



City of Signal Hill
Year Ended June 30, 2016
COMPREHENSIVE ANNUAL FINANCIAL REPORT



Image on Cover: Picture of Signal Hill Well 9 and Nano-Filtration Treatment Plant

The City's water supply is provided from two sources; groundwater pumped from City owned wells and water purchased from the Metropolitan Water District (MWD).

To improve the reliability of the City's water supply, the City Council had expressed a desire to develop a reliable water source south of the I-405 freeway. The drilling operation for Well No. 9 began in March 2008 and was completed in June 2008. In the fall of 2014, the City received a grant from the State of California's Emergency Drought Program for the construction of a nano-filtration plant at Well No. 9. The Emergency Drought Program was established to assist communities in meeting the State's goal to decrease reliance on imported water supplies and to increase the use of local supplies. The estimated final cost for the project is \$7,705,935.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SIGNAL HILL, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2016



Prepared by
Department of Finance

Terri Marsh
Director of Finance

ELECTED OFFICIALS



Lori Y. Woods
Mayor



Tina L. Hansen
Vice Mayor



Mike Noll
Council Member



Edward H.J. Wilson
Council Member



Larry Forester
Council Member



Larry Blunden
City Treasurer



Robert Copeland
City Clerk

EXECUTIVE MANAGEMENT

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

Charlie Honeycutt
Hannah Shin-Heydorn
David Aleshire
Aly Mancini
Scott Charney
Terri Marsh
Michael Langston
Stephen Myrter

CITY OF SIGNAL HILL

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CITY OF SIGNAL HILL

2175 Cherry Avenue ♦ Signal Hill, CA 90755-3799

December 30, 2016

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, 2016. The purpose of this report is to provide the City Council, residents, general public, and interested parties with a broad financial outlook of the City, as well as to comply with state law.

The City's independent auditors, Moss, Levy Hartzheim LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Signal Hill's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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, Moss, Levy & Hartzheim LLP, in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board. Management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data presented conforms to governmental 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. All disclosures necessary to enable the reader to gain a good understanding of the City's financial affairs have been included.

GAAP requires that management provide a narrative introduction and an overview to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report and should be read in conjunction with this transmittal letter.

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 11,411. 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 is comprised of five members elected at large, on a staggered basis, for a term of four years. Policy-making and legislative authority are vested in the governing City Council, which appoints a Mayor on a yearly basis in March, from the members of the City Council. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City budgets for a staff of approximately 107 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, the Los Angeles County Sanitation District maintains and upgrades the sewer system, and the City of Long Beach provides Animal Services and Bus Transportation throughout the City.

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 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 (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. When the Agency was dissolved by the State in early 2012, the City of Signal Hill opted to become the Successor Agency to the Signal Hill Redevelopment Agency. The Successor Agency is included in the financial statements as a Private Purpose Trust Fund and is not part of the City’s government-wide statements. Additional information is found at Note 17 of the Notes to the Basic 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 of the Housing Authority is to provide suitable, safe, and sanitary housing opportunities for the City’s residents. Upon dissolution of the Redevelopment Agency, the housing assets and functions of the dissolved agency were transferred to the Signal Hill Housing Authority. The Housing Authority is included in the financial statements as a separate Special Revenue Fund.

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.

Local Economy

The Los Angeles County economy is anticipated to move forward in 2017 barring any unforeseen shocks to the national economy. The City’s retail sector continues to experience moderate growth as the region’s economy continues to slowly recover from the effects of the recession. For the City of Signal Hill, sales tax and property tax revenues together account for approximately 80% of all General Fund operating revenues. Although this year with the “Triple Flip True Up” payments, it was 81%. Housing values are rebounding; the value of a single family residence in Signal Hill was \$415,500 (median) and \$449,414 (mean), a 19.05% increase over 2014’s median price of \$349,000. As a whole, home sales for the Los Angeles area were up 6.2% from 2014 to 2015, in large part due to low interest rates. Retail sales are increasing too. Retail sales have been positively impacted with the addition of gas at Costco, continued car sales, increased building activity, and purchase of general consumer goods. Sales tax received for the Los Angeles County pool has also increased and include sales taxes from internet sales. The latest U.S. Retail Trade Sales for Total E-commerce sales report for the 3rd quarter of 2016, published by the U.S. Census Bureau reported a 4% increase from the second quarter of 2016 to

the third quarter of 2016 increased 4%. The estimated third quarter increased 15.7% from the third of 2015. E-commerce sales in the third quarter of 2016 accounted for 7.7 of total sales. These factors will positively impact the City's future local revenues.

The City's economy is dominated primarily by retail sales with approximately 73% of all General Fund operating revenues coming from sales tax in FY 2015-16. A large part of the City's sales tax revenue comes from new auto sales, and there has been an increase in auto sales with the end of the Great Recession. Pent-up demand, combined with historically low interest rates and easy credit, generated substantial sales gains in the US with 16.8 million vehicles sold in in FY 2016. Although not as robust as in 2015, car sales are projected to decline in 2017 based upon the end of the pent up demand.

In June 2016, the unemployment rate for the City was 5%, which is just marginally higher than the national unemployment rate of 4.9%. The retail sector is highly dependent on the financial health of consumers and their perception of the direction of the local and national economy, and most economists predict that the national economy will continue to slowly improve throughout 2016 and 2017.

With positive indicators such as rising consumer confidence, improvements in the housing market, the slow rise of interest rates, low gas prices, and reduced rate of unemployment, the City is forecasting moderate growth in major General Fund revenues such as property, sales, and other taxes for the upcoming year.

Major Initiatives and Accomplishments

Due to the passage of AB1x26 and subsequent legislation AB 1484, redevelopment agencies were effectively terminated on February 1, 2012. Since then, the City became the Successor Agency to the Redevelopment Agency and has continued winding down the agency. The Successor Agency received approval of its Long Range Property Management Plan on February 20, 2015. The Long Range Property Management Plan outlines which properties will be kept for governmental purposes, which properties will be kept for future development, and which properties will be marketed and sold. In addition to the Successor Agency completing its FY 15-16 Recognized Obligation Payment Schedule (ROPS), the Successor Agency continued its negotiations to sell former Redevelopment Agency property to interested parties. No deal was completed during this time frame, but a real estate transaction is anticipated in FY 16-17. The City continued its business attraction efforts to bring more sales taxes to the City and worked with businesses interested in locating to Signal Hill.

Significant Community Development projects that were completed in FY 2015-16 included the new Long Beach BMW facility, the Kaiser Permanente medical office building, and upgrades to the Auto Center Freeway Sign. Permits were issued and construction commenced at the

Crescent Square development, which includes 25 single-family dwellings and 72 affordable apartments at 1500 E. Hill Street. Community Development also amended both the Municipal Code, to require more efficient landscaping and irrigation systems, and the Zoning Code, to allow uses associated with the Auto Center to operate in satellite facilities to maximize sales activity at dealerships.

The Public Works Department was responsible for the planning, implementation, and construction management of a total of 10 new projects and 22 carry-over of supplemental monies for existing projects in FY 2015-16 totaling \$27,311,960. Major projects included completion of the Cherry Avenue Widening Project, as well as the start of construction of the Well 9 Advance Groundwater Treatment Plant in the fall of 2015. Over \$ 9.18 million of the capital improvement program was funded by grants and dedicated transportation funds. A total of \$8.3 million was allocated for construction of the Well 9 Advance Water Treatment Plant. Also during the fiscal year, the Public Works Department successfully applied for and received, a total of \$11.0 million in grant funding from the Caltrans for construction the Los Cerritos Channel Sub-basin 4 Stormwater Capture Project.

The Community Services Department continues to see consistent usage throughout all of its programs and facilities. For FY 15-16, Community Services provided 17 Active Adult excursions to a total of 526 participants. There were 2 Family Excursions with 76 total participants. The Brown Bag Food Distribution program serves 36 low income senior residents by providing bi-monthly food supplements and a holiday luncheon. The City-wide special events had an attendance of 12,500 for the eight events held throughout the year. In Recreation, the 10 weeks of Summer Day Camp programs were full during the 2016 summer, with 86 participants at two sites each week. The Spring Day Camp served 52 participants each day along with the Winter Day Camp program, serving 33 participants each day. There were over 255 participants in the Youth Sports program taking part in five different sports. The After-school Recreation Club served 57 students each month throughout the school year. The Signal Hill Public Library welcomed 31,231 visitors and 38,947 books, DVD's, and CD's were checked out between July 1, 2015 and June 30, 2016. The Library provided 41 sessions of one-on-one technology assistance, held 82 Story Times with a total attendance of 720, and held 145 other programs for children, teens, and adults with 386 attendees.

During FY 2015-16, the Police Department continued to increase its use of technology to enhance effectiveness. The Police Department upgraded and implemented a new state of the art computer aided dispatch and records management program, and replaced outdated patrol rifles. The Police Department continued to leverage grant funds from the Urban Area Security Initiative to expand operations. Utilizing these funds, the Police Department installed wireless surveillance cameras at multiple critical infrastructure facilities throughout the City, purchased wireless helicopter downlink capability for the Mobile Command Vehicle and for the Watch Commanders, and purchased personal protective gear for police officers and other first

responders. The Department continued to benefit from the Federal Department of Justice and Community Oriented Policing grants to fund a sworn police officer position. Finally, the Department received additional laptops and supplies for the Emergency Operations Center from the Emergency Management Performance Grant.

The ongoing transformation and modernization of the Finance Department continued in 2015-16. This year brought more significant landmark accomplishments in the midst of numerous challenges. Despite the numerous difficulties, and adjusting to new software and personnel transitions, further progress was reached towards realizing a more modern, streamlined, and functional Finance Department.

Working together with City Management and the City Council, the Finance Department played a part in implementation of the new City Strategic Plan. This included new technology to increase efficiency and convenience for City residents, businesses, and employees. In response to the strategic plan, the Finance Department continued facilitating further technology implementation of the new integrated Accounting and City-wide Workflow Software System (ERP) implementation - Caselle. This included Business Licensing, Miscellaneous Accounts Receivable, Backflow Management, and Service Orders implementation. Work is starting on the implementation of the Community Development Suite, and also adding an electronic payment option to vendors by the end of next fiscal year. This year also saw the completion the last phase of replacing all that workstations, that were using Microsoft XP, to new workstations with Windows 7.

Other modernization accomplished for the first time in the City's history, was the acceptance of credit/debit cards at the Finance counter, online payments for water bills and other governmental services, and now water customers can view their monthly statements online.

After securing a new audit firm in 2014, the City went through the third year with the new audit firm Moss, Levy, Hartzheim, LLP, CPA's for the fiscal year 2015-16 audit. The City also went through its first full year on the new modern ERP System for the city's accounting function. This is the first time that all the modules have been integrated with the General Ledger. More functions of the City are also in the process of converting to an electronic process inside the ERP system into 2016-17. Additional improvements were made with the implementation of the new GASB 68, and early implementation of the new GASB 74 and 75 pronouncements to the CAFR. The Finance Department assisted and worked with City Council, and other departments' staff, with the formation of the second biennial budget in City history.

Finally, among the major accomplishments for the Finance Department, was the completion of the selection process for a new bank for the City, and also the issuance of an RFP to facilitate the comprehensive study of all user fees, with the exception of impact fees, by an outside professional consultant to be completed in fiscal year 2016-17.

Long Term Financial Planning

The community helped craft the City of Signal Hill Strategic Plan which sets the priorities for the City over the next five years. The Plan includes six goals with specific objectives. The goals include: 1) Ensure long-term fiscal stability; 2) Ensure public safety is a high priority; 3) Promote a strong local economic base; 4) Maintain public infrastructure; 5) Enhance quality of life for residents; and 6) Promote a transparent and open government. The City Council and staff will use the Strategic Plan as a tool to continue to improve the quality of life for the residents of Signal Hill.

A city's capacity to effectively deliver basic day-to-day service to its residents and businesses, fundamentally affects whether residents can live in a healthy, safe, and fulfilling manner. Local governments are at the forefront in providing these basic services – for example: establishing and governing local laws and codes, providing police service and protection to residents and businesses, assisting in a fire or medical emergency, delivering clean water, providing recreational, social, and learning opportunities for residents, assuring the safety of existing and new buildings located in the city, building and maintaining infrastructure and public buildings, activating emergency operations to provide incident command, if necessary, and maintaining local roads for the orderly movement of people and things. Therefore, how local government is funded, and how well they are funded in order to carry out this mission, is vital.

To meet these public duties, cities must manage and allocate millions of dollars each year, employ staffs, negotiate and manage contracts, and build and operate public facilities, among other obligations, and do all this within a setting that must be continually open, transparent, and accessible to the public.

How local governments decide to use their limited resources leads to a complicated intersection of public policy, community planning, and budgeting. The heart of the matter is, in fact, the ongoing work to balance limited revenues with public demand for costly and often vital services and facilities.

Money for delivering local government services in California is raised largely through an intricate system of taxes and fees – a finance system that is complicated and unique. That unique nature of the system is due to many factors of law, history, and culture, including state constitution provisions enacted by voters that prescribe strict limits on how municipalities can raise revenues – and even how they can spend their money. In addition, recurring financial crises in the state government have had vast repercussions at the local level, further stressing municipal revenues and services.

Unassigned fund balance in the General Fund and the fund balance of the Economic Uncertainties Fund equal 92% of FY 2015-16 General Fund operating expenditures, which falls within policy guidelines set by the City Council for budgetary and planning purposes. 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. These reserves would be utilized to mitigate the adverse impact of a recession, economic slowdown, or if the City loses a major sales tax provider.

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 proactive economic development efforts 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.

Financial and Internal Controls

The Administrative Services Officer/Director of Finance has direct responsibility for the City's financial administration and 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. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met and that the financial statements are free of any material misstatements. 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. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 grant expenditures exceed \$750,000 in a single year. The City of Signal Hill is a recipient of federal, state and county assistance, and for FY 2015-16, it will be subject to the requirements of a Single Audit as it had Federal expenditures greater than the \$750,000 threshold.

Budgetary Controls

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 (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, and Capital Projects Fund are included in the annual appropriated budget.

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

Spending Limitation

The City foresees no problem for several years in complying with the spending limitation under the Gann Initiative passed by the California voters in 1979 which created Article XIII B of the State Constitution. The City's independent auditors have attested to the accuracy of the computation of the spending limitations for the current period, which indicated that the City's tax proceeds are substantially under the established Gann Limit for FY 2015-16 and are 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 Moss, Levy Hartzheim LLP, Certified Public Accountants, 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, 2015. This was the 20th 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 preparation of this comprehensive annual financial report was made possible by the staff of the Finance Department, Governmental Financial Service, the City Manager's Office, and the expertise and assistance of the City's auditors, Moss, Levy, and Hartzheim, LLC - Certified Public Accountants. Each member of this team has our sincere appreciation. We also extend our thanks and appreciation to the members of the Signal Hill City Council for their encouragement and support in conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Terri J. Marsh
Administrative Services Officer/Finance Director



Government Finance Officers Association

**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, 2015

Executive Director/CEO

Members of the City Council

Mayor	Lori Y. Woods
Vice Mayor	Tina L. Hansen
Councilmember	Michael J. Noll
Councilmember	Edward H.J. Wilson
Councilmember	Larry Forester

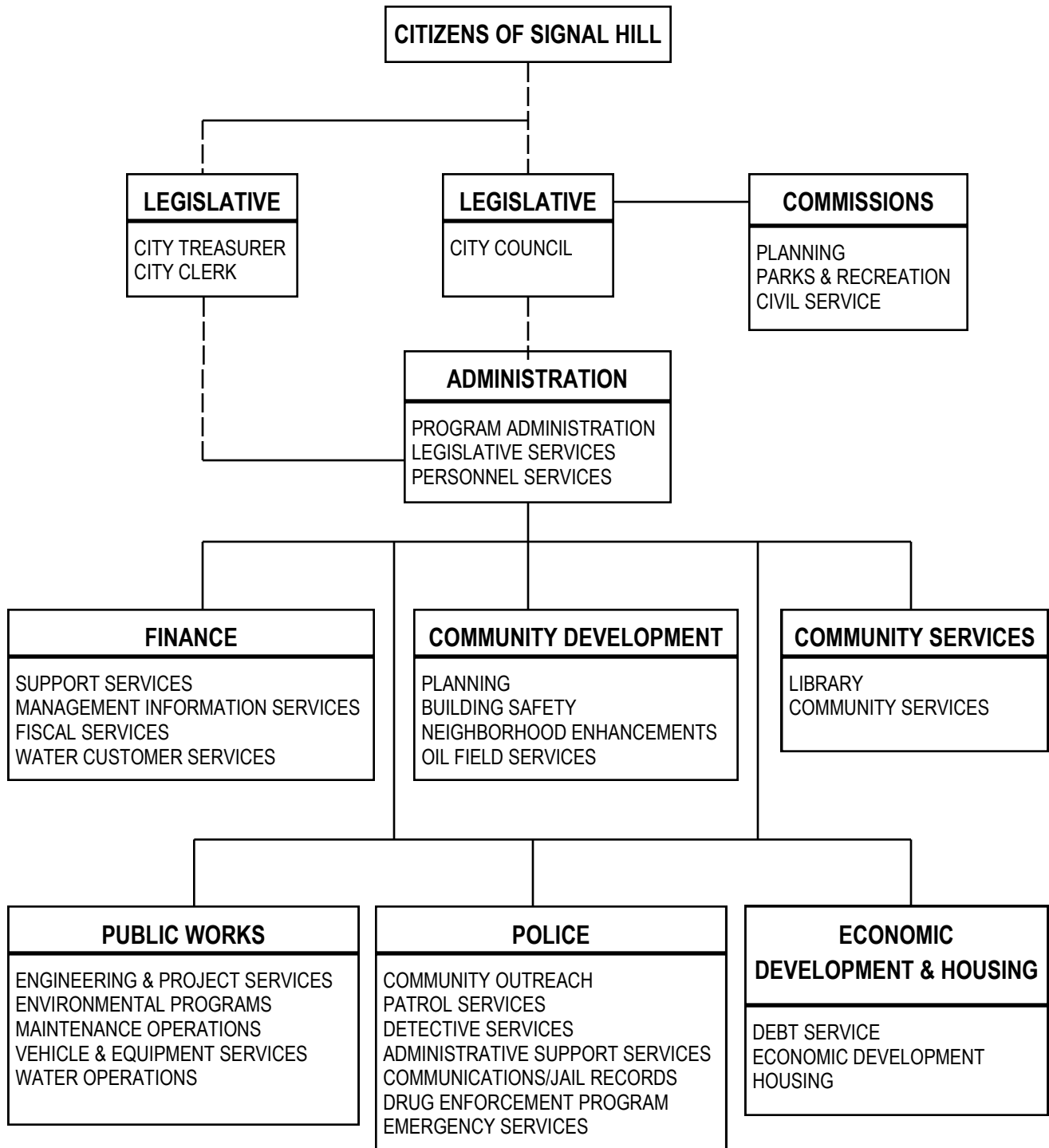
Other Elected Officials

City Treasurer	Larry Blunden
City Clerk	Robert Copeland

Executive Staff

City Manager	Charlie Honeycutt
Deputy City Manager	Hannah Shin-Heydorn
City Attorney	David Aleshire
Administrative Services Officer/Finance Director	Terri Marsh
Community Development Director	Scott Charney
Community Service Director	Aly Mancini
Chief of Police	Michael Langston
Public Works Director	Steve Myrter

CITY OF SIGNAL HILL ORGANIZATIONAL CHART



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California (City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 activities, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in note 1d in the notes to the basic financial statements, effective July 1, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-18, the Budgetary Comparison Schedule – General Fund, the Budgetary Comparison Schedule - Housing Authority Special Revenue Fund, the Note to the Required Supplementary Information, the Schedules of the City's Proportionate Share of the Net Pension Liability, and the Schedules of Pension Contributions on pages 94-99, and the Schedule of Changes in the City's Net OPEB Liability and Related Ratios on page 100, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Major Capital Projects Fund, combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, and combining agency fund financial statements, and the statistical section listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.


