000	-	(230,000)
Transfers out	(1,359,593)	(1,359,593)	(908,580)	451,013
TOTAL OTHER FINANCING SOURCES (USES)	(1,129,593)	(1,129,593)	(908,580)	221,013
NET CHANGE IN FUND BALANCE, BEFORE EXTRAORDINARY ITEM	(2,040,139)	679,047	(1,079,552)	(1,758,599)
EXTRAORDINARY ITEM:				
Loss on dissolution of redevelopment agency	-	-	(4,618,246)	(4,618,246)
NET CHANGE IN FUND BALANCE	(2,040,139)	679,047	(5,697,798)	(6,376,845)
FUND BALANCE AT BEGINNING OF YEAR	5,697,798	5,697,798	5,697,798	-
FUND BALANCE AT END PERIOD, JANUARY 31, 2012	\$ 3,657,659	\$ 6,376,845	\$ -	\$ (6,376,845)

See independent auditors' report.

**This page intentionally left blank**

**FIDUCIARY FUNDS**  
**AGENCY FUNDS**

Gateway IRWM Joint Powers Authority Fund - Accounts for assets held by the City as an agent for the Los Angeles Gateway Regional Water Management Joint Powers Authority.

Spring Street Corridor Joint Powers Authority Fund - Accounts for assets held by the City as an agent for the Spring Street Corridor Joint Powers Authority.

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

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2012

	Gateway IRWM Joint Powers Authority Fund	Spring Street Corridor Joint Powers Authority Fund	Special Deposit Agency Fund	Total
<b>ASSETS:</b>				
Cash and investments	\$ 853,754	\$ 1,507	\$ 943,466	\$ 1,798,727
Accrued interest receivable	<u>2,146</u>	<u>6</u>	<u>-</u>	<u>2,152</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 855,900</u></u></b>	<b><u><u>\$ 1,513</u></u></b>	<b><u><u>\$ 943,466</u></u></b>	<b><u><u>\$ 1,800,879</u></u></b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 173,655	\$ -	\$ 11,348	\$ 185,003
Refundable deposits	<u>682,245</u>	<u>1,513</u>	<u>932,118</u>	<u>1,615,876</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 855,900</u></u></b>	<b><u><u>\$ 1,513</u></u></b>	<b><u><u>\$ 943,466</u></u></b>	<b><u><u>\$ 1,800,879</u></u></b>

See independent auditor's report.

CITY OF SIGNAL HILL

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>GATEWAY IRWM JOINT POWERS AUTHORITY</b>				
ASSETS:				
Cash and investments	\$ -	\$ 1,139,746	\$ (285,992)	\$ 853,754
Accrued interest receivable	-	2,146		2,146
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 1,141,892</b>	<b>\$ (285,992)</b>	<b>\$ 855,900</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 429,899	\$ (256,244)	\$ 173,655
Refundable deposits	-	1,126,893	(444,648)	682,245
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 1,556,792</b>	<b>\$ (700,892)</b>	<b>\$ 855,900</b>
<b>SPRING STREET CORRIDOR JOINT POWERS AUTHORITY</b>				
ASSETS:				
Cash and investments	\$ -	\$ 4,572	\$ (3,065)	\$ 1,507
Accrued interest receivable	-	9	(3)	6
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 4,581</b>	<b>\$ (3,068)</b>	<b>\$ 1,513</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 75	\$ (75)	\$ -
Refundable deposits	-	4,581	(3,068)	1,513
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 4,656</b>	<b>\$ (3,143)</b>	<b>\$ 1,513</b>
<b>SPECIAL DEPOSIT</b>				
ASSETS:				
Cash and investments	\$ 671,801	\$ 454,013	\$ (182,348)	\$ 943,466
LIABILITIES:				
Accounts payable	\$ -	\$ 131,296	\$ (119,948)	\$ 11,348
Refundable deposits	671,801	670,119	(409,802)	932,118
<b>TOTAL LIABILITIES</b>	<b>\$ 671,801</b>	<b>\$ 801,415</b>	<b>\$ (529,750)</b>	<b>\$ 943,466</b>
<b>TOTAL</b>				
ASSETS:				
Cash and investments	\$ 671,801	\$ 1,598,331	\$ (471,405)	\$ 1,798,727
Accrued interest receivable	-	2,155	(3)	2,152
<b>TOTAL ASSETS</b>	<b>\$ 671,801</b>	<b>\$ 1,600,486</b>	<b>\$ (471,408)</b>	<b>\$ 1,800,879</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 561,270	\$ (376,267)	\$ 185,003
Refundable deposits	671,801	1,801,593	(857,518)	1,615,876
<b>TOTAL LIABILITIES</b>	<b>\$ 671,801</b>	<b>\$ 2,362,863</b>	<b>\$ (1,233,785)</b>	<b>\$ 1,800,879</b>