The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Major Capital Projects Fund, combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, and combining agency fund financial statements, listed in the table of contents, are the responsibility of management and were derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance



Moss, Levy & Hartzheim, LLP
Culver City, California
December 30, 2016

CITY OF SIGNAL HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

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, 2016 (FY 2015-16). 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 this discussion and analysis are between FY 2014-15 and FY 2015-16. All increases and decreases are expressed relative to FY 2014-15 amounts. Financial highlights of the City for the fiscal year ending June 30, 2016 are summarized below. Details related to these highlights are found in the remaining sections of this analysis.

Citywide

- The City's total net position, the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources, equals \$119.4 million. This total net position is comprised of \$98.5 million from governmental activities and \$20.9 million from business-type activities.
- The City's total net position of \$119.4 million is classified as net investment in capital assets of \$86.9 million, restricted of \$23.4 million, and unrestricted of \$9.1 million. The unrestricted amount may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$21.7 million over the prior fiscal year. As explained throughout the remainder of this report, \$12.4 million of this increase is due to operating activities (\$10.5 million from governmental activities and \$1.9 million from business-type activities) while \$9.3 million is the net result of restatements to net position for capital asset transfers, correction of accrued liabilities, and implementation of the new Governmental Accounting Standards Board (GASB) Statement No. 75 which recorded the City's net Other Post-Employment Benefits Liability.

Fund Level

- Governmental funds report fiscal year-end combined fund balances of \$55.7 million. Assets of \$65.2 million exceed liabilities and deferred inflows of resources of \$9.5 million.
- The total governmental fund balance of \$55.7 million is classified as nonspendable of \$8.4 million, restricted of \$23.5 million, committed of \$14.1 million, and unassigned of \$9.7 million.
- For FY 2015-16, General Fund expenditures totaled \$18.9 million, which represent 154% of the General Fund's unassigned fund balance of \$12.2 million.
- At June 30, 2016, cash and investments of the General Fund are \$21.2 million, which represent 60.9% of the General Fund's total fund balance of \$34.8 million.

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 supplementary information on major funds, combining

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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: Government-wide Financial Statements, Fund Financial Statements, and Notes to Basic Financial Statements.

Government-wide Financial Statements - The government-wide financial statements are designed to give the reader a picture of the City from the economic resources measurement focus using the accrual basis of accounting. This broad overview is similar to the financial reporting used in private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (finance, administration, and personnel), community services, police, community development, and public works. The City's business-type activity consists of a water utility. 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 government-wide financial statements can be found beginning on page 19 of this report.

The Statement of Net Position presents information on all City assets (including capital assets), liabilities (including long-term liabilities), and deferred inflows and outflows of resources; the amount by which assets and deferred outflows of resources exceed liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position 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 position changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (charges for services, grants and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, which requires that revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or disbursed.

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

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses.

The information in the governmental fund statements can be used to evaluate the City's near-term financial requirements. Comparing the governmental fund statements with the government-wide financial statements can help the reader 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 22.

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 basic proprietary fund financial statements can be found beginning on page 29 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's Fiduciary funds consist of two Agency Funds and a Private-Purpose Trust Fund. The City is the Successor Agency to the former Redevelopment Agency; all of its assets, liabilities, and activities are recorded in the Private Purpose Trust Fund. The Successor Agency is a separate operating entity from the City. The basic fiduciary fund financial statements can be found beginning on page 33 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 35 of this report.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Supplementary 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 and agency funds. This optional supplementary information can be found immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Following is a condensed version of the government-wide *Statement of Net Position*. A discussion of significant changes follows the table.

Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
Assets:						
Current and other assets	\$ 64,012,982	\$ 54,696,567	\$ 5,112,087	\$ 5,756,001	\$ 69,125,069	\$ 60,452,568
Capital assets, net	67,965,023	48,472,415	23,795,695	21,228,254	91,760,718	69,700,669
Total Assets	131,978,005	103,168,982	28,907,782	26,984,255	160,885,787	130,153,237
Deferred outflows of resources:						
Deferred amount on refunding	-	-	136,273	149,461	136,273	149,461
Deferred amounts from pension	2,263,821	1,972,958	135,482	103,874	2,399,303	2,076,832
Total Deferred Outflows	2,263,821	1,972,958	271,755	253,335	2,535,576	2,226,293
Liabilities:						
Current liabilities	3,626,015	3,198,835	1,179,481	766,696	4,805,496	3,965,531
Long-term liabilities	29,595,930	18,769,192	6,897,383	7,080,602	36,493,313	25,849,794
Total Liabilities	33,221,945	21,968,027	8,076,864	7,847,298	41,298,809	29,815,325
Deferred inflows of resources:						
Deferred amounts from pension	2,509,599	4,586,338	192,627	277,273	2,702,226	4,863,611
Net position:						
Net investment in capital assets	67,913,878	48,407,070	18,951,590	16,002,856	86,865,468	64,409,926
Restricted	23,480,896	17,085,291	-	-	23,480,896	17,085,291
Unrestricted	7,115,508	13,095,214	1,958,456	3,110,163	9,073,964	16,205,377
Total Net Position	\$ 98,510,282	\$ 78,587,575	\$ 20,910,046	\$ 19,113,019	\$ 119,420,328	\$ 97,700,594

* Prior year information has not been restated for implementing GASB Statement No. 75 nor for other prior year restatements.

The City's net position may serve, over time, as a useful indicator of a government's financial position. At June 30, 2016, net position is \$119.4 million while a year earlier at June 30, 2015, net position was \$97.7 million. This is a total increase in net position of \$21.7 million. This change in net position is comprised of the following:

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- A restatement at July 1, 2015 to decrease total net position by \$9.9 million as a result of implementing GASB Statement No. 75 to record the City's liability for Other Post-Retirement Benefits (OPEB). Refer to Notes to Basic Financial Statements No. 1(D), No. 10, and No. 16 for additional information.
- A restatement at July 1, 2015 to increase governmental activities net position by \$17.9 million to transfer capital assets to the City from the Successor Agency as a result of the prior year approval by the Department of Finance of the Long Range Property Management Plan. Refer to Notes to Basic Financial Statements No. 3, No. 16, and No. 17 for additional information.
- A restatement at July 1, 2015 to increase governmental activities net position by \$1.3 million to correct accrued liabilities.
- A current year excess of revenues over expenses of \$12.4 million. This change will be analyzed in conjunction with the Statement of Activities.

The largest portion of the City's net position (\$86.9 million or 72.7%) is its investment in capital assets (e.g., land, buildings, infrastructure, and equipment, etc.), net of related debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's restricted net position totals \$23.4 million (19.7%) of total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9.1 million (7.6%) represents unrestricted net position; this category of net position may be used to meet the City's ongoing obligations to citizens and creditors.

During FY 2015-16, current assets increased by 14.4% or \$8.7 million over the prior year while current liabilities increased by 21.2% or \$0.8 million; these changes are largely a result of the City's revenues exceeding expenses.

The City's long-term debt increased by \$10.6 million during FY 2015-16. Of this increase, \$9.7 million is for the City's net OPEB liability which was recorded as a result of implementing GASB Statement No. 75 (see Notes to Basic Financial Statements No. 1(D), No. 10, and No. 16 for additional information); an additional \$1.5 million of the increase is due to the current year change in net pension liability; these increases are reduced by \$0.6 million for reductions to water revenue bonds, capital leases, and compensated absences.

Following is a summary of the government-wide *Statement of Activities*. A discussion regarding significant changes in revenues and expenses follows the table.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
Revenues:						
Program revenues:						
Charges for services	\$ 1,663,173	\$ 1,649,186	\$ 3,399,600	\$ 3,759,580	\$ 5,062,773	\$ 5,408,766
Grants and contributions:						
Operating	1,734,857	1,339,191	-	-	1,734,857	1,339,191
Capital	9,597,764	2,433,375	999,373	-	10,597,137	2,433,375
General revenues:						
Property taxes	1,916,481	1,797,025	-	-	1,916,481	1,797,025
Sales and use taxes	14,587,559	11,567,123	-	-	14,587,559	11,567,123
Other taxes	2,007,882	2,235,036	-	-	2,007,882	2,235,036
Use of money and property	954,701	787,002	20,888	50,668	975,589	837,670
Unrestricted grants and contributions	45,821	2,048,216	-	-	45,821	2,048,216
Total revenues	32,508,238	23,856,154	4,419,861	3,810,248	36,928,099	27,666,402
Expenses:						
General government	\$3,842,549	4,149,534	-	-	3,842,549	4,149,534
Community services	1,504,570	1,250,634	-	-	1,504,570	1,250,634
Police	9,350,169	8,253,955	-	-	9,350,169	8,253,955
Community development	868,314	942,108	-	-	868,314	942,108
Public works	4,256,486	4,368,958	-	-	4,256,486	4,368,958
Unallocated infrastructure depreciation	550,513	551,091	-	-	550,513	551,091
Water	-	-	4,145,337	4,423,996	4,145,337	4,423,996
Total Expenses	20,372,601	19,516,280	4,145,337	4,423,996	24,517,938	23,940,276
Change in net position before transfers	12,135,637	4,339,874	274,524	(613,748)	12,410,161	3,726,126
Transfers	(1,678,921)	(425,733)	1,678,921	425,733	-	-
Change in net position	10,456,716	3,914,141	1,953,445	(188,015)	12,410,161	3,726,126
Net position - beginning	78,587,575	95,198,384	19,113,019	20,480,426	97,700,594	115,678,810
Restatement of net position	9,465,991	(20,524,950)	(156,418)	(1,179,392)	9,309,573	(21,704,342)
Net position - beginning, restated	88,053,566	74,673,434	18,956,601	19,301,034	107,010,167	93,974,468
Net position - ending	\$ 98,510,282	\$ 78,587,575	\$ 20,910,046	\$ 19,113,019	\$ 119,420,328	\$ 97,700,594

* Prior year information has not been restated for implementing GASB Statement No. 75 nor for other prior year restatements.

The previous table illustrates the City's overall \$21.7 million increase in net position. This overall increase is separated into a \$12.4 million increase resulting from its program and general revenues exceeding total program expenses and a \$9.3 million net increase resulting from restatements, as previously explained.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Government-wide revenues increased by \$9.3 million (33%) to \$36.9 million. The majority of this increase is a result of one-time revenues of \$7.6 million from the Successor Agency for use of bond monies for approved public facilities construction and additional capital grant revenues. Other significant changes in revenue are a \$2.0 million reduction in unrestricted grants and contributions which were from prior year one-time revenues, offset by a \$3.0 million increase in sales tax. Over half of the \$3.0 million increase in sales tax (\$1.7 million) represents increased sales tax revenue while the remaining \$1.3 million is because the prior year's net sales tax was underreported.

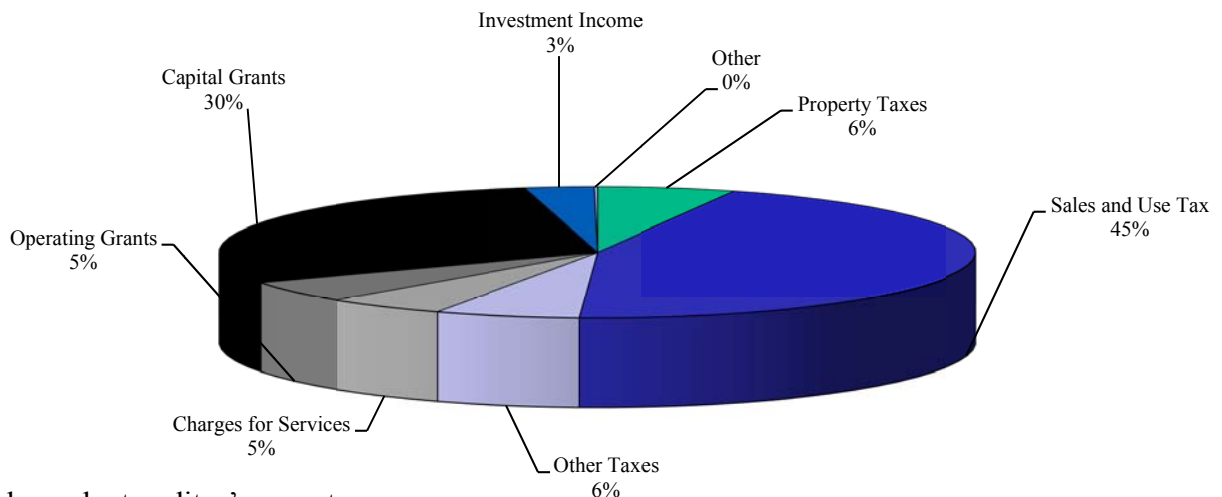
The most significant portion of the City's revenue came from sales and use tax, accounting for 39% of total revenues, 14% was received for charges for services, grants and contributions accounted for 33%, property taxes accounted for 5%, all other taxes accounted for 5%, with miscellaneous contributions and investment income accounting for the remaining revenue.

Government-wide expenses of all City programs and services increased by \$0.6 million (2%) to \$24.5 million during fiscal year ended June 30, 2016. This increase in costs is due to increased costs for community services and police services. Much of these departments' increased costs is a result of capital purchases (with related capital grant revenue) and due to the departments being fully staffed during the current year. Adherence to cost control measures accounts for decreased costs in general government, community development, and public works.

Police costs accounted for 39% of the total costs, 17% of expenses was for public works, another 17% was for water, 16% was for general government, with community services and community development accounting for the remaining expenses.

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

**Revenues by Source – Governmental Activities
Fiscal Year 2015-16**



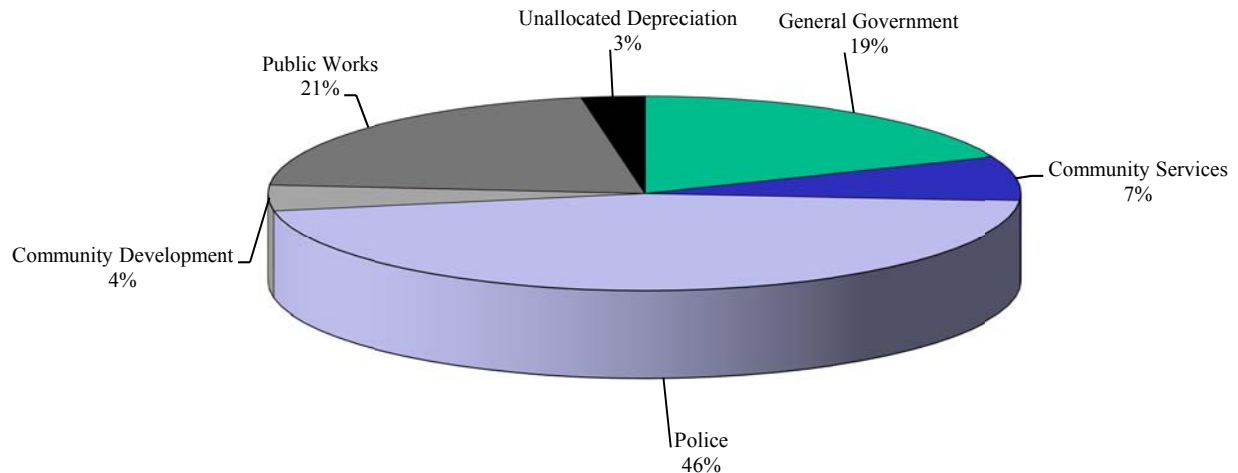
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CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses – Governmental Activities
Fiscal Year 2015-16



Governmental activities contributed \$20.0 million to the increase in net position resulting from revenues of \$32.5 million, expenses and transfers of \$22.0 million, and a restatement of prior year net position of \$9.5 million (refer to Notes to Basic Financial Statements No. 16 for information on the restatement). Because governmental activities comprise the majority of the government-wide data, explanations for changes in government-wide and governmental activities are often similar.

Revenues of governmental activities increased from the prior year by \$8.6 million (36%) to \$32.5 million. The majority of this increase is a result of one-time revenues of \$7.6 million from the Successor Agency for use of bond monies for approved public facilities construction. Other significant changes in revenue are a \$2.0 million reduction in unrestricted grants and contributions which were from prior year one-time revenues, offset by a \$3.0 million increase in sales tax. Over half of the \$3.0 million increase in sales tax (\$1.7 million) represents increased sales tax revenue while the remaining \$1.3 million is because the prior year's net sales tax was underreported. There were no significant variances from the prior year in the other revenue categories.

Expenses of governmental activities increased by \$0.8 million (4%). Except for police and community services, all departments had cost reductions due to the City's adherence to cost control measures. Mainly as a result of being fully staffed for the majority of the year as well as to capital and operating grants, the police department had an increase of \$1.1 million (13%) and community services had an increase of 20% (\$254,000).

See independent auditor's report.

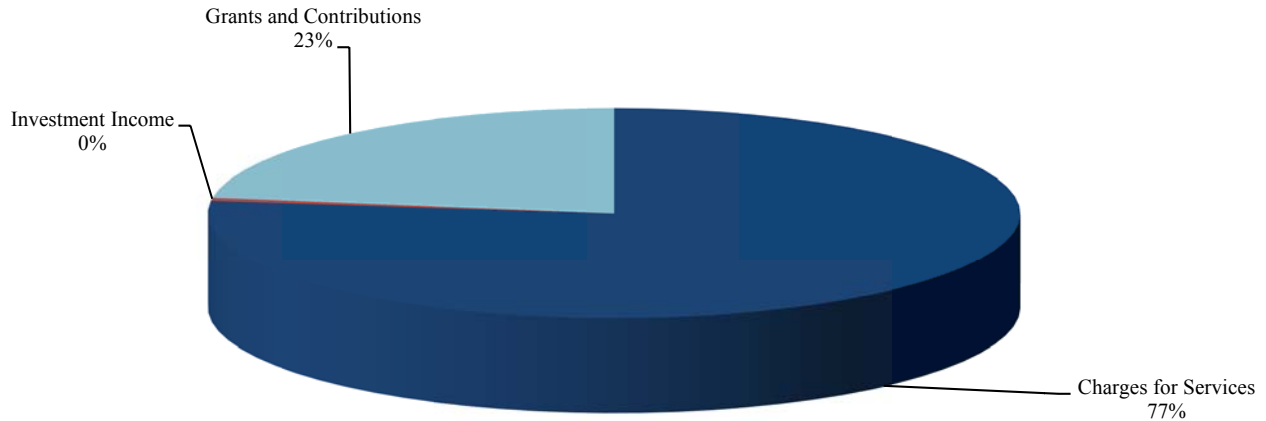
CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

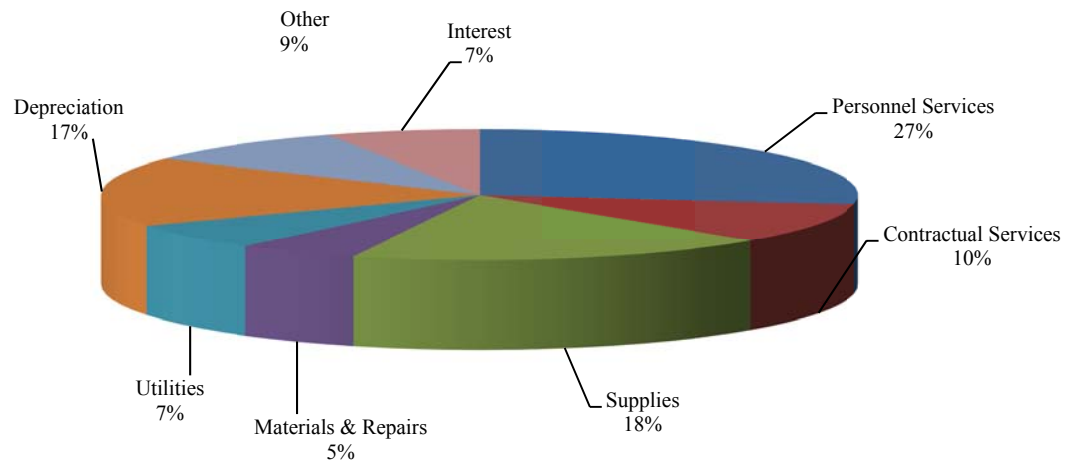
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Revenues by Sources – Business-type Activities
Fiscal Year 2015-16



Expenses – Business-type Activities
Fiscal Year 2015-16



See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

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 position at the end of the year was \$20.9 million as compared to \$19.1 million at the end of the prior year. This represents an increase in net position of \$1.8 million or 9.4%. The increase in net position is a result of revenues of \$4.4 million and transfers in of \$1.7 million exceeding expenses of \$4.1 million, and from recording \$0.2 million of a prior period restatement as a result of implementing GASB Statement No. 75 as previously explained.

Revenues consist of charges for services, investment income, and grant revenue and totaled \$4.4 million in the current year, an increase of \$0.6 million over the prior year's total revenue of \$3.8 million. Charges for services were lower by \$0.4 million in the current year as a result of customer water conservation efforts. In FY 2015-16, the City recognized grant revenue of \$1.0 million for design and construction of Well No. 9. Expenses totaled \$4.1 million in the current year, a decrease of \$0.3 million from the prior year's total expense of \$4.4 million. Operating expenses decreased mainly as a result of lower repairs and maintenance costs in the current year.

FUND FINANCIAL ANALYSIS

The City's major governmental funds for the fiscal year ended June 30, 2016 were the General Fund, the Housing Authority Special Revenue Fund, and the Capital Improvement Capital Projects Fund.

General Fund

The General Fund's fund balance increased by \$5.2 million in fiscal year 2015-16. This increase was a result of revenues of \$23.1 million exceeding expenditures of \$18.9 million and net transfers out of \$0.3 million. In addition, restatements of the prior year fund balance resulted in an increase of \$1.3 million. Because the General Fund comprises the majority of the governmental activities data, explanations for General Fund changes are often similar to explanations for changes in governmental activities.

General fund revenues increased by a net of \$3.5 million. This net increase is explained by a \$2.0 million decrease in other revenues which were received in the prior year as one-time revenues (a \$1.2 million insurance receipt, a \$0.2 million receipt for prior year mandated costs, and a \$.5 million reimbursement received for administrative costs incurred for the Successor Agency), offset by a \$5.5 million increase in sales and other taxes. The sales tax increase is a result of \$1.7 million sales tax revenue and \$1.3 million is a result of the prior year's net sales tax being underreported.

The General Fund's operating expenditures increased by \$1.1 million, mainly the result of being fully staffed in the police department in the current year.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

FUND FINANCIAL ANALYSIS (CONTINUED)

Housing Authority Special Revenue Fund

The Housing Authority Fund's fund balance increased by \$428,324 to \$6.1 million mainly as a result of receiving a \$400,000 building in-lieu fee received for the construction of a new housing complex.

Capital Improvement Capital Projects Fund

Capital expenditures within the Capital Improvement Capital Projects Fund totaled \$2.7 million for the fiscal year. The major projects worked on in FY 15-16 were the widening of Cherry Avenue (completed in FY 2015-16), Los Cerritos Channel Stormwater project, and various park improvement projects. This fund has a deficit fund balance of \$2.5 million which is equal to the unavailable revenue within the deferred inflows of resources category. The deficit fund balance will be eliminated when grant monies are available to be collected.

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.

Total General Fund revenues of \$23.1 million were higher than the adjusted budget amount of \$20.8 million by \$2.3 million. The main reason for this budget to actual variance is because tax revenues were higher than anticipated, especially sales tax revenues which exceeded the budgets by \$2.4million.

Total General Fund expenditures were projected at \$19.6 million during the budget process and were later revised to \$20.4 million. The actual expenditures were below the revised budget amounts by \$1.5 million, reflecting the City's ongoing commitment to cost containment. In FY 2015-16, all departments had expenditures which within the final budget except for community services. For additional information see Note 8 of the Notes to the Basic Financial Statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$91.8 million, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in process.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

	Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
Land	\$ 30,903,450	\$ 30,055,223	\$ 4,427,416	\$ 4,427,416	\$ 35,330,866	\$ 34,482,639
Water rights	-	-	456,593	486,973	456,593	486,973
Construction in progress	897,092	2,320,215	3,821,208	544,009	4,718,300	2,864,224
Buildings & equipment	23,356,495	6,554,710	15,090,478	15,769,856	38,446,973	22,324,566
Infrastructure	12,807,986	9,542,267	-	-	12,807,986	9,542,267
Total assets	<u>\$ 67,965,023</u>	<u>\$ 48,472,415</u>	<u>\$ 23,795,695</u>	<u>\$ 21,228,254</u>	<u>\$ 91,760,718</u>	<u>\$ 69,700,669</u>

* Prior year information has not been restated for prior year restatements.

Mainly as a result of a \$22.7 million prior year restatement for a capital asset contribution from the Successor Agency Private Purpose Trust Fund to Governmental Activities, capital assets increased by \$22.1 million. For additional information see Note 3 of the Notes to Basic Financial Statements.

Debt Administration

Following is a summary of the City's long-term liabilities:

	Governmental Activities		Business-type Activities		Totals	
	2015-16	2014-15*	2015-16	2014-15*	2015-16	2014-15*
Water revenue bonds	\$ -	\$ -	\$ 5,649,638	\$ 6,044,119	\$ 5,649,638	\$ 6,044,119
Capital lease obligations	51,145	65,345	-	-	51,145	65,345
Net pension liability	19,185,086	17,715,686	1,051,952	1,001,191	20,237,038	18,716,877
OPEB liability	9,517,599	-	156,493	-	9,674,092	-
Compensated absences	842,100	988,161	39,300	35,292	881,400	1,023,453
Total assets	<u>\$ 29,595,930</u>	<u>\$ 18,769,192</u>	<u>\$ 6,897,383</u>	<u>\$ 7,080,602</u>	<u>\$ 36,493,313</u>	<u>\$ 25,849,794</u>

* Prior year information has not been restated for implementing GASB Statement No. 75.

The City has one issue of bonded indebtedness outstanding in its business-type fund with \$5.6 million outstanding at fiscal year-end. Payment of principal and interest on the Bonds is insured by National Public Finance Guarantee Corporation ("National"). The Bonds are rated A3 by Moody's and AA- by S&P. The current year ratio of net revenues (water fund revenues plus developer fees recorded in the Water Development Special Revenue Fund less expenses excluding depreciation) to debt service (principal and interest payments) coverage is 41.0%. For additional information on the water revenue bonds, see Note 5 of the Notes to Basic Financial Statements.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The City recorded a net liability for other post-employment benefits (OPEB) during FY 2015-16 totaling \$9.7 million in accordance with GASB Statement No. 75. More information on this liability can be found in Notes to the Basic Financial Statements No. 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The U.S. economy has been growing for 84 months, a stretch that is well above the 58-month average-World War II expansion. However, the pace of the national growth has been the slowest, with average annual growth of about 2.1%. Inflation has been tame throughout the recovery, mostly because of lower oil prices.

California's economic growth will continue to outpace the rest of the nation over the next five years, although the expansion is expected to slow after next year. Job gains next year will continue to be driven by growth in construction, professional and technical services, and transportation and warehousing tied to international trade.

The Los Angeles County economy will continue to move forward during the remainder of 2016 and in 2017, barring any unforeseen shocks to the national economy. Southern California is anticipated to have continued employment gains and a decline in local unemployment rates. The fastest job gains through 2020 are expected in the Inland Empire, followed by Orange, Ventura, and Los Angeles Counties. Employment growth in Los Angeles County is typically slower than other parts of the Southland because of its sheer size. Housing values are rebounding and retail sales are slowly increasing. These factors will positively impact local revenues in the next year.

As we look forward to Fiscal Years 2017 and 2018, the common sentiment of economists is that the economy will continue its slow growth, but they are watching for indicators of the next economic downturn, because the economy is in the midst of one of its longest recovery periods in history after the Great Recession. A few areas of concern for Signal Hill include the continuing rise in pension costs, the drop in oil production revenues, costs associated with ongoing state mandated storm water programs and projects, and projected tapering of auto sales. However, the potential economic development of Successor Agency properties and investments being made by auto dealers in the Signal Hill Auto Center looks promising in the long term.

The City continues its practice of conservative budgeting and cost containment practices. Response to such fiscal issues requires the City to not only continue to be fiscally prudent and to manage its resources and operations diligently, but also to develop other potential new revenues especially with present concerns that another recession could occur.

Projected Citywide revenues for fiscal year 2016-17, along with the Successor Agency revenues, are \$44,482,033 with expenses of \$45,149,838. Expenses exceed revenues due to funding projects and capital outlay from reserves.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The 2016-17 budget for the City of Signal Hill reflects a FY 2016-17 General Fund total of estimated revenues and transfers-in totaling \$21,234,147 comprised of \$20,589,147 in operating revenues and \$645,000 in non-operating revenues; total appropriations and transfers-out in the amount of \$21,060,180, comprised of \$20,771,280 in operating expenses and \$288,900 in non-operating expenses.

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 Reserve Fund was set up as early as 1996 with an initial contribution of \$600,000 that has grown to the current \$5.1 million balance. At the end of 2015-16, the Economic Uncertainties Fund stayed at \$5,081,972. The total of the unassigned General Fund Balance and the Economic Uncertainties Fund is \$17,308,790. This is 82.19% of the General Fund budgeted expenses of \$21,060,180 for fiscal year 2016-17.

Other material reserve funds include funding for the City's Other Post-Employment Benefits for future obligations, a CalPERS reserve fund for future rate hikes, and several project specific funds.

The Capital Projects Fund is used to account for financial resources segregated for the development, construction and improvement of City facilities. The FY 2016-17 Capital Improvements Program (CIP) includes a total of 12 new projects or project phases for \$1.6 million, and 20 carry-over or supplemental monies for \$26.2 million in existing projects listed on Attachment E that will be carried over. The sources for funding each project is listed.

The major projects planned for 2016-17 include the completion of Well 9 Advance Water Treatment Plant by the end of 2016, the groundbreaking for a new Library facility which has been planned for many, many years that is being funded primarily by Successor Agency bonds, a multi-organizational project called Los Cerritos Channel Stormwater Capture Facility Phase 1 which is being spearheaded by Signal Hill and funded wholly by \$11 million dollars in grant monies from Caltrans, in addition to several smaller but still important projects. Funding sources for these projects include minimal contributions from the General and Water Funds, the use of traffic impact and park development fees, and federal, state, and local grants.

Sale of water for FY 2016-17 is estimated at \$3,718,700. This projection includes the increases that were adopted by Council in May 2016 following a Prop 218 Hearing. The City needed to consider water rate increases this year, since the impacts of increasing expenses and decreasing revenues have been adversely impacting the Water's net position. Signal Hill had not increased water rates for the past five years as residents and businesses worked out of the Great Recession. The Council will also enter into a General Fund loan to the Water Fund to complete Well No. 9 water filtration plant. These payments were factored into the rate increases.

The City's water conservation program has proportionately decreased water consumption, however, it is expected that with new construction projects beginning, there will be additional meters coming online to the water system.

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

Water Utility expenses within the control of the City have increased due to increases in the purchase of water to distribute to our customers. Water Supply costs have continued to increase since 2008, and those prices are outside the control of the City as a result of agencies such as WRD and MWD continuing to raise rates and assessments that the City must pay to obtain groundwater and imported water supplies. The Water Department takes steps to proactively manage personnel costs and continues to look for opportunities to operate the system more efficiently. Total Water Fund expenditures for FY 2016-17 exceed total operational revenues by \$416,756 after the carryover for Well #9 is considered and includes operating and non-operating costs.

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, California 90755-3799.

See independent auditor's report.