See independent auditors' report.

**This page intentionally left blank**

## **STATISTICAL SECTION**

**This page intentionally left blank**

## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	134 - 141
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	142 - 145
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146 - 149
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	150 - 151
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	152 - 154

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

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

Source: City of Signal Hill, Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 43,943	\$ 44,503	\$ 45,402	\$ 46,331	\$ 59,680	\$ 57,653
32,432	37,503	36,632	56,423	47,378	10,749
<u>(43,683)</u>	<u>(47,272)</u>	<u>(43,794)</u>	<u>(65,190)</u>	<u>(66,721)</u>	<u>35,059</u>
<u>\$ 32,692</u>	<u>\$ 34,734</u>	<u>\$ 38,240</u>	<u>\$ 37,564</u>	<u>\$ 40,337</u>	<u>\$ 103,461</u>
\$ 17,289	\$ 18,010	\$ 17,674	\$ 17,341	\$ 17,076	\$ 16,792
688	-	-	670	679	674
<u>2,812</u>	<u>4,108</u>	<u>4,892</u>	<u>4,484</u>	<u>4,026</u>	<u>4,239</u>
<u>\$ 20,789</u>	<u>\$ 22,118</u>	<u>\$ 22,566</u>	<u>\$ 22,495</u>	<u>\$ 21,781</u>	<u>\$ 21,705</u>
\$ 61,232	\$ 62,513	\$ 63,076	\$ 63,672	\$ 76,756	\$ 74,445
33,120	37,503	36,632	57,093	48,057	11,423
<u>(40,871)</u>	<u>(43,164)</u>	<u>(38,902)</u>	<u>(60,706)</u>	<u>(62,695)</u>	<u>39,298</u>
<u>\$ 53,481</u>	<u>\$ 56,852</u>	<u>\$ 60,806</u>	<u>\$ 60,059</u>	<u>\$ 62,118</u>	<u>\$ 125,166</u>