CITY OF SIGNAL HILL
STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Cash and investments	\$ 34,645,929	\$ 3,595,236	\$ 38,241,165
Receivables:			
Accounts	323,602	433,819	757,421
Accrued interest	66,527	-	66,527
Loans	61,292	-	61,292
Due from other governments	8,816,990	999,373	9,816,363
From Successor Agency	7,762,272	-	7,762,272
Internal balances	585,601	(585,601)	-
Inventory	18,554	-	18,554
Prepaid items	72,973	-	72,973
Land and improvements held for resale, net	4,068,014	-	4,068,014
Restricted assets:			
Cash and investments	7,591,228	669,260	8,260,488
Capital assets, not depreciated	31,800,542	8,248,624	40,049,166
Capital assets, depreciated, net of accumulated depreciation	36,164,481	15,547,071	51,711,552
Total assets	131,978,005	28,907,782	160,885,787
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss amount on debt refunding	-	136,273	136,273
Pension	2,263,821	135,482	2,399,303
Total deferred outflow of resources	2,263,821	271,755	2,535,576
LIABILITIES:			
Accounts payable	905,102	774,664	1,679,766
Accrued liabilities	1,705,380	20,926	1,726,306
Deposits payable	659,663	-	659,663
Accrued interest payable	-	42,506	42,506
Refundable deposits	-	341,385	341,385
Unearned revenue	355,870	-	355,870
Noncurrent liabilities			
Due within one year	486,848	413,481	900,329
Due in more than one year	29,109,082	6,483,902	35,592,984
Total liabilities	33,221,945	8,076,864	41,298,809
DEFERRED INFLOWS OF RESOURCES:			
Pension	2,509,599	192,627	2,702,226
Total deferred inflow of resources	2,509,599	192,627	2,702,226
NET POSITION:			
Net investment in capital assets	67,913,878	18,951,590	86,865,468
Restricted for:			
Capital improvements	9,789,113	-	9,789,113
Development impact	4,282,778	-	4,282,778
Transportation	3,123,176	-	3,123,176
Public protection	195,511	-	195,511
Housing	6,090,318	-	6,090,318
Unrestricted	7,115,508	1,958,456	9,073,964
TOTAL NET POSITION	\$ 98,510,282	\$ 20,910,046	\$ 119,420,328

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,842,549	\$ 175,002	\$ 264,133	\$ -
Community services	1,504,570	212,009	-	-
Police	9,350,169	269,565	636,757	-
Community development	868,314	584,377	740,595	7,577,923
Public works	4,256,486	422,220	93,372	2,019,841
Unallocated infrastructure depreciation	550,513	-	-	-
Total governmental activities	20,372,601	1,663,173	1,734,857	9,597,764
Business-type activities:				
Water	4,145,337	3,399,600	-	999,373
Total business-type activities	4,145,337	3,399,600	-	999,373
Total	\$ 24,517,938	\$ 5,062,773	\$ 1,734,857	\$ 10,597,137

General revenues:

Taxes:

Property tax

Sales and use tax

Franchise tax

Other taxes

Investment income

Unrestricted grants and contributions

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of fiscal year

Prior period adjustments

Net position at beginning of fiscal year, as restated

Net position at end of fiscal year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (3,403,414)	\$ -	\$ (3,403,414)
(1,292,561)	-	(1,292,561)
(8,443,847)	-	(8,443,847)
8,034,581	-	8,034,581
(1,721,053)	-	(1,721,053)
(550,513)	-	(550,513)
(7,376,807)	-	(7,376,807)
-	253,636	253,636
-	253,636	253,636
(7,376,807)	253,636	(7,123,171)
1,916,481	-	1,916,481
14,587,559	-	14,587,559
548,655	-	548,655
1,459,227	-	1,459,227
954,701	20,888	975,589
45,821	-	45,821
(1,678,921)	1,678,921	-
17,833,523	1,699,809	19,533,332
10,456,716	1,953,445	12,410,161
78,587,575	19,113,019	97,700,594
9,465,991	(156,418)	9,309,573
88,053,566	18,956,601	107,010,167
\$ 98,510,282	\$ 20,910,046	\$ 119,420,328

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General	Housing Authority Special Revenue Fund
ASSETS:		
Cash and investments	\$ 21,181,973	\$ 1,960,736
Accounts receivable	313,931	-
Accrued interest receivable	65,927	-
Due from other funds	2,894,795	-
Due from other governments	5,525,020	276
Receivable from Successor Agency	7,762,272	-
Prepaid items	72,973	-
Loans receivable	-	55,254
Advances to other funds	594,739	-
Land and improvements held for resale, net	-	4,068,014
Restricted assets:		
Cash and investments	13,305	-
Total assets	<u>\$ 38,424,935</u>	<u>\$ 6,084,280</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 482,975	\$ -
Accrued liabilities	1,679,072	-
Deposits Payable	659,663	-
Unearned revenue	355,870	-
Due to other funds	-	-
Total liabilities	<u>3,177,580</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	<u>417,321</u>	<u>-</u>
FUND BALANCES:		
Nonspendable	8,429,984	-
Restricted	13,305	6,084,280
Committed	14,159,927	-
Unassigned	<u>12,226,818</u>	<u>-</u>
Total fund balances (deficit)	<u>34,830,034</u>	<u>6,084,280</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,424,935</u>	<u>\$ 6,084,280</u>

See accompanying notes to the basic financial statements

Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 9,845,655	\$ 32,988,364
-	-	313,931
-	600	66,527
-	-	2,894,795
2,799,982	491,712	8,816,990
-	-	7,762,272
-	-	72,973
-	6,038	61,292
-	-	594,739
-	-	4,068,014
-	7,577,923	7,591,228
<u>\$ 2,799,982</u>	<u>\$ 17,921,928</u>	<u>\$ 65,231,125</u>

\$ 346,842	\$ 56,598	\$ 886,415
23,330	240	1,702,642
-	-	659,663
-	-	355,870
<u>2,429,810</u>	<u>464,985</u>	<u>2,894,795</u>
<u>2,799,982</u>	<u>521,823</u>	<u>6,499,385</u>
<u>2,554,929</u>	<u>16,794</u>	<u>2,989,044</u>
-	-	8,429,984
-	17,383,311	23,480,896
-	-	14,159,927
<u>(2,554,929)</u>	<u>-</u>	<u>9,671,889</u>
<u>(2,554,929)</u>	<u>17,383,311</u>	<u>55,742,696</u>
<u>\$ 2,799,982</u>	<u>\$ 17,921,928</u>	<u>\$ 65,231,125</u>

See accompanying notes to the basic financial statements

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CITY OF SIGNAL HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances - total governmental funds	\$ 55,742,696
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 30,903,450	
Construction in progress	897,092	
Infrastructure, net of accumulated depreciation	12,807,986	
Structures and improvements, net of accumulated depreciation	21,462,336	
Vehicles, equipment and furniture, net of accumulated depreciation	<u>1,387,391</u>	
Total capital assets used in governmental activities		67,458,255

Certain receivables will be collected after fiscal year-end, but are not available soon enough to pay for current-period expenditures, and, therefore, are offset by unavailable revenues in the funds. Those receivables at June 30, 2016 totaled:	2,989,044
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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 Position.	1,832,251
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Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflow of resources - pension	2,172,313
Deferred inflow of resources - pension	(2,405,957)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. The balance at June 30, 2016 is:

Capital lease obligation		(51,145)
OPEB		(9,375,333)
Net pension liability		(19,010,910)
Compensated absences		<u>(840,932)</u>

Net position of governmental activities	<u><u>\$ 98,510,282</u></u>
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CITY OF SIGNAL HILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	General	Housing Authority Special Revenue Fund	Capital Improvement Capital Projects Fund
Revenues:			
Property taxes	\$ 1,916,481	\$ -	\$ -
Sales and use tax	16,904,325	-	-
Other taxes	2,003,208	-	-
Licenses and permits	369,713	-	-
Intergovernmental revenues	85,038	-	2,566,896
Charges for services	760,458	-	-
Fines and forfeitures	325,742	-	-
Investment income	687,971	35,967	-
Developer fees	-	-	-
Other revenues	45,821	420,073	-
Total revenues	<u>23,098,757</u>	<u>456,040</u>	<u>2,566,896</u>
Expenditures:			
Current:			
General government	3,940,281	-	-
Community services	1,471,847	-	-
Police	8,610,999	-	-
Community development	790,384	6,327	-
Public works	3,812,589	-	-
Capital outlay	237,382	21,389	2,741,916
Debt service	17,027	-	-
Total expenditures	<u>18,880,509</u>	<u>27,716</u>	<u>2,741,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,218,248</u>	<u>428,324</u>	<u>(175,020)</u>
Other financing sources (uses):			
Transfers in	128,473	-	812,758
Transfers out	(494,812)	-	-
Cash contributions from Successor Agency	-	-	-
Total other financing sources (uses)	<u>(366,339)</u>	<u>-</u>	<u>812,758</u>
Net change in fund balances	<u>3,851,909</u>	<u>428,324</u>	<u>637,738</u>
Fund balances (deficit) at beginning of fiscal year	29,646,590	5,655,956	(3,192,667)
Prior period adjustments	1,331,535	-	-
Fund balances (deficit) at beginning of fiscal year, as restated	<u>30,978,125</u>	<u>5,655,956</u>	<u>(3,192,667)</u>
Fund balances (deficits) at end of fiscal year	<u>\$ 34,830,034</u>	<u>\$ 6,084,280</u>	<u>\$ (2,554,929)</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,916,481
-	16,904,325
570,714	2,573,922
-	369,713
938,923	3,590,857
1,289	761,747
-	325,742
54,534	778,472
185,918	185,918
-	465,894
<u>1,751,378</u>	<u>27,873,071</u>
-	3,940,281
-	1,471,847
658,724	9,269,723
165,231	961,942
70,870	3,883,459
258,154	3,258,841
-	17,027
<u>1,152,979</u>	<u>22,803,120</u>
<u>598,399</u>	<u>5,069,951</u>
295,035	1,236,266
(2,420,375)	(2,915,187)
<u>7,577,923</u>	<u>7,577,923</u>
<u>5,452,583</u>	<u>5,899,002</u>
<u>6,050,982</u>	<u>10,968,953</u>
11,332,329	43,442,208
-	1,331,535
<u>11,332,329</u>	<u>44,773,743</u>
<u>\$ 17,383,311</u>	<u>\$ 55,742,696</u>

See accompanying notes to the basic financial statements

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 Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 10,968,953
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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.

Capital outlay	\$ 2,985,141	
Depreciation expense	<u>(1,534,762)</u>	1,450,379

Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:	234,025
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Cost write-off canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to expenses. Costs written off for canceled projects were:	(81,241)
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Repayment of capital lease obligation is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.	14,200
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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 compensated absences	142,769

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.	(3,193,409)
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Increase in net OPEB liability is not included in the governmental funds.	(4,502)
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In governmental funds, pension costs are recognized when employer contributions are made.	
In the statement of activities, pension costs are recognized on the accrual basis.	
This year, the difference between accrual-basis pension costs and actual employer contributions was:	888,769

Internal service funds are used by management to charge the costs of rendering motor vehicle and equipment services to City departments. The net revenue of the internal service fund is reported with governmental activities.	<u>36,773</u>
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Change in net position of governmental activities	<u><u>\$ 10,456,716</u></u>
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See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activity	Vehicle and Equipment Internal Service Fund
	Water Enterprise Fund	
Assets:		
Current assets:		
Cash and investments	\$ 3,595,236	\$ 1,657,565
Restricted cash and investments	669,260	-
Accounts receivable	433,819	9,671
Due from other governments	999,373	-
Inventory	-	18,554
Total current assets	<u>5,697,688</u>	<u>1,685,790</u>
Noncurrent assets:		
Capital assets:		
Land	4,427,416	-
Construction in progress	3,821,208	-
Depreciable assets, net of accumulated depreciation	<u>15,547,071</u>	<u>506,768</u>
Total noncurrent assets	<u>23,795,695</u>	<u>506,768</u>
Total assets	<u>29,493,383</u>	<u>2,192,558</u>
Deferred outflows of resources:		
Deferred amount on debt refunding	136,273	-
Deferred outflows - Pensions	<u>135,482</u>	<u>21,755</u>
Total deferred outflows of resources	<u>271,755</u>	<u>21,755</u>
Liabilities		
Current Liabilities:		
Accounts payable	774,664	18,687
Accrued liabilities	20,926	2,738
Accrued interest payable	42,506	-
Refundable deposits	341,385	-
Advances from other funds	594,739	-
Current portion of long-term liabilities		
Water revenue refunding bonds	409,481	-
Compensated absences	<u>4,000</u>	<u>1,168</u>
Total current liabilities	<u>2,187,701</u>	<u>22,593</u>
Long-term liabilities:		
Water revenue refunding bonds	5,240,157	-
Compensated absences	35,300	-
OPEB	156,493	142,266
Net pension liability	<u>1,051,952</u>	<u>174,176</u>
Total long-term liabilities	<u>6,483,902</u>	<u>316,442</u>
Total liabilities	<u>8,671,603</u>	<u>339,035</u>
Deferred inflows of resources:		
Deferred inflows - Pensions	<u>192,627</u>	<u>33,889</u>
Total deferred inflows of resources	<u>192,627</u>	<u>33,889</u>
Net position:		
Net investment in capital assets	18,951,590	506,768
Unrestricted	<u>1,949,318</u>	<u>1,334,621</u>
Total net position	20,900,908	<u>\$ 1,841,389</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>9,138</u>	
Net position of business-type activity	<u>\$ 20,910,046</u>	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	Business-type Activity	
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
Operating revenues:		
Charges for services	\$ 3,350,482	\$ 523,580
Other operating revenues	49,118	-
Total operating revenues	<u>3,399,600</u>	<u>523,580</u>
Operating expenses:		
Personnel service	1,131,139	153,970
Contractual services	416,020	37,398
Supplies	750,805	45,273
Materials and repairs	213,015	95,087
Utilities	272,254	-
Depreciation/amortization	709,758	160,424
Other	377,275	11,061
Total operating expenses	<u>3,870,266</u>	<u>503,213</u>
Operating income	<u>(470,666)</u>	<u>20,367</u>
Nonoperating revenues (expenses):		
Investment income	20,888	6,467
Interest expense	(274,341)	-
Fiscal agent fees	(952)	-
Gain on sale of capital assets	-	10,161
Total nonoperating revenues (expenses)	<u>(254,405)</u>	<u>16,628</u>
Income before transfers and capital contributions	<u>(725,071)</u>	<u>36,995</u>
Transfers and capital contributions:		
Transfers in	1,678,921	-
Capital grants	999,373	-
Total transfers and capital contributions	<u>2,678,294</u>	<u>-</u>
Change in net position	<u>1,953,223</u>	<u>36,995</u>
Net position at beginning of fiscal year	19,104,103	1,946,592
Prior period adjustments	(156,418)	(142,198)
Net position at beginning of fiscal year, as restated	<u>18,947,685</u>	<u>1,804,394</u>
Net position at end of fiscal year	<u>\$ 20,900,908</u>	<u>\$ 1,841,389</u>
Change in net position	\$ 1,953,223	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	222	
Change in net position of business-type activity	<u>\$ 1,953,445</u>	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	Business-type Activity	Vehicle and Equipment Internal Service Fund
	Water Enterprise Fund	
Cash flows from operating activities:		
Receipts from customers and other governments	\$ 2,310,353	\$ -
Receipts from interfund services provided	-	513,909
Payments to suppliers	(1,618,489)	(303,431)
Payments to employees	(1,177,309)	(164,690)
Net cash provided by operating activities	(485,445)	45,788
Cash flows from non-capital and related financing activities:		
Due to/from other funds	594,739	-
Transfer in and out	1,678,921	-
Net cash provided by non-capital and related financing activities	2,273,660	-
Cash flows from capital and related financing activities:		
Proceeds from disposition of capital assets	-	10,161
Capital grants	999,373	-
Acquisition of property, plant, and equipment	(3,277,199)	(153,573)
Principal paid on debt	(395,000)	-
Interest paid on debt	(263,432)	-
Fiscal agent fees paid	(952)	-
Net cash (used) by capital and related financing activities	(2,937,210)	(143,412)
Cash flows from investing activities:		
Investment income	35,947	6,467
Net cash provided by investing activities	35,947	6,467
Net increase (decrease) in cash and cash equivalents	(1,113,048)	(91,157)
Cash and cash equivalents at beginning of fiscal year	5,377,544	1,748,722
Cash and cash equivalents at end of fiscal year	<u>\$ 4,264,496</u>	<u>\$ 1,657,565</u>
Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:		
Cash and investments	\$ 3,595,236	\$ 1,657,565
Restricted cash and investments	669,260	-
Cash and cash equivalents at end of fiscal year	<u>\$ 4,264,496</u>	<u>\$ 1,657,565</u>
Non-cash activities:		
Amortization	<u>\$ 519</u>	<u>\$ -</u>

(Continued)

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)
For the Fiscal Year Ended June 30, 2016

	Business-type Activity		Vehicle and Equipment Internal Service Fund
	Water Enterprise Fund		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (470,666)	\$	20,367
Depreciation	709,758		160,424
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(79,337)		(9,671)
(Increase) decrease in due from other governments	(999,373)		-
(Increase) decrease in inventory	-		706
(Increase) decrease in deferred outflows of resources - pensions	(31,608)		(4,421)
Increase (decrease) in accounts payable	410,880		(115,318)
Increase (decrease) in accrued liabilities	15,240		1,937
Increase (decrease) in refundable deposits	(10,537)		-
Increase (decrease) in compensated absences	4,008		(3,292)
Increase (decrease) in deferred inflows of resources - pensions	(84,646)		(12,323)
Increase (decrease) in OPEB	75		68
Increase (decrease) in net pension liability	50,761		7,311
Total adjustments	(14,779)		25,421
Net cash provided by operating activities:	<u>\$ (485,445)</u>	<u>\$</u>	<u>45,788</u>

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
Assets:		
Cash and investments	\$ 12,127,464	\$ 1,528,596
Restricted cash and investments	3,387,958	-
Due from other governments	-	3,488
Capital assets:		
Land	23,646,365	-
Total assets	39,161,787	\$ 1,532,084
Deferred outflows of resources:		
Deferred loss amount on debt refunding	593,082	\$ -
Liabilities:		
Accounts payable	3,390	7,552
Accrued liabilities	4,648,677	-
Accrued interest payable	847,452	-
Refundable deposits	6,030,012	1,524,532
Long-term liabilities:		
Due within one year	5,444,071	-
Due in more than one year	74,496,450	-
Total liabilities	91,470,052	\$ 1,532,084
Net position (deficit):		
Unrestricted	\$ (51,715,183)	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2016

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund
Additions:	
Distributions from County-administered redevelopment property tax trust fund	\$ 13,186,290
Investment income	185,385
Other	<u>360</u>
Total additions	<u>13,372,035</u>
Deductions:	
Personnel services	29,903
Administration	143,423
Contractual services	40,049
Project costs	3,487,230
Cash contribution of the construction fund to the City of Signal Hill	7,577,923
Capital contribution of the Library Projects to the City of Signal Hill	234,025
Interest	<u>3,144,051</u>
Total deductions	<u>14,656,604</u>
Change in net position	<u>(1,284,569)</u>
Net (deficit) at beginning of fiscal year	(27,693,168)
Prior period adjustments	<u>(22,737,446)</u>
Net (deficit) at beginning of fiscal year, as restated	<u>(50,430,614)</u>
Net (deficit) at end of fiscal year	<u><u>\$ (51,715,183)</u></u>

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity:

The reporting entity “City of Signal Hill” includes the financial activity of the City of Signal Hill (the primary government), 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 enjoys all rights and privileges pertaining to “Charter Law” cities.

The Signal Hill Public Financing Authority was formed October 15, 1996, as a joint power of authority between the City and the former Signal Hill Redevelopment Agency (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 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 Financing Authority and Housing Authority have been accounted for as “blended” component units of the City. Despite being legally separate, the 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 Financing Authority and Housing Authority are reported within the funds of the City. Separate financial statements of the Financing Authority and Housing Authority are not prepared.

The following criteria were used in determining that the Financing Authority and Housing Authority were “blended” component units:

- The members of the City Council also act as the governing body of the Financing Authority and Housing Authority. The Financing Authority and Housing Authority are managed by employees of the City.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

- The City, 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 position and the statement of activities) 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 on fees and charges for services.

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

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 and the private-purpose trust fund statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

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 enterprise fund and internal service fund generate revenue by 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 long-term liabilities. Claims and judgments and compensated absences are recognized as expenditures only when payment is due.

The private-purpose trust fiduciary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fiduciary funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

Property taxes, taxpayer-assessed taxes, such as sales taxes, gas taxes, transient occupancy taxes and oil production taxes, grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The City uses funds to organize and operate City accounts, 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 which are not 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 use of property tax increment legally restricted for increasing or improving housing for low and moderate income households 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 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 related to vehicles and equipment are accumulated in this fund and charged to the user departments.

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. These distributions pay amounts due on enforceable obligations and specified administrative costs.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Fiduciary Funds (Continued):

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. New Accounting Pronouncements:

Implemented:

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the City's financial statements for the fiscal year ended June 30, 2016, see Note 2 – Cash and Investments for further detail.

Governmental Accounting Standards Board Statement No. 75

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. City early implementation of the GASB Statement No. 75 did have an impact on the City's financial statements for the fiscal year ended June 30, 2016, see Note 10- Other Postemployment Benefit other than Pension and Note 16 – Restatement of Net Position and Fund Balance.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after December 15, 2017.

E. 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 Service Fund are considered to be cash and cash equivalents for purposes of the statement of cash flows.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Investments:

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

G. Restricted Assets:

Cash and investments totaling \$13,305 are restricted in the General Fund for future development projects. Cash and investments totaling \$669,260 are restricted in the Water Enterprise Fund in accordance with bond indentures.

H. Capital Assets:

Capital assets, which include land, construction in progress, site improvements, buildings and improvements, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column 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 three years. Such assets are recorded at historical cost or estimated historical cost. 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. Additions to capital assets are not depreciated in the year of acquisition.

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

I. 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 for City vehicles.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items that qualify for reporting in this category. The first item is the deferred loss on debt refunding which is reported in the government-wide statement of net position, the proprietary fund statement of net position, and the fiduciary funds statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred assets of the City's pension plans investments as determined by CalPERS in accordance with GASB 68, which is reported in the government-wide statement of net position and the proprietary fund statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The first item is for unavailable revenue reported only on the governmental funds balance sheet. Governmental funds report unavailable revenues from various sources if they are not available for use within 60 days of the fiscal year end. This amount is deferred and not recognized as revenue until the period that the amount becomes available. The second item is the deferred liabilities of the City's pension plans investments as determined by CalPERS in accordance with GASB 68, which is reported in the government-wide statement of net position and the proprietary fund statement of net position.

K. 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 fiscal 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 and Water Funds.

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

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Employee Compensated Absences (Continued):

The City does not reimburse for unused sick pay upon an employee's separation other than for retirement. 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 fiscal 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.

L. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Signal Hill's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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.

Committed - This classification includes amounts that can be used only for the specific purposes determined by the City Council through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the 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 fiscal year's appropriated budget through the fund balance policy. There were no assigned fund balances at fiscal year end.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Fund Balances (Continued):

Unassigned - This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

N. Property Taxes:

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied in September and are payable in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Any unpaid amounts at the end of the fiscal year are recorded as property taxes receivable. The County of Los Angeles bills and collects the property taxes and subsequently remits the amount due to the City of Signal Hill in installments during the year. Historically, the City has received substantially all of the taxes levied within two years from the date they are levied.

O. Claims and Judgments:

When it is probable that a claim liability has been incurred at fiscal 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, as a claims payable, which includes an estimate for incurred but not reported claims (IBNR).

Under the City's self-insurance program, deposits to the Joint Powers Insurance Authority (Note 14) are recorded as insurance expenditures in the General Fund and the Water Enterprise Fund in the period to which they relate. These deposits are subject to retrospective adjustment. Favorable claims experience in prior fiscal 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. Adverse claims experience in prior fiscal years results in the payment of additional deposits which are recorded as insurance expenditures when incurred.

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Net Position:

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

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, and is 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 fiscal year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

At June 30, 2016, net investment in capital assets, was calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Capital assets, net of accumulated depreciation	\$67,965,023	\$ 23,795,695
Less:		
Bonds, net	-	(5,649,638)
Capital leases	(51,145)	-
Add back:		
Deferred amount on refunding	-	136,273
Unspent bonds proceeds - reserve funds	-	669,260
Total	<u>\$67,913,878</u>	<u>\$ 18,951,590</u>

- Restricted net position - This component of net position consists of external constraints placed on net position 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 position - This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Q. Net Position Flow Assumptions:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the Council's discretion.

R. 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 affect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectability of its receivables (e.g., accounts receivable, intergovernmental receivables, loans receivable, amounts due from other funds and amounts advanced to other funds), the depreciation of its capital assets and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2016 are classified in the accompanying financial statements as follows:

	Government - Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 38,241,165	\$ 13,656,060	\$ 51,897,225
Restricted cash and investments	8,260,488	3,387,958	11,648,446
Total cash and investments	<u>\$ 46,501,653</u>	<u>\$ 17,044,018</u>	<u>\$ 63,545,671</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments at June 30, 2016 consisted of the following:

Cash on hand	\$ 3,770
Deposits with financial institutions	14,544,893
Investments	48,997,008
	<u>\$ 63,545,671</u>

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

The table below identifies the investment types that are authorized 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 trustees that are governed by the provisions of those debt agreements.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Government Sponsored			
Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	15%
Time Certificated 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	\$65,000,000
Repurchase Agreements	N/A	20%	10%
Money Market Funds	N/A	None	None
(N/A - Not Applicable)			

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

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustees 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 trustees include, United States Treasury Obligations, United States Government Sponsored Agency Securities, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptances 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.

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. The City manages its exposure to interest rate risk 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 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 trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25-60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 30,572,355	\$ 30,572,355	\$ -	\$ -	\$ -
US Government Agency Securities	1,000,310	-	500,085	500,225	-
Negotiable Certificates of Deposits	5,789,203	1,241,741	2,312,781	2,234,681	-
Held by bond trustees:					
Money Market Mutual Funds	1,082,540	1,082,540	-	-	-
Municipal Mutual Funds	7,577,923	7,577,923	-	-	-
Bank Money Market Funds	2,974,677	2,974,677	-	-	-
	<u>\$ 48,997,008</u>	<u>\$ 43,449,236</u>	<u>\$ 2,812,866</u>	<u>\$ 2,734,906</u>	<u>\$ -</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

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 rating organization. Presented below is the minimum rating 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 fiscal year end for each investment type:

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	AAA	Other Ratings	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 30,572,355	N/A	\$ -	\$ -	\$ 30,572,355	\$ -
US Government Agency Securities	1,000,310	AA	-	1,000,310	-	-
Negotiable Certificates of Deposits	5,789,203	N/A	-	-	5,789,203	-
Held by bond trustees:						
Money Market Mutual Funds	1,082,540	AAA	1,082,540	-	-	-
Municipal Mutual Funds	7,577,923	N/A	-	-	-	7,577,923
Bank Money Market Funds	2,974,677	A	-	2,974,677	-	-
Total	<u>\$ 48,997,008</u>		<u>\$ 1,082,540</u>	<u>\$ 3,974,987</u>	<u>\$ 36,361,558</u>	<u>\$ 7,577,923</u>

Other ratings on US Government Agency Securities and Bank Money Market Funds are as follows:

Investment Type	Total as of June 30, 2016	AA-	A-
US Government Agency Securities	\$ 1,000,310	\$ 1,000,310	\$ -
Held by bond trustees:			
Bank Money Market Funds	2,974,677	-	2,974,677
Total	<u>\$ 3,974,987</u>	<u>\$ 1,000,310</u>	<u>\$ 2,974,677</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 those stipulated by the California Government Code. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total City 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 a 3rd 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 a third 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California Government Code 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, 2016, 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 is recorded on an amortized cost basis.

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements:

The City pool investment categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The City pool investment has the following recurring fair value measurements as of June 30, 2016:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of deposits	\$ 5,789,203	\$ 5,789,203	\$ -	\$ -
US Government Agency Securities	1,000,310	1,000,310	-	-
Total Investments Measured at Fair Value	6,789,513	<u>\$ 6,789,513</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
LAIF	30,572,355			
Total Pooled Investments	<u>\$ 37,361,868</u>			

The City also had investments in the money market mutual funds, however, these investments are not required to be measured under Level 1, 2 or 3.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

3. CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

Governmental Activities:

	Balance at July 1, 2015	Additions	Deletions	Transfers	Transfers from Successor Agency	Prior Period Adjustments	Balance at June 30, 2016
Capital assets not being depreciated:							
Land	\$ 30,055,223	\$ -	\$ -	\$ -	\$ -	\$ 848,227	\$ 30,903,450
Construction in progress	2,320,215	2,619,900	(81,241)	(4,195,807)	234,025	-	897,092
Total	<u>32,375,438</u>	<u>2,619,900</u>	<u>(81,241)</u>	<u>(4,195,807)</u>	<u>234,025</u>	<u>848,227</u>	<u>31,800,542</u>
Capital assets, being depreciated:							
Infrastructure	24,704,187	-	-	3,816,232	-	-	28,520,419
Structures and improvements	11,380,241	-	(34,309)	379,575	-	17,540,569	29,266,076
Equipment and furniture	1,948,736	365,241	(35,960)	-	-	888,970	3,166,987
Vehicles and major equipment	2,387,971	166,802	(176,708)	-	-	-	2,378,065
Total	<u>40,421,135</u>	<u>532,043</u>	<u>(246,977)</u>	<u>4,195,807</u>	<u>-</u>	<u>18,429,539</u>	<u>63,331,547</u>
Less accumulated depreciation for:							
Infrastructure	(15,161,920)	(550,513)	-	-	-	-	(15,712,433)
Structures and improvements	(6,061,758)	(651,890)	34,309	-	-	(1,073,305)	(7,752,644)
Equipment and furniture	(1,163,658)	(342,297)	35,960	-	-	(308,165)	(1,778,160)
Vehicles and major equipment	(1,936,822)	(150,486)	163,479	-	-	-	(1,923,829)
Total	<u>(24,324,158)</u>	<u>(1,695,186)</u>	<u>233,748</u>	<u>-</u>	<u>-</u>	<u>(1,381,470)</u>	<u>(27,167,066)</u>
Total capital assets, being depreciated, net	<u>16,096,977</u>	<u>(1,163,143)</u>	<u>(13,229)</u>	<u>4,195,807</u>	<u>-</u>	<u>17,048,069</u>	<u>36,164,481</u>
Total Governmental activities capital assets, net	<u>\$ 48,472,415</u>	<u>\$ 1,456,757</u>	<u>\$ (94,470)</u>	<u>\$ -</u>	<u>\$ 234,025</u>	<u>\$ 17,896,296</u>	<u>\$ 67,965,023</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

3. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at July 1, 2015	Additions	Deletions	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	\$ 4,427,416	\$ -	\$ -	\$ -	\$ 4,427,416
Construction in progress	544,009	3,277,199	-	-	3,821,208
Total	4,971,425	3,277,199	-	-	8,248,624
Capital assets, being depreciated					
Water rights	1,215,186	-	-	-	1,215,186
Reservoirs and tanks	12,154,473	-	-	-	12,154,473
Wells	1,931,239	-	-	-	1,931,239
Mains	9,893,973	-	-	-	9,893,973
Pumps	1,384,407	-	-	-	1,384,407
Fire hydrants	564,667	-	-	-	564,667
Meters	429,048	-	-	-	429,048
Services	1,443,630	-	-	-	1,443,630
Structures	1,243,976	-	-	-	1,243,976
Equipment and furniture	1,108,511	-	-	-	1,108,511
Total	31,369,110	-	-	-	31,369,110
Less accumulated depreciation for:					
Water rights	(728,213)	(30,380)	-	-	(758,593)
Reservoirs and tanks	(4,066,598)	(271,918)	-	-	(4,338,516)
Wells	(886,994)	(45,959)	-	-	(932,953)
Mains	(5,450,362)	(195,408)	-	-	(5,645,770)
Pumps	(978,700)	(39,650)	-	-	(1,018,350)
Fire hydrants	(545,013)	(5,974)	-	-	(550,987)
Meters	(429,048)	-	-	-	(429,048)
Services	(772,325)	(27,579)	-	-	(799,904)
Structures	(521,248)	(28,673)	-	-	(549,921)
Equipment and furniture	(733,780)	(64,217)	-	-	(797,997)
Total	(15,112,281)	(709,758)	-	-	(15,822,039)
Total capital assets, being depreciated, net	16,256,829	(709,758)	-	-	15,547,071
Total Business-type activity capital assets, net	\$ 21,228,254	\$ 2,567,441	\$ -	\$ -	\$ 23,795,695

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

3. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

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

Governmental activities:

General government	\$ 37,580
Community services	37,663
Police	776,269
Public works	132,737
Internal service fund depreciation charged to programs	<u>160,424</u>
Allocated depreciation	1,144,673
Unallocated depreciation	<u>550,513</u>
Total depreciation expense - governmental activities	<u>\$ 1,695,186</u>

Business-type activity:

Water	<u>\$ 709,758</u>
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4. DEFERRED INFLOWS OF RESOURCES:

At June 30, 2016, deferred inflows of resources, reported in the governmental fund financial statements, consisted of the following:

	General Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Unavailable grant revenue	\$ -	\$ 2,554,929	\$ 16,194	\$ 2,571,123
Unavailable other revenues	344,805	-	-	344,805
Unavailable interest from long-term receivables	<u>72,516</u>	<u>-</u>	<u>600</u>	<u>73,116</u>
	<u>\$ 417,321</u>	<u>\$ 2,554,929</u>	<u>\$ 16,794</u>	<u>\$ 2,989,044</u>

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. LONG-TERM LIABILITIES:

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities:						
Capital lease obligation	\$ 65,345	\$ -	\$ -	\$ (14,200)	\$ 51,145	\$ 14,897
Net pension liability	17,715,686	-	1,934,814	(465,414)	19,185,086	-
OPEB	-	9,513,029	803,373	(798,803)	9,517,599	-
Compensated absences	988,161	-	344,276	(490,337)	842,100	471,951
Total	<u>\$ 18,769,192</u>	<u>\$ 9,513,029</u>	<u>\$ 3,082,463</u>	<u>\$ (1,768,754)</u>	<u>\$ 29,595,930</u>	<u>\$ 486,848</u>
Business-Type Activities:						
2006 Water revenue refunding bonds	\$ 6,050,000	\$ -	\$ -	\$ (395,000)	\$ 5,655,000	\$ 410,000
Less original issue discount	(5,881)	-	-	519	(5,362)	(519)
Total refunding bonds payable	6,044,119	-	-	(394,481)	5,649,638	409,481
Net pension liability	1,001,191	-	163,573	(112,812)	1,051,952	-
OPEB	-	156,418	13,209	(13,134)	156,493	-
Compensated absences	35,292	-	40,037	(36,029)	39,300	4,000
Total	<u>\$ 7,080,602</u>	<u>\$ 156,418</u>	<u>\$ 216,819</u>	<u>\$ (556,456)</u>	<u>\$ 6,897,383</u>	<u>\$ 413,481</u>

A. Capital Leases:

Copiers: A five year noncancelable lease was entered into for the purchase of eight copiers for various departments of the City. The value of the copiers at lease inception was \$75,557. Annual payments of principal and interest are \$17,028. The balance at June 30, 2016 on these leases was \$51,145.

The calculation of the present value of the future lease payments is as follows:

Future minimum lease payments for the fiscal year ending June 30,	
2017	\$ 17,028
2018	17,028
2019	17,028
2020	2,839
Subtotal	53,923
Less amount representing interest	(2,778)
Present value of future lease payments	<u>\$ 51,145</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED):

B. Compensated Absences:

There is no fixed payment schedule for earned but unpaid compensated absences in either the governmental or 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 of \$519 annually 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 accounting records of the City. 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 deferred outflows of resources, is being amortized on a straight-line basis of \$23,397 annually as interest expense through the fiscal year 2027.

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

The City is required by the 2006 Bond Covenant to maintain a debt service coverage ratio of at least 125%. As of and for the fiscal year ended June 30, 2016, the ratio was 703% which includes the "coverage from net revenues plus available funds" in the Water Enterprise Fund and Water Development Special Revenue Fund. Cash and investments totaling \$669,260 with fiscal agent are restricted as reserved for debt service in accordance with bond indentures.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. LONG-TERM LIABILITIES (CONTINUED):

C. 2006 Water Revenue Refunding Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 410,000	\$ 246,326	\$ 656,326
2018	430,000	228,476	658,476
2019	445,000	209,604	654,604
2020	465,000	189,408	654,408
2021	485,000	168,033	653,033
2022-2026	2,785,000	478,814	3,263,814
2027	635,000	14,684	649,684
	<u>\$5,655,000</u>	<u>\$ 1,535,345</u>	<u>\$ 7,190,345</u>

6. LONG-TERM RECEIVABLES:

A. Receivables from Successor Agency:

Description	General Fund
Long-term loans to finance improvements and operations related to and within the former Redevelopment Agency's project areas	<u>\$ 9,702,840</u>
Subtotal	9,702,840
Reserve on long-term loans (principal and interest)	<u>(1,940,568)</u>
Total	<u>\$ 7,762,272</u>

For further discussion of the receivables due from the Successor Agency, see Note 17H.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

6. LONG-TERM RECEIVABLES (CONTINUED):

B. Loans Receivables:

The discontinued First Time Homebuyer Program provided down payment 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 properties. 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 to 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, four loans totaling \$55,254 remain outstanding in the Housing Authority Special Revenue Fund.