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

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

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

Source: City of Signal Hill, Finance Department

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 3,009	\$ 3,344	\$ 3,685	\$ 3,137	\$ 2,790	\$ 3,080	
1,248	1,407	1,418	1,273	1,241	1,217	
7,434	7,662	7,628	7,726	7,521	7,571	
3,712	11,578	8,788	11,563	8,863	1,280	
5,328	4,585	5,600	4,935	4,462	4,141	
524	531	531	521	524	535	
4,252	4,095	3,761	4,394	4,787	3,687	
-	17	19	-	-	-	
25,507	33,219	31,430	33,549	30,188	21,511	
3,896	3,380	3,578	3,832	4,163	3,804	
<u>\$ 29,403</u>	<u>\$ 36,599</u>	<u>\$ 35,008</u>	<u>\$ 37,381</u>	<u>\$ 34,351</u>	<u>\$ 25,315</u>	
\$ 213	\$ 157	\$ 440	\$ 70	\$ 168	\$ 176	
282	297	301	239	234	209	
549	665	639	556	607	453	
588	597	559	506	677	531	
989	962	1,062	914	897	773	
1,748	806	1,187	1,703	1,448	1,586	
2,366	1,230	1,268	1,376	440	2,691	
6,735	4,714	5,456	5,364	4,471	6,419	
3,601	3,352	3,291	3,630	3,383	3,515	
<u>\$ 10,336</u>	<u>\$ 8,066</u>	<u>\$ 8,747</u>	<u>\$ 8,994</u>	<u>\$ 7,854</u>	<u>\$ 9,934</u>	
\$ (18,772)	\$ (28,505)	\$ (25,974)	\$ (28,185)	\$ (25,717)	\$ (15,092)	
(295)	(28)	(287)	(202)	(780)	(289)	
<u>\$ (19,067)</u>	<u>\$ (28,533)</u>	<u>\$ (26,261)</u>	<u>\$ (28,387)</u>	<u>\$ (26,497)</u>	<u>\$ (15,381)</u>	
\$ 13,995	\$ 14,302	\$ 15,391	\$ 15,168	\$ 14,801	\$ 7,487	
12,177	12,162	9,978	9,460	9,946	11,210	
591	502	563	514	533	547	
74	51	39	33	58	-	
1,302	1,117	1,355	1,058	1,145	1,278	
2,295	3,356	2,503	1,267	649	1,252	
206	195	136	27	71	20	
16	14	14	(17)	6	4	
(660)	(1,151)	(500)	-	-	(100)	
-	-	-	-	-	56,518	
29,996	30,548	29,479	27,510	27,209	78,216	
184	206	236	131	66	75	
-	-	-	-	-	38	
1	-	-	-	-	-	
660	1,151	500	-	-	100	
845	1,357	736	131	66	213	
<u>\$ 30,841</u>	<u>\$ 31,905</u>	<u>\$ 30,215</u>	<u>\$ 27,641</u>	<u>\$ 27,275</u>	<u>\$ 78,429</u>	
\$ 11,224	\$ 2,043	\$ 3,505	\$ (675)	\$ 1,492	\$ 63,124	
550	1,329	449	(71)	(714)	(76)	
<u>\$ 11,774</u>	<u>\$ 3,372</u>	<u>\$ 3,954</u>	<u>\$ (746)</u>	<u>\$ 778</u>	<u>\$ 63,048</u>	