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, one loan totaling \$6,038 remains outstanding in the HCDA Special Revenue Fund.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement	
	Capital Projects Fund	\$ 2,429,810
General Fund	Other Governmental Funds	464,985
		<u>\$ 2,894,795</u>

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

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

Interfund Transfers:

<u>Transfers In To</u>	<u>Transfers Out From</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 128,473
Capital Improvement		
Capital Projects Fund	General Fund	269,496
	Other Governmental Funds	543,262
Other Governmental Funds	General Fund	220,662
	Other Governmental Funds	74,373
Water Enterprise Fund	General Fund	4,654
	Other Governmental Funds	1,674,267
		<u>\$ 2,915,187</u>

The purposes for significant interfund transfers made during the fiscal year ended June 30, 2016 were as follows:

- Transfer into General Fund from Other Governmental Funds included monies from the Gas Tax Fund for reimbursement of Pavement Management expenditures (\$128,473).
- Transfers into the Capital Improvement Project Fund from the General Fund and Other Governmental Funds were for the acquisition of equipment as well as providing for several projects including Cherry Avenue Widening, Discovery Well Park ADA improvements, various other park improvements and refurbishment, sidewalk repairs, Library software, and the Pavement Management Program.
- Transfers to the Other Governmental Funds from the General Fund related to transfers to the LA Impact Fund (\$69,062) and COPS Hiring Grant Fund (\$21,022) for sworn personnel costs in excess of program reimbursement, non-sworn personnel costs under the Supplemental Law Enforcement Grant in excess of program reimbursement (\$100,170), and funding for other law enforcement costs.
- Transfers into the Water Enterprise Fund related to transfers of water impact \$1,674,267 fees from the Water Development Fund to cover the cost of Water Enterprise capital projects.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

8. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the fiscal year ended June 30, 2016, the following funds had deficit fund balances:

Major Governmental Fund:

Capital Improvement Capital Project Fund	\$ 2,554,929
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The deficit will be eliminated by revenues that were unavailable at fiscal year end since they did not meet the availability criteria required for recognition in the governmental funds.

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN):

A. General Information about the Pension Plans:

Plan Description:

All qualified employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. Employees hired prior to June 10, 2010 are considered classic members, employees hired on or after June 10, 2010 are considered new members, and employees hired on or after January 1, 2013 are considered Public Employee Pension Reform Act (PEPRA) members. CalPERS issues publicly available report that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

A. General Information about the Pension Plans (Continued):

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-63	50-63	53-67
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.09%-2.42%	1.00%-2.50%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.51%	7.16%	6.24%

	Safety		
	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.75% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.40%-3.00%	2.00% - 2.70%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	20.23%	18.19%	11.92%

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions:

Contributions:

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follow:

Contributions – employer	\$ 1,871,390
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As of June 30, 2016, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 8,603,439
Safety	11,633,599
Total Net Pension Liability	<u>\$ 20,237,038</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Combined
Proportion - June 30, 2014	0.300795%
Proportion - June 30, 2015	0.294832%
Change - Increase (Decrease)	<u>-0.005963%</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the fiscal year ended June 30, 2016, the City recognized pension expense of \$1,357,682. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ (110,616)
Changes of assumptions	-	(1,067,235)
Changes in employer's proportions	77,926	(585,399)
Net difference between projected and actual earnings on pension plan investments	-	(538,817)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(400,159)
City contributions subsequent to the measurement date	2,321,377	-
	<u>\$ 2,399,303</u>	<u>\$ (2,702,226)</u>

The \$2,321,377 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2017	\$ (1,132,618)
2018	(1,141,278)
2019	(1,021,382)
2020	670,978
Total	<u>\$ (2,624,300)</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions:

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal in Accordance with the Requirements of GASB 68	Entry Age Normal in Accordance with the Requirements of GASB 68
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service 7.50 % Net of Pension Plan	Varies by Entry Age and Service 7.50 % Net of Pension Plan
Investment Rate of Return	Investment Expenses, includes Inflation	Investment Expenses, includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Change of Assumptions - GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The table on the next page reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	336.00%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous	Safety	Combined
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 14,379,950	\$ 18,245,529	\$32,625,479
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 8,603,439	\$ 11,633,599	\$20,237,038
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 3,834,258	\$ 6,211,938	\$10,046,196

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

9. CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (CONTINUED):

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Pension Plan Fiduciary Net Position:

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

10. 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 CalPERS whose premiums are based on the benefits paid during the year.

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

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

- Employees age 50 or over with 5 years of CalPERS 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 CalPERS are eligible to receive the minimum monthly premium mandated by CalPERS (currently \$115 monthly).
- Employees with 5-10 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee only.
- Employees with 11-15 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee only.

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

A. Plan Description:

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

- Employees with over 16 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS 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 CalPERS are eligible to receive the minimum monthly premium mandated by CalPERS (currently \$115 monthly).
- Employees with 11-15 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 25% of the monthly benefit applicable towards the employee only.
- Employees with 16-19 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS 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 CalPERS service (combined City service plus 50% credit for service with another CalPERS 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

B. Eligibility:

Employees of the City are eligible for retiree health benefits if they are between 50-55 years of age as of the last day of work prior to retirement and are a vested member of CalPERS. Membership in the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	98
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	<u>102</u>
	<u>200</u>

C. Annual OPEB Cost and Net OPEB Obligation:

The obligation of the City to contribute to the plan is established and may be amended by the City Council. For the fiscal year ended June 30, 2016, the City contributed \$92,224 and the employees contributed \$57,776. For Non-POA (Police Officers Association Union) fulltime employees, the City pays 1% of gross wages, including all Directors and Managers in the City. For Safety employees, who are not in a management position, the City pays a flat \$625 per calendar year. Amount paid to retirees on a pay as you go was \$697,696.

D. Net OPEB Liability:

The City's net OPEB liability was measured as of July 1, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions. The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

D. Net OPEB Liability (Continued):

Inflation	2.75%
Salary increase	2.75%
Investment rate of return	6.50%
Healthcare cost trend rates	Assumed 4% per year. The long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. The actuary do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

The mortality assumptions are based on tables created by CalPERS and CalSTRS. CalPERS and CalSTRS periodically study mortality for participating agencies and establish mortality tables that are modified versions of commonly used tables. The most recent studies were conducted in 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic and International Equities	45.0%	7.625%
Corporate Bonds	45.0%	5.125%
Real Estate	10.0%	8.000%
Total	100%	

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

D. Net OPEB Liability (Continued):

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

E. Change in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2015	<u>\$ 11,266,654</u>	<u>\$ 1,597,207</u>	<u>\$ 9,669,447</u>
Changes in the fiscal year:			
Service Cost	84,249	-	84,249
Interest on the Total OPEB Liability	732,333	-	732,333
Contribution from the Employer	-	847,696	(847,696)
Contribution from the Employees	-	-	-
Net Investment Income	-	(31,941)	31,941
Benefit Payments	(697,696)	(697,696)	-
Administrative Expenses	<u>-</u>	<u>(3,818)</u>	<u>3,818</u>
Net Changes	<u>118,886</u>	<u>114,241</u>	<u>4,645</u>
Balance at June 30, 2016	<u>\$ 11,385,540</u>	<u>\$ 1,711,448</u>	<u>\$ 9,674,092</u>

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (Asset)	<u>\$ 10,959,830</u>	<u>\$ 9,674,092</u>	<u>\$ 8,600,296</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

11. 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 CalPERS 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. 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 1.3% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of the plan or date of employment, whichever is later, and all contributions are fully vested.

On May 15, 2001, the City Council authorized establishment of a 401(a) Defined Contribution Plan (Plan) for its management and middle management employees. The Plan is administered by ICMA. The Plan is a qualified defined contribution plan 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 Plan. 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.

These plans were discontinued on April 30, 2016. It has not been replaced yet. City council has the authority for establishing and amending the provisions of both these plans.

12. 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. For the fiscal year ended June 30, 2016, the employees contributed \$294,646 and the City contributed \$99,140 to the plan.

Amounts withheld by the City under this plan are deposited regularly with the International City Managers Association (ICMA) Fund for investment. 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 not the property of the City, and as such, are not subject to the claims of the City's general creditors. The City has minimal involvement in the administration of the 457 plan, and therefore, the trust plan assets and liabilities are not reported in the City's financial statements.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2016 were as follows:

	General Fund	Housing Authority Special Revenue Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Totals
Nonspendable:					
Receivables from					
Successor Agency	\$ 7,762,272	\$ -	\$ -	\$ -	\$ 7,762,272
Advances to other funds	594,739	-	-	-	594,739
Prepaid expenditures	72,973	-	-	-	72,973
Total Nonspendable	<u>8,429,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,429,984</u>
Restricted for:					
Low and moderate					
income housing	-	6,084,280	-	-	6,084,280
Public protection	-	-	-	195,511	195,511
Development	13,305	-	-	4,269,473	4,282,778
Transportation	-	-	-	3,123,176	3,123,176
Capital improvements	-	-	-	9,789,113	9,789,113
Housing	-	-	-	6,038	6,038
Total Restricted	<u>13,305</u>	<u>6,084,280</u>	<u>-</u>	<u>17,383,311</u>	<u>23,480,896</u>
Committed:					
Equipment replacement	78,909	-	-	-	78,909
Insurance premium increases	435,972	-	-	-	435,972
Capital improvements	1,514,182	-	-	-	1,514,182
Economic uncertainty	5,081,972	-	-	-	5,081,972
Police radio reserve	367,749	-	-	-	367,749
Library expansion	23,122	-	-	-	23,122
Park expansion	57,846	-	-	-	57,846
CalPERS rate increases	1,487,225	-	-	-	1,487,225
Building and land acquisition	3,612,995	-	-	-	3,612,995
OPEB future costs	1,121,444	-	-	-	1,121,444
Trash reduction	1,456	-	-	-	1,456
100th Anniversary	30,019	-	-	-	30,019
General plan	50,000	-	-	-	50,000
Cable television	53,157	-	-	-	53,157
Traffic safety	243,879	-	-	-	243,879
Total Committed	<u>14,159,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,159,927</u>
Unassigned	<u>12,226,818</u>	<u>-</u>	<u>(2,554,929)</u>	<u>-</u>	<u>9,671,889</u>
Total Fund Balances	<u>\$ 34,830,034</u>	<u>\$ 6,084,280</u>	<u>\$ (2,554,929)</u>	<u>\$ 17,383,311</u>	<u>\$ 55,742,696</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement:

The City of Signal Hill is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 118 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 lines of coverage. The California JPIA 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 nine-member Executive Committee.

B. Self-Insurance Programs of the Authority:

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. 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.

Liability:

In the liability program claims are pooled separately between police and general government 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

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

(4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For fiscal year 2015-16, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation:

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and general government 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For fiscal year 2015-16, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

C. Purchased Insurance:

Pollution Legal Liability Insurance:

The City of Signal Hill participates in the pollution legal liability insurance program which is available through the 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 Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the 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 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 the City of Signal Hill to the Authority. City of Signal Hill property currently has all-risk property insurance protection in the amount of \$51,465,700. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective 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 Authority. City of Signal Hill property currently has earthquake protection in the amount of \$26,245,721. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance:

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

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

D. Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2015-16.

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.

15. 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.

Developer Impact Fees:

The City charges Parks & Recreation, Public Works, and Water Development Impact Fees (fees) when new residential or commercial buildings are constructed. In fiscal year 2015-16, the City collected \$1,632 in Parks & Recreation fees, \$8,856 in Water fees, and \$175,430 in Traffic fees, respectively. The fees are deposited into corresponding special revenue funds, and they are used to acquire and upgrade parks, improve water systems related to new development, and to reduce traffic within the City related to new development. The State of California requires fees to be spent within five years of collection. In fiscal year 2015-16, the City expended \$874 in Parks & Recreation fees, \$11,889 in Water fees, and \$277,403 in Traffic fees. At June 30, 2016, the fund balances for the Parks & Recreation Impact Fund was \$3,352,466, for the Water Impact Fund was \$208,804, and for the Traffic Impact Fund was \$1,390,526.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

16. RESTATEMENT OF NET POSITION AND FUND BALANCE:

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions during fiscal year 2016. The City also restated accrued liabilities and transferred capital assets to the City from the Successor Agency with approval of the Long Range Property Management Plan by the Department of Finance. The cumulative effect of these restatements has resulted in a decrease to the net position at July 1, 2015 as follows:

	Governmental Activities	Business-type Activities	Enterprise Fund	Governmental Activities -Internal Service Fund	Private-Purpose Trust Fund
Net position as previously reported as of June 30, 2015	\$ 78,587,575	\$ 19,113,019	\$ 19,104,103	\$ 1,946,592	\$ (27,693,168)
Transfer capital assets per approval of Long Range Property Management Plan by Department of Finance in prior fiscal year	17,896,296	-	-	-	(17,896,296)
Understatement of Accrued Liabilities	(1,825,980)	-	-	-	(4,841,150)
Overstatement of Accrued Liabilities	3,157,515	-	-	-	-
OPEB Assets	(248,811)	-	-	-	-
OPEB Liability	(9,513,029)	(156,418)	(156,418)	(142,198)	-
Net position as restated July 1, 2015	<u>\$ 88,053,566</u>	<u>\$ 18,956,601</u>	<u>\$ 18,947,685</u>	<u>\$ 1,804,394</u>	<u>\$ (50,430,614)</u>
	General Fund				
Fund balances as previously reported as of June 30, 2015	\$ 29,646,590				
Understatement of Accrued Liabilities	(1,825,980)				
Overstatement of Accrued Liabilities	3,157,515				
Fund balances as restated July 1, 2015	<u>\$ 30,978,125</u>				

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. 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 (Agency) on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity with respect to the Agency assets and liabilities. Disclosures related to the capital assets and long-term liabilities reported in the Agency Private-Purpose Trust Fund are as follows:

Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance at July 1, 2015	Additions	Deletions	Transfers to the City	Prior Period Adjustments	Balance at June 30, 2016
Capital assets, not being depreciated						
Land	\$ 24,494,592	\$ -	\$ -	\$ -	\$ (848,227)	\$ 23,646,365
Construction in progress	234,025	-	-	(234,025)	-	-
Total capital assets, not being depreciated	<u>24,728,617</u>	<u>-</u>	<u>-</u>	<u>(234,025)</u>	<u>(848,227)</u>	<u>23,646,365</u>
Capital assets, being depreciated:						
Structures and improvements	17,540,569	-	-	-	(17,540,569)	-
Equipment and furniture	888,970	-	-	-	(888,970)	-
Total capital assets, being depreciated	<u>18,429,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,429,539)</u>	<u>-</u>
Less accumulated depreciation for:						
Structures and improvements	(1,073,305)	-	-	-	1,073,305	-
Equipment and furniture	(308,165)	-	-	-	308,165	-
Total accumulated depreciation	<u>(1,381,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,381,470</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>17,048,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,048,069)</u>	<u>-</u>
Total	<u>\$ 41,776,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,025)</u>	<u>\$ (17,896,296)</u>	<u>\$ 23,646,365</u>

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Bonds payable:					
2006 TABs	\$ 12,025,000	\$ -	\$ (130,000)	\$ 11,895,000	\$ 235,000
2007 Refunding TABs	14,165,000	-	(120,000)	14,045,000	1,505,000
2009 Tax Allocation Parity Bonds	17,125,000	-	(760,000)	16,365,000	830,000
2011 Tax Allocation Parity Bonds	7,570,000	-	(455,000)	7,115,000	500,000
2015 Refunding TABs Series A	19,990,000	-	(3,110,000)	16,880,000	1,860,000
2015 Refunding TABs Series B	1,970,000	-	(120,000)	1,850,000	100,000
Less original issuance discounts	(341,644)	-	31,899	(309,745)	(31,899)
Add premium on bonds	2,510,757	-	(304,333)	2,206,424	304,333
Total bonds payable	75,014,113	-	(4,967,434)	70,046,679	5,302,434
Notes payable	236,141	-	(45,139)	191,002	141,637
Advances from the City of Signal Hill	9,977,431	-	(274,591)	9,702,840	
Total long-term liabilities	<u>\$ 85,227,685</u>	<u>\$ -</u>	<u>\$ (5,287,164)</u>	<u>\$ 79,940,521</u>	<u>\$ 5,444,071</u>

All bond payments are secured by a pledge of tax increment revenue passed-through by Los Angeles County.

A. 2006 Tax Allocation Bonds:

On September 7, 2006, the Agency issued the 2006 Taxable Tax Allocation Parity Bonds, Series A (2006 Bonds) in the amount of \$13,500,000. Proceeds of the 2006 Taxable Tax Allocation Parity Bonds were 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 B2 and AA-, respectively.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

A. 2006 Tax Allocation Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 235,000	\$ 687,385	\$ 922,385
2018	235,000	673,967	908,967
2019	260,000	659,515	919,515
2020	275,000	643,896	918,896
2021	295,000	627,255	922,255
2022-2026	7,205,000	2,536,023	9,741,023
2027	3,390,000	98,971	3,488,971
	<u>\$ 11,895,000</u>	<u>\$ 5,927,012</u>	<u>\$ 17,822,012</u>

B. 2007 Refunding Tax Allocation Bonds:

On November 15, 2007, the Agency issued the 2007 Tax Allocation Refunding Parity Bonds, Series A (2007 Bonds) 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 deferred outflow of resources, is being amortized on a straight-line basis as interest expense on the statement of changes in fiduciary net position 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 B2 and AA-, respectively.

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

B. 2007 Refunding Tax Allocation Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,505,000	\$ 548,604	\$ 2,053,604
2018	1,570,000	487,104	2,057,104
2019	1,640,000	422,904	2,062,904
2020	1,710,000	355,904	2,065,904
2021	1,785,000	284,888	2,069,888
2021-2024	5,835,000	381,278	6,216,278
	<u>\$ 14,045,000</u>	<u>\$ 2,480,682</u>	<u>\$ 16,525,682</u>

C. 2009 Tax Allocation Parity Bonds:

On November 17, 2009, the Agency issued the 2009 Tax Allocation Parity Bonds (2009 Bonds) in the amount of \$20,655,000. The proceeds were 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 expense through the year 2027.