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

	Fiscal Year			
	2003	2004	2005	2006
<b>General Fund</b>				
Reserved	\$ 2,607	\$ 2,349	\$ 2,289	\$ 2,290
Unreserved	16,222	18,502	18,843	21,287
Total General Fund	<u>18,829</u>	<u>20,851</u>	<u>21,132</u>	<u>23,577</u>
<b>All Other Governmental Funds</b>				
Reserved	3,517	3,801	4,726	4,101
Unreserved, reported in:				
Special revenue funds	7,575	11,346	6,192	9,216
Debt service funds	(1,063)	176	1,603	3,688
Capital projects funds	456	3,102	3,144	3,693
Total All Other Governmental Funds	<u>10,485</u>	<u>18,425</u>	<u>15,665</u>	<u>20,698</u>
Total All Governmental Funds	<u>\$ 29,314</u>	<u>\$ 39,276</u>	<u>\$ 36,797</u>	<u>\$ 44,275</u>
<b>General Fund</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total All Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 43	\$ 10,000	\$ 10,000	\$ 10,314	\$ -	\$ -
26,564	19,652	17,445	14,212	-	-
<u>26,607</u>	<u>29,652</u>	<u>27,445</u>	<u>24,526</u>	<u>-</u>	<u>-</u>
20,150	30,761	30,331	49,583	-	-
10,983	6,616	7,427	8,047	-	-
5,904	(1,640)	804	(2,458)	-	-
2,312	868	-	-	-	-
<u>39,349</u>	<u>36,605</u>	<u>38,562</u>	<u>55,172</u>	<u>-</u>	<u>-</u>
<u>\$ 65,956</u>	<u>\$ 66,257</u>	<u>\$ 66,007</u>	<u>\$ 79,698</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,539	\$ 10,241
-	-	-	-	10,220	10,721
-	-	-	-	6,167	6,642
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,926</u>	<u>\$ 27,604</u>
\$ -	\$ -	\$ -	\$ -	\$ 18,127	\$ 4,068
-	-	-	-	28,604	9,942
-	-	-	-	(5,271)	(719)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,460</u>	<u>\$ 13,291</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,386</u>	<u>40,895</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues</b>				
Taxes	\$ 19,650	\$ 21,452	\$ 21,609	\$ 25,975
Licenses and permits	426	421	429	348
Intergovernmental revenues	5,488	4,304	2,910	2,235
Charges for services	924	1,185	1,020	1,236
Fines and forfeitures	199	203	284	359
Investment income	1,109	328	1,014	1,185
Other	3,549	2,600	1,948	4,212
<b>Total Revenues</b>	<u>31,345</u>	<u>30,493</u>	<u>29,214</u>	<u>35,550</u>
<b>Expenditures</b>				
General government	3,073	3,009	5,058	4,155
Community services	1,050	1,048	1,130	1,175
Public safety	4,897	5,473	6,339	6,586
Community development	907	1,108	1,123	1,187
Public works	3,164	3,577	3,683	3,761
Capital outlay	9,468	5,578	7,191	2,891
Debt service:				
Principal retirement	1,904	820	2,595	2,888
Interest	3,939	2,976	3,427	3,334
Other debt service	1,096	4,510	457	1,114
<b>Total Expenditures</b>	<u>29,498</u>	<u>28,099</u>	<u>31,003</u>	<u>27,091</u>
Excess of revenues over/(under) expenditures	<u>1,847</u>	<u>2,394</u>	<u>(1,789)</u>	<u>8,459</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers in	2,884	3,406	2,372	2,765
Transfers out	(2,867)	(3,406)	(3,062)	(3,746)
Other	120	7,568	-	-
<b>Total other financing sources</b>	<u>137</u>	<u>7,568</u>	<u>(690)</u>	<u>(981)</u>
Net change in fund balances	<u>\$ 1,984</u>	<u>\$ 9,962</u>	<u>\$ (2,479)</u>	<u>\$ 7,478</u>
Capitalized capital outlay	<u>\$ 4,513</u>	<u>\$ 2,023</u>	<u>\$ 726</u>	<u>\$ 769</u>
Debt service as a percentage of noncapital expenditures	27.8%	31.9%	21.4%	27.9%

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 28,181	\$ 29,009	\$ 28,334	\$ 25,683	\$ 26,823	\$ 21,141
369	278	271	302	331	312
2,224	810	1,086	1,766	864	1,214
1,142	1,078	1,155	841	870	645
356	409	401	400	385	317
2,960	3,547	2,945	1,392	2,205	1,160
2,130	1,543	1,678	1,168	1,043	2,960
<u>37,362</u>	<u>36,674</u>	<u>35,870</u>	<u>31,552</u>	<u>32,521</u>	<u>27,749</u>
2,919	3,054	3,398	3,070	3,051	3,103
1,246	1,406	1,413	1,272	1,239	1,216
7,295	7,520	7,516	7,458	7,442	7,482
1,198	3,323	3,101	8,446	4,659	1,689
4,025	4,015	3,964	3,721	3,637	3,640
3,738	8,136	7,742	5,241	21,457	6,047
2,451	2,545	2,845	2,865	5,044	4,819
3,749	4,019	4,563	4,999	5,695	3,672
1,842	1,721	1,079	1,215	1,102	14
<u>28,463</u>	<u>35,739</u>	<u>35,621</u>	<u>38,287</u>	<u>53,326</u>	<u>31,682</u>
<u>8,899</u>	<u>935</u>	<u>249</u>	<u>(6,735)</u>	<u>(20,805)</u>	<u>(3,933)</u>
5,024	13,845	5,129	3,565	9,243	3,755
(5,742)	(14,996)	(5,629)	(3,565)	(9,253)	(3,855)
13,500	517	-	20,427	9,503	(23,458)
<u>12,782</u>	<u>(634)</u>	<u>(500)</u>	<u>20,427</u>	<u>9,493</u>	<u>(23,558)</u>
<u>\$ 21,681</u>	<u>\$ 301</u>	<u>\$ (251)</u>	<u>\$ 13,692</u>	<u>\$ (11,312)</u>	<u>\$ (27,491)</u>
<u>\$ 1,286</u>	<u>\$ 535</u>	<u>\$ 1,617</u>	<u>\$ 1,693</u>	<u>\$ 17,446</u>	<u>\$ 6,093</u>
29.6%	23.5%	25.0%	24.8%	33.0%	33.2%