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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

C. 2009 Tax Allocation Parity Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 830,000	\$ 825,231	\$ 1,655,231
2018	865,000	786,488	1,651,488
2019	910,000	742,113	1,652,113
2020	955,000	695,487	1,650,487
2021	1,000,000	646,612	1,646,612
2022-2026	8,830,000	2,237,436	11,067,436
2027	2,975,000	79,953	3,054,953
	<u>\$ 16,365,000</u>	<u>\$ 6,013,320</u>	<u>\$ 22,378,320</u>

D. 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 were 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 expense 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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

D. 2011 Tax Allocation Parity Bonds (Continued):

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 500,000	\$ 447,275	\$ 947,275
2018	535,000	419,438	954,438
2019	555,000	388,769	943,769
2020	590,000	355,112	945,112
2021	625,000	317,881	942,881
2022-2026	3,540,000	892,576	4,432,576
2027	770,000	26,950	796,950
	<u>\$ 7,115,000</u>	<u>\$ 2,848,001</u>	<u>\$ 9,963,001</u>

E. 2015 Refunding Tax Allocation Bonds – Series A:

On January 26, 2015, the Agency issued the 2015 Tax Allocation Refunding Bonds, Series A (2015 A Bonds) in the amount of \$19,990,000. The proceeds were used to (i) refinance the Agency's outstanding 2001 Bonds, 2003 A Bonds, and 2003 C Bonds in the amount of \$22,245,000, (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2015 A Bonds were issued at a premium of \$2,624,882. This premium is being amortized on a straight line basis as interest expense through the year 2024.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$644,557. This difference, reported as a deferred outflow of resources, is being amortized on a straight-line basis as interest expense on the statement of changes in fiduciary net position through the year 2024.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

E. 2015 Refunding Tax Allocation Bonds – Series A (Continued):

Principal amounts on the 2015 A Bonds mature annually each October 1 from 2015 through 2024, and bear interest semiannually beginning October 1, 2015 at rates ranging from 2.00% to 5.00%. The 2015 A Bonds are not subject to optional redemption before maturity.

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, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,860,000	\$ 721,000	\$ 2,581,000
2018	1,915,000	664,375	2,579,375
2019	1,960,000	596,450	2,556,450
2020	2,040,000	506,250	2,546,250
2021	2,120,000	402,250	2,522,250
2022-2024	6,985,000	534,625	7,519,625
	<u>\$ 16,880,000</u>	<u>\$ 3,424,950</u>	<u>\$ 20,304,950</u>

F. 2015 Refunding Tax Allocation Bonds – Series B:

On January 26, 2015, the Agency issued the 2015 Tax Allocation Refunding Bonds, Series B (2015 B Bonds) in the amount of \$1,970,000. The proceeds were used to (i) refinance the Agency's outstanding 2003 D Bonds in the amount of \$1,980,000, (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2015 B Bonds were issued at a discount of \$26,551. This discount is being amortized on a straight line basis as interest expense through the year 2024.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$51,426. This difference, reported as a deferred outflow of resources, is being amortized on a straight-line basis as interest expense on the statement of changes in fiduciary net position through the year 2024.

CITY OF SIGNAL HILL
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

F. 2015 Refunding Tax Allocation Bonds – Series B (Continued):

Principal amounts on the 2015 B Bonds mature annually each October 1 from 2015 through 2024, and bear interest semiannually beginning October 1, 2015 at rates ranging from 1.00% to 3.125%. The 2015 B Bonds are not subject to optional redemption before maturity.

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, 2016, including interest, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 100,000	\$ 47,762	\$ 147,762
2018	105,000	46,606	151,606
2019	100,000	45,200	145,200
2020	105,000	43,531	148,531
2021	105,000	41,497	146,497
2022-2024	1,335,000	124,504	1,459,504
	<u>\$ 1,850,000</u>	<u>\$ 349,100</u>	<u>\$ 2,199,100</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

G. Notes Payable:

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, 2016, the outstanding balance of this note was \$191,002.

The annual debt requirements of this note at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 141,637	\$ 4,922	\$ 146,559
2018	49,365	835	50,200
	<u>\$ 191,002</u>	<u>\$ 5,757</u>	<u>\$ 196,759</u>

H. Advances from the City of Signal Hill:

In April 2008, the City made an advance to the Agency totaling \$10,000,000 to assist in funding the Agency's operating budget. The former Redevelopment Agency had been accruing interest on the original advances at a rate of 10% per annum. In fiscal year 2012-13, the Department of Finance ruled that the rate for which interest was accrued on advances to the former Redevelopment Agencies could not exceed effective LAIF rates. The state of the law for calculation of interest upon reinstated former RDA/City loans remains ambiguous. At this time, the law merely states that interest upon such reinstated loans is to be recalculated "at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund." Whether this reference to the Local Agency Investment Fund (LAIF) rate refers to the actual interest rates historically earned by LAIF accounts, the current LAIF rate, or some other rate associated with LAIF has not been clarified by any binding legal authority. The approach presented in the body of this CAFR applies a most conservative LAIF rate to former RDA/City loan agreements. However, this does not preclude the Successor Agency from utilizing, or applying to the California State Department of Finance (DOF) to utilize, an interest rate calculation that is more favorable to the City when it comes time to reinstate such former RDA/City loans, so long as the calculations are consistent with the redevelopment dissolution laws and binding legal authorities.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

H. Advances from the City of Signal Hill (Continued):

In fiscal year 2012-13, the City retroactively recalculated interest using existing LAIF rates and the balance of the advance was written down by \$3,739,561. Accordingly, the advance balance has remained at \$9,702,840 since the dissolution of the former Redevelopment Agency in fiscal year 2011-12. The balance includes accrued interest of \$90,645 representing accumulated interest charges prior to dissolution. The City and Successor Agency have decided to stop accruing interest until the interest rate determination has been made. Additionally, during fiscal year 2012-13, the City recorded a 20% reserve against this advance totaling \$1,940,568 (\$1,922,439 principal and \$18,129 interest) due to the estimated collectability by the General Fund as a result of the winding down of the affairs of the former Redevelopment Agency.

I. Operating Lease Obligations:

- (1) The Agency is leasing land (as lessor) 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 \$246,019.

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

Fiscal Year Ending June 30,	
2017	\$ 251,604
2018	251,604
2019	251,604
2020	251,604
2021	260,466
2022-2026	1,342,443
2027-2031	1,416,257
2032-2036	1,498,674
2037-2041	1,574,419
2042-2046	1,659,432
2047-2051	1,743,349
2052-2056	<u>1,599,276</u>
Total minimum lease payments	<u>\$ 12,100,732</u>

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

I. Operating Lease Obligations (Continued):

- (2) The Agency is leasing land (as lessor) for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires on December 31, 2055. The current period rental payments, which are classified as project costs, were \$216,936.

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

Fiscal Year Ending June 30,	
2017	\$ 220,142
2018	220,142
2019	220,142
2020	220,142
2021	223,444
2022-2026	1,137,127
2027-2031	1,171,243
2032-2036	1,206,378
2037-2041	1,242,567
2042-2046	1,279,848
2047-2051	1,318,244
2052-2056	1,357,795
Total minimum lease payments	<u>\$ 9,817,214</u>

J. 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 former Long Beach Redevelopment Agency on January 11, 1995. The purpose of this agreement was to create a joint powers 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 Successor Agency to the Long Beach Redevelopment Agency. Officers of the Authority are elected annually by the Board members.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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

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

K. Owner Participation and Implementation Agreement (OPIA):

Pursuant to an Owner Participation and Implementation Agreement (OPIA) dated September 19, 1996, the Agency is required to pay a developer a formulated amount based on sales tax generated at a site developed within the City of Signal Hill. The payments are due annually through calendar year 2015. The source of these payments is to be provided by the Signal Hill Successor Agency. The first source is available tax increment revenue which is limited based on the amount of the Signal Hill Successor Agency's annual tax increment revenue less amounts required by law to be deposited in the Signal Hill Successor Agency's Affordable Housing Special Revenue Fund. The second source is a loan from the City of Signal Hill 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, 2016, there was \$4,645,737 due under this agreement, which is reported as a current liability.

18. 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.

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.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

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 did not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets were 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.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the 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 Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller (CAC), 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 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 based on the ROPS amount approved by the DOF or the amount of former tax increment revenue available after administrative costs and pass-throughs. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

CITY OF SIGNAL HILL

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

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.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2014 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The former redevelopment agency (Successor Agency) was required to remit \$2,623,685 to the CAC as a result of the due diligence review.

The DOF issued a Finding of Completion on August 7, 2014 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allowed the placement of loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. Loan repayments could begin in the 2014-15 fiscal year as governed by the criteria in the health and code safety section. The DOF will consider the enforceability of these loan agreements once repayments requests are placed on the ROPS. When the repayments begin, 20% of the repayments of the loan agreement amounts are to be allocated to the Housing Authority Special Revenue Fund. At June 30, 2016, the long-term advances to the Successor Agency totaled \$9,702,840 which included principal of \$9,612,195 and interest of \$90,645.

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.

19. SUBSEQUENT EVENTS

On November 17, 2016, the City issued 2016 Water Revenue Refunding Bonds in the amount of \$4,305,000, with variable interest rates from 3% to 5%. The new bonds are used to repay the outstanding balance of the 2006 Water Revenue Refunding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SIGNAL HILL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,749,786	\$ 1,749,786	\$ 1,916,481	\$ 166,695
Sales and use tax	14,490,925	14,490,925	16,904,325	2,413,400
Other taxes	2,115,000	2,115,000	2,003,208	(111,792)
Licenses and permits	411,410	411,410	369,713	(41,697)
Intergovernmental revenues	83,000	125,358	85,038	(40,320)
Charges for services	825,350	825,350	760,458	(64,892)
Fines and forfeitures	315,200	315,200	325,742	10,542
Investment income	723,431	723,431	687,971	(35,460)
Other revenue	25,000	25,000	45,821	20,821
Total revenues	20,739,102	20,781,460	23,098,757	2,317,297
Expenditures:				
Current:				
General government:				
City Council	202,880	207,575	196,653	10,922
City Treasurer	5,780	5,780	5,346	434
City Clerk	147,360	212,330	110,372	101,958
Economic Development	-	200,000	195,969	4,031
Executive administration	649,635	649,635	627,695	21,940
Program administration	279,360	279,360	224,191	55,169
Personnel services	315,360	331,360	328,046	3,314
Support services	1,434,684	1,424,684	1,159,972	264,712
Management information services	165,000	238,613	178,105	60,508
Fiscal services	749,601	749,601	913,932	(164,331)
Total general government	3,949,660	4,298,938	3,940,281	358,657
Community services:				
Library programs and services	397,465	397,465	419,242	(21,777)
Community support and services	513,534	513,534	587,434	(73,900)
Recreation	518,333	522,933	465,171	57,762
Total community services	1,429,332	1,433,932	1,471,847	(37,915)
Police:				
Community outreach	77,140	77,140	78,993	(1,853)
Patrol services	4,856,855	4,899,213	4,748,834	150,379
Investigative services	1,108,950	1,108,950	801,008	307,942
Police support services	1,656,908	1,667,711	1,740,557	(72,846)
Communications	683,850	707,569	796,571	(89,002)
Records	430,720	452,670	388,476	64,194
Emergency and disaster services	56,450	109,481	56,560	52,921
Total police	8,870,873	9,022,734	8,610,999	411,735

(Continued)

See Notes to the Required Supplementary Information

CITY OF SIGNAL HILL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(Continued)

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community development:				
Planning services	\$ 314,560	\$ 318,460	\$ 339,230	\$ (20,770)
Neighborhood enhancement	105,775	114,440	112,771	1,669
Building and safety	269,800	269,800	209,850	59,950
Oil field services	122,565	122,565	128,533	(5,968)
Total community development	812,700	825,265	790,384	34,881
Public works:				
Engineering and project services	503,600	565,600	614,226	(48,626)
Building maintenance	637,810	637,810	528,116	109,694
Environmental programs	904,970	1,138,860	589,010	549,850
Grounds maintenance	904,965	911,635	720,748	190,887
Street maintenance operations	1,474,543	1,474,543	1,360,489	114,054
Total public works	4,425,888	4,728,448	3,812,589	915,859
Capital outlay	575,000	615,000	237,382	377,618
Debt service:				
Principal payments	14,200	14,200	14,200	-
Interest and fiscal charges	2,827	2,827	2,827	-
	17,027	17,027	17,027	-
Total expenditures	20,080,480	20,941,344	18,880,509	2,060,835
Excess (deficiency) of revenues over (under) expenditures	658,622	(159,884)	4,218,248	4,378,132
Other financing sources (uses):				
Transfers in	213,473	213,473	128,473	(85,000)
Transfers out	(1,595,000)	(1,730,150)	(494,812)	1,235,338
Total other financing sources (uses)	(1,381,527)	(1,516,677)	(366,339)	1,150,338
Net change in fund balance	(722,905)	(1,676,561)	3,851,909	5,528,470
Fund balance at beginning of fiscal year	29,646,590	29,646,590	29,646,590	-
Prior period adjustments	-	-	1,331,535	1,331,535
Fund balances at beginning of fiscal year, as restated	29,646,590	29,646,590	30,978,125	1,331,535
Fund balance at end of fiscal year	\$ 28,923,685	\$ 27,970,029	\$ 34,830,034	\$ 6,860,005

See Notes to the Required Supplementary Information

CITY OF SIGNAL HILL
BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance- with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 54,040	\$ 54,040	\$ 35,967	\$ (18,073)
Other revenues	-	-	420,073	420,073
Total revenues	54,040	54,040	456,040	402,000
Expenditure:				
Current:				
Community development	-	-	6,327	(6,327)
Capital outlay	-	-	21,389	(21,389)
Total expenditures	-	-	27,716	(27,716)
Excess of revenues over expenditures	54,040	54,040	428,324	374,284
Fund balance at beginning of fiscal year	5,655,956	5,655,956	5,655,956	-
Fund balance at end of fiscal year	<u>\$ 5,709,996</u>	<u>\$ 5,709,996</u>	<u>\$ 6,084,280</u>	<u>\$ 374,284</u>

See Notes to the Required Supplementary Information

CITY OF SIGNAL HILL
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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 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, 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 budgets were adopted for the Civil Center Phase II and DOJ Grants Special Revenue Funds for the current fiscal year.
- 3) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures exceeded appropriations in major funds as follows:

Major Funds:

General Fund:

General government - Fiscal Services	\$ 164,331
Community services - Library programs and services	21,777
Community services - Community support and services	73,900
Police - Community outreach	1,853
Police - Support services	72,846
Police - Communications	89,002
Community Development - Planning services	20,770
Community Development - Oil field services	5,968
Public works - Engineering and project services	48,626
Housing Authority Special Revenue Fund	27,716

These expenditures exceeding appropriations were funded by existing fund balances or by greater than anticipated revenues.

- 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. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally re-appropriated 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, 2016, based on calculations by City management, proceeds of taxes did not exceed appropriations.

CITY OF SIGNAL HILL
Required Supplementary Information
June 30, 2016

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 FISCAL YEARS*

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Measurement Date June 30, 2015 ¹ Fiscal Year 2015-16 Combined	Measurement Date June 30, 2014 ¹ Fiscal Year 2014-15 Combined
Proportion of the net pension liability	0.294832%	0.300795%
Proportionate share of the net pension liability	\$ 20,237,038	\$ 18,716,877
Covered-employee payroll ²	\$ 7,098,450	\$ 7,625,485
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	285.09%	245.45%
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,907,305,871
Plan's total pension liability	\$ 33,358,627,624	\$ 31,771,217,402
Plan fiduciary net position as a percentage of total pension liability	74.06%	78.40%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Note to Schedule:

Benefit Changes: The figures above do not include any liability impact may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF SIGNAL HILL

Required Supplementary Information

June 30, 2016

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN LAST 10 FISCAL YEARS*

SCHEDULE OF PENSION CONTRIBUTIONS

	Combined Fiscal Year 2015-16 ¹	Combined Fiscal Year 2014-15 ¹
Actuarially Determined Contribution ²	\$ 2,321,377	\$ 1,871,390
Contributions in Relation to the Actuarially Determined Contribution ²	(2,321,377)	(1,871,390)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll ³	\$ 7,710,519	\$ 7,098,450
Contributions as a Percentage of Covered Employee Payroll ³	30.11%	26.36%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

²Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

³Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF SIGNAL HILL
Required Supplementary Information
June 30, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	<u>2016</u>
Total OPEB Liability	
Service Cost	\$ 84,249
Interest on the Total Pension Liability	732,333
Benefit Payments	<u>(697,696)</u>
Net Change in Total Pension Liability	118,886
Total OPEB Liability - Beginning	<u>11,266,654</u>
Total OPEB Liability - Ending (a)	<u>\$ 11,385,540</u>
 Plan Fiduciary Net Position	
Contribution from the Employer	\$ 847,696
Net investment income	(31,941)
Benefit Payments	(697,696)
Administrative Expenses	<u>(3,818)</u>
Net Change in Plan Fiduciary Net Position	114,241
Plan Fiduciary Net Position - Beginning	<u>1,597,207</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,711,448</u>
 Net OPEB Liability - Ending (a)-(b)	<u><u>\$ 9,674,092</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 15.03%
 Covered - Employee Payroll	 \$ 7,783,311
 Net OPEB Liability as Percentage of Covered- Employee Payroll	 124.29%

* Fiscal year 2016 was the 1st year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

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OTHER MAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

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

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES , AND CHANGES
IN FUND BLANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENT CAPITAL PROJECT FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance- with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 57,500	\$ 75,875	\$ 2,566,896	\$ 2,491,021
Total revenues	57,500	75,875	2,566,896	2,491,021
Expenditure:				
Capital outlay	1,947,500	1,980,875	2,741,916	(761,041)
Total expenditures	1,947,500	1,980,875	2,741,916	(761,041)
(Deficiency) of revenues (under) expenditures	(1,890,000)	(1,905,000)	(175,020)	1,729,980
Other financing sources:				
Transfers in	1,890,000	1,905,000	812,758	(1,092,242)
Total other financing sources	1,890,000	1,905,000	812,758	(1,092,242)
Net change in fund balances	-	-	637,738	637,738
Fund (deficit) at beginning of fiscal year	(3,192,667)	(3,192,667)	(3,192,667)	-
Fund (deficit) at end of fiscal year	\$ (3,192,667)	\$ (3,192,667)	\$ (2,554,929)	\$ 637,738

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 separate funds.