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2003	\$ 348,170	\$ 32,980	\$ (5,287)	\$ 375,863	\$ 660,935	\$ 77,624	\$ (4,371)	\$ 734,188	0.62968
2004	381,532	37,819	(5,292)	414,059	731,513	83,675	(4,550)	810,638	0.63524
2005	421,446	34,542	(5,453)	450,535	865,759	81,094	(5,019)	941,834	0.65248
2006	474,373	30,102	(5,450)	499,025	980,644	83,292	(5,173)	1,058,763	0.66032
2007	537,818	29,189	(5,418)	561,589	1,133,343	104,301	(5,285)	1,232,359	0.67271
2008	596,300	30,591	(5,550)	621,341	1,233,718	102,845	(5,583)	1,330,980	0.67048
2009	632,376	33,425	(5,680)	660,121	1,316,948	107,149	(5,636)	1,418,461	0.67381
2010	587,320	31,265	(5,793)	612,792	1,289,275	99,941	(5,746)	1,383,470	0.68186
2011	572,596	33,227	(5,786)	600,037	1,297,258	102,457	(5,818)	1,393,897	0.68693
2012	577,970	35,699	(5,716)	607,953	1,305,257	103,603	(5,858)	1,403,002	0.68596

Note:

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

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

Agency	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Basic Levy (1)</b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
County Detention Facilities 1987 Debt	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
L.A. County Flood Control	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
L.A. County Sanitation	0.00542	0.00506	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Long Beach Community College District	0.00000	0.01171	0.01239	0.01857	0.01153	0.01839	0.02181	0.02392	0.02559	0.02615
Long Beach Unified School District	0.03519	0.04285	0.04667	0.04075	0.03811	0.03457	0.03220	0.08663	0.08834	0.09223
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
<b>Total Direct and Overlapping (2) Tax Rates</b>	<b><u>1.04922</u></b>	<b><u>1.06717</u></b>	<b><u>1.06603</u></b>	<b><u>1.06537</u></b>	<b><u>1.05505</u></b>	<b><u>1.05746</u></b>	<b><u>1.05831</u></b>	<b><u>1.11485</u></b>	<b><u>1.11763</u></b>	<b><u>1.12208</u></b>
<b>City's Share of 1% Levy per Prop 13 (3)</b>	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06770
<b>General Obligation Debt Rate</b>										
<b>Redevelopment Rate (4)</b>	1.01403	1.01261	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370
<b>Total Direct Rate (5)</b>	0.62968	0.63524	0.65248	0.66032	0.67271	0.67048	0.67314	0.68186	0.68693	0.68596

Notes:

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

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

Taxpayer	2011-12		2002-03	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Signal Hill Petroleum, Inc.	\$ 114,800	5.71%	\$ 19,291	1.74%
PL Signal Hill, LP	37,023	1.84%	-	0.00%
LBSH Development	26,001	1.29%	19,000	1.71%
Towne Center West LLC	23,786	1.18%	-	0.00%
Arco Terminal Services Corp.	22,638	1.13%	27,578	2.48%
Costco Wholesale Corp.	20,749	1.03%	17,745	1.60%
Long Beach Acquisition Corp (Charter Com.)	14,934	0.74%	26,321	2.37%
Pacific of Costanzo-Glendora	13,988	0.70%	-	0.00%
VNO Trust Cherry Avenue LP	13,891	0.69%	-	0.00%
Signal Hill Town Center LLC	13,690	0.68%	9,818	0.88%
Price Owner LLC	-	0.00%	25,061	2.26%
Price Enterprises, Inc.	-	0.00%	-	0.00%
MCC Pacific Valves	-	0.00%	12,446	1.12%
Hilltop LLC	-	0.00%	13,605	1.23%
Eastman Inc	-	0.00%	11,047	1.00%
	<u>\$ 301,500</u>	<u>14.99%</u>	<u>\$ 181,912</u>	<u>16.39%</u>

Note:

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 9,129,181	\$ 8,936,641	97.89%	N/A	N/A	N/A
2006	10,461,029	10,142,108	96.95%	N/A	N/A	N/A
2007	12,440,136	12,030,441	96.71%	N/A	N/A	N/A
2008	13,236,173	12,543,164	94.76%	N/A	N/A	N/A
2009	14,076,452	13,632,388	96.85%	N/A	N/A	N/A
2010	13,851,876	13,317,121	96.14%	N/A	N/A	N/A
2011	13,970,131	13,440,041	96.21%	N/A	N/A	N/A
2012	13,836,416	13,644,860	98.62%	N/A	N/A	N/A

Notes:

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

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percent of Assessed Valuation	Per Capita	Percent of Personal Income
	Redevelopment Tax Allocation	Notes	Loans	Certificates of Participation	Water Revenue Bonds	Loans				
2003	\$ 61,115	\$ 5,130	\$ 2,115	\$ 9,023	\$ -	\$ 756	\$ 78,139	7.039%	\$ 7,598.11	N/A
2004	67,000	4,820	2,060	8,828	-	680	83,388	6.809%	7,843.85	N/A
2005	64,778	4,570	2,000	8,623	-	605	80,576	5.787%	7,357.87	N/A
2006	62,551	3,972	2,000	-	8,475	529	77,527	4.977%	6,991.34	N/A
2007	73,770	3,866	2,000	-	8,220	454	88,310	4.923%	7,864.46	N/A
2008	71,808	3,866	2,000	-	7,955	378	86,007	4.405%	7,543.15	N/A
2009	69,031	3,866	2,000	-	7,680	302	82,879	3.987%	7,251.01	N/A
2010	86,670	3,866	2,000	-	7,395	227	100,158	5.017%	8,735.98	N/A
2011	91,678	4,402	1,000	-	7,095	151	104,326	5.232%	9,422.51	N/A
2012	-	-	-	-	6,785	76	6,861	0.341%	616.50	N/A

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

CITY OF SIGNAL HILL  
 Direct and Overlapping Bonded Debt  
 As of June 30, 2012

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
<b>Overlapping Debt:</b>			
310.25 *Metropolitan Water District	\$ 94,031,705	0.079%	\$ 74,155
807.50 Long Beach CCD 2002 Series A 2003	1,235,000	4.051%	50,029
807.51 Long Beach CCD 2002 Series B 2005	57,280,000	4.051%	2,320,351
807.52 Long Beach CCD Refunding Bonds 2002 Series C	10,989,898	4.051%	445,189
807.53 Long Beach CCD DS 2002 Series D (2007)	70,999,987	4.051%	2,876,133
807.54 Long Beach CCD DS 2008, 2008 Series A	48,047,022	4.051%	1,946,333
883.53 Long Beach Unified School District DS 1999 Series D	1,135,000	4.051%	45,984
883.54 Long Beach Unified School District DS 1999 Series E	221,655,000	4.051%	8,980,207
883.55 Long Beach Unified School District DS 1999 Series F	3,020,686	4.051%	122,381
883.56 Long Beach Unified School District DS 1999 Series G	72,406,000	4.051%	2,933,482
883.57 Long Beach Unified School District 2008 Refunding Bonds	37,590,000	4.051%	1,522,934
883.58 Long Beach Unified School District DS 2008 Series A	29,995,606	4.051%	1,215,252
883.59 Long Beach Unified School District DS 2009 Refunding Bonds Series B	26,150,000	4.051%	1,059,450
883.60 Long Beach Unified School District DS 2010 Refunding Bonds Series B	51,720,000	4.051%	2,095,402
883.63 Long Beach Unified School District 2011 and 2012 Refunding Bonds	92,980,000	4.051%	<u>3,767,024</u>
Total Overlapping Debt			<u><u>\$ 29,454,306</u></u>

2011/12 Assessed Valuation: \$680,783,059 After Deducting \$1,330,172,594 Incremental Value.

Debt To Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	4.33%
	Total Debt	4.33%

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

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

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

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

Source: HdL Coren & Cone, Los Angeles County Assessor Combined 2011/12 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	\$ 2,010,955,653
Debt limit (15% of assessed value)	301,643,348
Debt applicable to limit	-
Legal debt margin - Current Year	<u><u>\$ 301,643,348</u></u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2003	\$ 166,507,665	\$ -	\$ 166,507,665	0.00%
2004	183,704,523	-	183,704,523	0.00%
2005	208,855,187	-	208,855,187	0.00%
2006	233,668,165	-	233,668,165	0.00%
2007	269,092,209	-	269,092,209	0.00%
2008	292,848,134	-	292,848,134	0.00%
2009	311,787,359	-	311,787,359	0.00%
2010	299,439,266	-	299,439,266	0.00%
2011	299,090,082	-	299,090,082	0.00%
2012	301,643,348	-	301,643,348	0.00%

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

Fiscal Year	Non-Housing Component					Coverage
	Pledged Tax Revenues	Debt Service (1)			Total	
		Principal	Interest			
2003	\$ 6,146	\$ 1,388	\$ 2,465	\$ 3,853	1.60	
2004	7,009	1,779	2,113	3,892	1.80	
2005	7,120	1,788	2,097	3,885	1.83	
2006	8,638	1,830	2,057	3,887	2.22	
2007	10,010	2,015	2,848	4,863	2.06	
2008	9,027	2,247	2,586	4,833	1.87	
2009	9,584	2,268	2,561	4,829	1.98	
2010	9,840	3,109	3,351	6,460	1.52	
2011	9,517	3,090	3,642	6,732	1.41	
2012 (2)	-	-	-	-	-	

Fiscal Year	Low Income Housing Component					Coverage
	Pledged Tax Revenues	Debt Service (1)			Total	
		Principal	Interest			
2003	\$ 1,587	\$ 356	\$ 594	\$ 950	1.67	
2004	1,787	506	679	1,185	1.51	
2005	1,817	502	686	1,188	1.53	
2006	2,197	515	672	1,187	1.85	
2007	2,549	530	656	1,186	2.15	
2008	2,580	598	572	1,170	2.21	
2009	2,748	597	574	1,171	2.35	
2010	2,743	621	552	1,173	2.34	
2011	2,677	645	528	1,173	2.28	
2012 (2)	-	-	-	-	-	

- (1) Debt service amounts are presented on a bond year basis.
- (2) On February 1, 2012, the Signal Hill Redevelopment Agency was dissolved as a result of legislation enacted by the State of California. As a result, the debt associated with this schedule was transferred to a successor agency that will be handling the winding up of the Signal Hill Redevelopment Agency's affairs.

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

Calendar Year	City Population	Los Angeles-Long Beach-Santa Ana Area			
		Area Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2003	10,284	12,748,533	\$ 427,549,556	\$ 33,537	6.9%
2004	10,631	12,806,778	452,200,899	35,309	6.3%
2005	10,951	12,761,175	496,601,674	38,915	5.0%
2006	11,089	12,713,660	536,330,465	42,185	4.4%
2007	11,229	12,692,603	555,946,310	43,801	4.7%
2008	11,402	12,768,395	568,434,957	44,519	6.7%
2009	11,430	12,847,797	550,831,747	42,874	11.1%
2010	11,465	12,844,371	550,282,932	42,842	11.7%
2011	11,072	12,944,801	575,044,998	44,423	11.7%
2012	11,129	N/A	N/A	N/A	10.3%

N/A - Not Available

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

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

Employer	2011-10			2002-03*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	450	1	5.55%			
Home Depot	320	2	3.94%			
Costco Wholesale	215	3	2.65%			
Best Buy Stores LP	134	4	1.65%			* Information not available
Accentcare of California	131	5	1.61%			
Crane Valves North America	130	6	1.60%			
Target	130	7	1.60%			
Platt Security Inc.	126	8	1.55%			
Long Beach BMW	122	9	1.50%			
Tsai. Hsiao & Loo Dental Corp.	115	10	1.42%			
	<u>1,873</u>		<u>23.08%</u>			

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

Department	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration	5.00	5.25	4.50	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Finance	7.44	7.44	6.44	6.44	6.44	6.48	6.48	6.48	6.48	6.48
Community services	24.29	24.11	23.78	23.05	22.46	24.15	24.19	24.15	20.84	20.84
Police	53.28	52.18	52.18	50.40	52.40	53.88	54.40	54.40	53.37	53.40
Community development	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Public works	31.00	30.42	30.92	29.00	29.00	30.00	30.00	30.00	30.00	30.00
Redevelopment	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<b>130.01</b>	<b>128.40</b>	<b>126.82</b>	<b>121.89</b>	<b>123.30</b>	<b>127.51</b>	<b>128.07</b>	<b>128.03</b>	<b>123.69</b>	<b>123.72</b>

Source: City of Signal Hill, Finance Department

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

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
<b>Police:</b>							
Calls for service	7,151	8,092	6,284	6,340	6,377	6,062	6,384
Reports written	4,884	4,792	4,951	4,516	4,004	3,978	3,826
Total arrests	1,736	2,074	2,219	2,092	1,776	2,060	1,823
Hazardous traffic conditions	2,871	3,480	3,928	3,773	3,445	3,229	3,758
Parking citations	6,553	6,410	6,542	6,446	5,758	4,881	4,196
<b>Community Development:</b>							
Code enforcement cases	73	82	67	79	94	94	75
Building permits	187	193	182	154	163	193	144
Site plan design reviews	13	14	10	8	7	6	6
<b>Water:</b>							
Number of customers	2,846	2,890	2,856	2,908	2,960	2,964	3,014
Average daily consumption (in millions of gallons)	2.13	2.15	1.94	1.88	1.88	1.74	1.75
Number of hydrants maintained	552	473	466	467	562	174	568
<b>Public Works:</b>							
Traffic signals maintained	29	29	29	29	29	29	29
Street sweeping miles	3,500	3,500	6,240	6,240	6,240	6,240	6,240
Sidewalk repairs (square feet)	8,000	4,200	3,200	10,269	15,674	5,787	14,220
Curb and gutter replaced (linear feet)	400	325	170	267	197	522	1,388
Cross gutter replaced (square feet)	N/A	N/A	720	-	490	-	5,067
<b>Engineering:</b>							
Number of infrastructure projects administered	17	14	10	8	8	9	4
Plan checks completed	19	17	8	8	6	10	5
<b>Community Services:</b>							
Library items borrowed	44,024	68,321	80,266	89,059	57,847	59,359	39,972
Youth sports participants	408	5,886	7,099	9,205	6,897	7,390	8,080
After school youth programs	11,693	13,324	13,582	15,001	16,086	11,886	14,746
Facility rental bookings	265	356	523	948	813	697	748

N/A - Not Available

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

Source: Various City Departments

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety:</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	10	10	9	9	10	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
<b>Water:</b>										
Miles of Lines and Mains	34	34	34	34	34	50	50	50	50	50
Reservoirs	3	3	3	3	3	3	3	3	3	3
Wells	2	2	2	2	2	2	3	3	3	3
<b>Highways and Streets:</b>										
Miles of Streets	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7
Street Trees	3,200	3,200	3,200	3,200	3,971	3,903	3,984	3,903	3,715	3,711
<b>Recreation and Culture:</b>										
Parks	6	8	9	10	10	10	10	10	10	10
Area of Parks (Acres)	17.39	22.51	23.01	23.03	23.03	23.03	23.03	23.03	23.03	23.03
Libraries	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Bandstands	1	1	1	1	1	1	1	1	1	1
Baseball Diamonds	1	1	1	1	1	1	1	1	1	1
Basketball Courts	2	2	2	2	2	2	2	2	2	2