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 forfeiture laws.

DOJ Grants Fund – Accounts for the receipt and disbursement of monies awarded to the City by the U.S. Department of Justice for the additional hiring and rehiring of law enforcements officers.

Park Development Fund – Accounts for revenues from residential and commercial developer 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 the receipt and disbursement 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 Proposition A Fund – As “Proposition A” 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 these monies. “Proposition A” revenues are to be used for public transportation purposes.

Pipeline Removal Fund – Accounts for revenues from fees paid by franchisees for future removal costs of idle pipelines.

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 developer impact fees for water system improvements related to new development.

Traffic Impact Fund – Accounts for revenues from residential and commercial developer impact fees for the purpose of reducing traffic within the City related to new development.

Transportation Proposition C Fund – As “Proposition C” 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 these monies. “Proposition C” revenues are to be used for public transportation purposes.

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OTHER GOVERNMENTAL FUNDS

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 related to the maintenance and upkeep of the district.

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

UASI Grant Fund – Accounts for the receipt and disbursement of monies awarded by the Los Angeles County Office of Emergency Services under the Homeland Security Act.

Public Safety State Resources Fund – Accounts for the receipt and disbursement of monies awarded to the City by the State of California Office of Traffic Safety for traffic safety equipment, public education, and checkpoint services.

Housing Impact Fund – Accounts for the revenues collected pursuant to the agreement between the City’s Successor Agency and the Development and Disposition Agreement with 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-STPL Grant Fund – Accounts for the receipt and disbursement 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.

Civil Center Phase II Fund – This fund is used to account for monies received directly from the Successor Agency which are required to be used for the Civic Center Phase II improvements.

Transportation 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.

LA Impact Fund – Accounts for the receipt and disbursement of monies from the Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force which is a compilation of numerous federal, state, and local law enforcement agencies in Los Angeles County.

CITY OF SIGNAL HILL
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
Assets				
Cash and investments	\$ 194,566	\$ -	\$ 3,352,466	\$ -
Restricted cash and investments	-	-	-	-
Accrued interest receivable	-	-	-	600
Due from other governments	945	10,375	12,230	96,627
Loans receivable	-	-	-	6,038
Total assets	<u>\$ 195,511</u>	<u>\$ 10,375</u>	<u>\$ 3,364,696</u>	<u>\$ 103,265</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,529
Accrued liabilities	-	-	-	-
Due to other funds	-	10,375	-	95,098
Total liabilities	-	10,375	-	96,627
Deferred inflows of resources:				
Unavailable revenue:	-	-	12,230	600
Fund balances:				
Restricted for:				
Public protection	195,511	-	-	-
Development	-	-	3,352,466	-
Transportation	-	-	-	-
Capital improvements	-	-	-	-
Housing	-	-	-	6,038
Total fund balances	<u>195,511</u>	<u>-</u>	<u>3,352,466</u>	<u>6,038</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 195,511</u>	<u>\$ 10,375</u>	<u>\$ 3,364,696</u>	<u>\$ 103,265</u>

Special Revenue Funds (Continued)

Special Gas Tax	Transportation Proposition A	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Transportation Proposition C	Lighting and Landscape
\$ 257,636	\$ 655,189	\$ 2,096,160	\$ 135,661	\$ 208,804	\$ 1,390,526	\$ 454,520	\$ 114,541
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,500	-	-	3,964	-	-	-	559
-	-	-	-	-	-	-	-
<u>\$ 265,136</u>	<u>\$ 655,189</u>	<u>\$ 2,096,160</u>	<u>\$ 139,625</u>	<u>\$ 208,804</u>	<u>\$ 1,390,526</u>	<u>\$ 454,520</u>	<u>\$ 115,100</u>
\$ -	\$ 54,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70
-	240	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	55,239	-	-	-	-	-	70
-	-	-	-	-	-	-	-
-	-	-	3,964	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	208,804	-	-	-
265,136	599,950	-	135,661	-	1,390,526	454,520	-
-	-	2,096,160	-	-	-	-	115,030
-	-	-	-	-	-	-	-
<u>265,136</u>	<u>599,950</u>	<u>2,096,160</u>	<u>135,661</u>	<u>208,804</u>	<u>1,390,526</u>	<u>454,520</u>	<u>115,030</u>
<u>\$ 265,136</u>	<u>\$ 655,189</u>	<u>\$ 2,096,160</u>	<u>\$ 139,625</u>	<u>\$ 208,804</u>	<u>\$ 1,390,526</u>	<u>\$ 454,520</u>	<u>\$ 115,100</u>

(Continued)

CITY OF SIGNAL HILL
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)
June 30, 2016

		Special Revenue Funds (Continued)			
		Supplemental Law Enforcement	UASI Grant	Public Safety State Resources	Housing Impact
Assets					
Cash and investments		\$ -	\$ -	\$ -	\$ 708,203
Restricted cash and investments		-	-	-	-
Accrued interest receivable		-	-	-	-
Due from other governments		-	358,415	1,097	-
Loans receivable		-	-	-	-
Total assets		<u>\$ -</u>	<u>\$ 358,415</u>	<u>\$ 1,097</u>	<u>\$ 708,203</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable		\$ -	\$ -	\$ -	\$ -
Accrued liabilities		-	-	-	-
Due to other funds		-	358,415	1,097	-
Total liabilities		<u>-</u>	<u>358,415</u>	<u>1,097</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for:					
Public protection		-	-	-	-
Development		-	-	-	708,203
Transportation		-	-	-	-
Capital improvements		-	-	-	-
Housing		-	-	-	-
Total fund balances		<u>-</u>	<u>-</u>	<u>-</u>	<u>708,203</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ -</u>	<u>\$ 358,415</u>	<u>\$ 1,097</u>	<u>\$ 708,203</u>

Special Revenue Funds (Continued)				Total Other Governmental Funds
MTA-STPL Grant	Civic Center Phase II	Transportation Measure R	LA Impact	
\$ -	\$ -	\$ 277,383	\$ -	\$ 9,845,655
-	7,577,923	-	-	7,577,923
-	-	-	-	600
-	-	-	-	491,712
-	-	-	-	6,038
<u>\$ -</u>	<u>\$ 7,577,923</u>	<u>\$ 277,383</u>	<u>\$ -</u>	<u>\$ 17,921,928</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,598
-	-	-	-	240
-	-	-	-	464,985
-	-	-	-	521,823
-	-	-	-	16,794
-	-	-	-	195,511
-	-	-	-	4,269,473
-	-	277,383	-	3,123,176
-	7,577,923	-	-	9,789,113
-	-	-	-	6,038
-	7,577,923	277,383	-	17,383,311
<u>\$ -</u>	<u>\$ 7,577,923</u>	<u>\$ 277,383</u>	<u>\$ -</u>	<u>\$ 17,921,928</u>

CITY OF SIGNAL HILL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	20,020	38,694	-	109,189
Charges for services	-	-	-	-
Investment income	1,284	-	18,682	-
Developer fees	-	-	1,632	-
Total revenues	<u>21,304</u>	<u>38,694</u>	<u>20,314</u>	<u>109,189</u>
Expenditures:				
Current:				
Police	-	134,239	-	-
Community development	-	-	874	8,609
Public works	-	-	-	-
Capital outlay	-	-	-	106,532
Total expenditures	<u>-</u>	<u>134,239</u>	<u>874</u>	<u>115,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,304</u>	<u>(95,545)</u>	<u>19,440</u>	<u>(5,952)</u>
Other financing sources (uses):				
Transfers in	-	95,545	-	5,952
Transfers out	(74,373)	-	(136,103)	-
Cash contributions from Successor Agency	-	-	-	-
Total other financing sources (uses)	<u>(74,373)</u>	<u>95,545</u>	<u>(136,103)</u>	<u>5,952</u>
Net change in fund balances	<u>(53,069)</u>	<u>-</u>	<u>(116,663)</u>	<u>-</u>
Fund balances at beginning of fiscal year	<u>248,580</u>	<u>-</u>	<u>3,469,129</u>	<u>6,038</u>
Fund balances at end of fiscal year	<u>\$ 195,511</u>	<u>\$ -</u>	<u>\$ 3,352,466</u>	<u>\$ 6,038</u>

Special Revenue Funds (Continued)

Special Gas Tax	Transportation Proposition A	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Transportation Proposition C	Lighting and Landscape
\$ -	\$ 205,971	\$ 9,953	\$ -	\$ -	\$ -	\$ 169,714	\$ 56,863
262,697	-	-	11,928	-	-	-	-
-	1,289	-	-	-	-	-	-
1,436	3,670	11,681	756	1,164	7,749	1,982	638
-	-	-	-	8,856	175,430	-	-
264,133	210,930	21,634	12,684	10,020	183,179	171,696	57,501
-	-	-	-	-	-	-	-
-	153,290	-	-	-	-	2,458	-
-	-	-	-	11,889	-	-	58,981
-	-	-	-	-	-	-	-
-	153,290	-	-	11,889	-	2,458	58,981
264,133	57,640	21,634	12,684	(1,869)	183,179	169,238	(1,480)
-	-	-	-	-	-	13,826	-
(135,973)	-	-	-	(1,674,267)	(277,403)	-	-
-	-	-	-	-	-	-	-
(135,973)	-	-	-	(1,674,267)	(277,403)	13,826	-
128,160	57,640	21,634	12,684	(1,676,136)	(94,224)	183,064	(1,480)
136,976	542,310	2,074,526	122,977	1,884,940	1,484,750	271,456	116,510
\$ 265,136	\$ 599,950	\$ 2,096,160	\$ 135,661	\$ 208,804	\$ 1,390,526	\$ 454,520	\$ 115,030

(Continued)

CITY OF SIGNAL HILL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds (Continued)		
	Supplemental Law Enforcement	UASI Grant	Public Safety State Resources
Revenues:			
Other taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	114,619	358,415	17,829
Charges for services	-	-	-
Investment income	-	-	-
Developer fees	-	-	-
Total revenues	114,619	358,415	17,829
Expenditures:			
Current:			
Police	216,716	206,793	25,743
Community development	-	-	-
Public works	-	-	-
Capital outlay	-	151,622	-
Total expenditures	216,716	358,415	25,743
Excess (deficiency) of revenues over (under) expenditures	(102,097)	-	(7,914)
Other financing sources (uses):			
Transfers in	102,097	-	7,914
Transfers out	-	-	-
Cash contributions from Successor Agency	-	-	-
Total other financing sources (uses)	102,097	-	7,914
Net change in fund balances	-	-	-
Fund balances at beginning of fiscal year	-	-	-
Fund balances at end of fiscal year	\$ -	\$ -	\$ -

Special Revenue Funds (Continued)					Total Other Governmental Funds
Housing Impact	MTA-STPL Grant	Civic Center Phase II	Transportation Measure R	LA Impact	
\$ -	\$ -	\$ -	\$ 128,213	\$ -	\$ 570,714
-	-	-	-	5,532	938,923
-	-	-	-	-	1,289
3,946	-	-	1,546	-	54,534
-	-	-	-	-	185,918
3,946	-	-	129,759	5,532	1,751,378
-	-	-	-	75,233	658,724
-	-	-	-	-	165,231
-	-	-	-	-	70,870
-	-	-	-	-	258,154
-	-	-	-	75,233	1,152,979
3,946	-	-	129,759	(69,701)	598,399
-	-	-	-	69,701	295,035
-	(72,834)	-	(49,422)	-	(2,420,375)
-	-	7,577,923	-	-	7,577,923
-	(72,834)	7,577,923	(49,422)	69,701	5,452,583
3,946	(72,834)	7,577,923	80,337	-	6,050,982
704,257	72,834	-	197,046	-	11,332,329
\$ 708,203	\$ -	\$ 7,577,923	\$ 277,383	\$ -	\$ 17,383,311

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ASSET SEIZURE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 360	\$ 360	\$ 20,020	\$ 19,660
Investment income	95,150	95,150	1,284	(93,866)
Total revenues	95,510	95,510	21,304	(74,206)
Excess of revenues over expenditures	95,510	95,510	21,304	(74,206)
Other financing sources (uses):				
Transfers out	-	-	(74,373)	(74,373)
Total other financing sources (uses)	-	-	(74,373)	(74,373)
Net change in fund balance	95,510	95,510	(53,069)	(148,579)
Fund balance at beginning of fiscal year	248,580	248,580	248,580	-
Fund balance at end of fiscal year	<u>\$ 344,090</u>	<u>\$ 344,090</u>	<u>\$ 195,511</u>	<u>\$ (148,579)</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PARK DEVELOPMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 10,000	\$ 10,000	\$ 18,682	\$ 8,682
Developer fees	329,000	329,000	1,632	(327,368)
Total revenues	339,000	339,000	20,314	(318,686)
Expenditures:				
Current:				
Community development	-	-	874	(874)
Total expenditures	-	-	874	(874)
Excess of revenues over expenditures	339,000	339,000	19,440	(319,560)
Other financing sources (uses):				
Transfers out	-	-	(136,103)	(136,103)
Total other financing sources (uses)	-	-	(136,103)	(136,103)
Net change in fund balance	339,000	339,000	(116,663)	(455,663)
Fund balance at beginning of fiscal year	3,469,129	3,469,129	3,469,129	-
Fund balance at end of fiscal year	<u>\$ 3,808,129</u>	<u>\$ 3,808,129</u>	<u>\$ 3,352,466</u>	<u>\$ (455,663)</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

HCDA GRANT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 57,844	\$ 57,844	\$ 109,189	\$ 51,345
Expenditures:				
Current:				
Community development	59,230	59,230	8,609	50,621
Capital outlay	240,000	240,000	106,532	133,468
Total expenditures	299,230	299,230	115,141	184,089
Excess of revenues over expenditures	(241,386)	(241,386)	(5,952)	235,434
Other financing sources (uses):				
Transfers in	-	-	5,952	5,952
Total other financing sources (uses)	-	-	5,952	5,952
Net change in fund balance	(241,386)	(241,386)	-	241,386
Fund at beginning of fiscal year	6,038	6,038	6,038	-
Fund balance at end of fiscal year	<u>\$ (235,348)</u>	<u>\$ (235,348)</u>	<u>\$ 6,038</u>	<u>\$ 241,386</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL GAS TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 248,558	\$ 248,558	\$ 262,697	\$ 14,139
Investment income	355	355	1,436	1,081
Total revenues	248,913	248,913	264,133	15,220
Other financing sources (uses):				
Transfers out	(293,473)	(293,473)	(135,973)	157,500
Total other financing sources (uses)	(293,473)	(293,473)	(135,973)	157,500
Net change in fund balance	(44,560)	(44,560)	128,160	172,720
Fund balance at beginning of fiscal year	136,976	136,976	136,976	-
Fund balance at end of fiscal year	<u>\$ 92,416</u>	<u>\$ 92,416</u>	<u>\$ 265,136</u>	<u>\$ 172,720</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSPORTATION PROPOSITION A SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 208,626	\$ 208,626	\$ 205,971	\$ (2,655)
Charges for services	-	-	1,289	1,289
Investment income	-	-	3,670	3,670
Total revenues	208,626	208,626	210,930	2,304
Expenditures:				
Current:				
Community development	181,220	181,220	153,290	27,930
Total expenditures	181,220	181,220	153,290	27,930
Excess of revenues over expenditures	27,406	27,406	57,640	30,234
Fund balance at beginning of fiscal year	542,310	542,310	542,310	-
Fund balance at end of fiscal year	<u>\$ 569,716</u>	<u>\$ 569,716</u>	<u>\$ 599,950</u>	<u>\$ 30,234</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

PIPELINE REMOVAL SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 6,830	\$ 6,830	\$ 9,953	\$ 3,123
Investment income	6,830	6,830	11,681	4,851
	<u>13,660</u>	<u>13,660</u>	<u>21,634</u>	<u>7,974</u>
Total revenues				
Expenditures:				
Current:				
Public works	25,000	25,000	-	25,000
	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures				
	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of revenues over expenditures	(11,340)	(11,340)	21,634	32,974
Fund balance at beginning of fiscal year	2,074,526	2,074,526	2,074,526	-
Fund balance at end of fiscal year	<u>\$ 2,063,186</u>	<u>\$ 2,063,186</u>	<u>\$ 2,096,160</u>	<u>\$ 32,974</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ 11,928	\$ 11,928
Investment income	360	360	756	396
	<u>360</u>	<u>360</u>	<u>12,684</u>	<u>12,324</u>
Total revenues				
	<u>360</u>	<u>360</u>	<u>12,684</u>	<u>12,324</u>
Expenditures:				
Current:				
General government	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	360	360	12,684	12,324
	<u>360</u>	<u>360</u>	<u>12,684</u>	<u>12,324</u>
Fund balance at beginning of fiscal year	122,977	122,977	122,977	-
	<u>122,977</u>	<u>122,977</u>	<u>122,977</u>	<u>-</u>
Fund balance at end of fiscal year	\$ 123,337	\$ 123,337	\$ 135,661	\$ 12,324
	<u>\$ 123,337</u>	<u>\$ 123,337</u>	<u>\$ 135,661</u>	<u>\$ 12,324</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
WATER DEVELOPMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 5,100	\$ 5,100	\$ 1,164	\$ (3,936)
Developer fees	308,000	308,000	8,856	(299,144)
Total revenues	313,100	313,100	10,020	(303,080)
Expenditures:				
Current:				
Public works	-	-	11,889	(11,889)
Excess of revenues over expenditures	313,100	313,100	(1,869)	(314,969)
Other financing sources (uses):				
Transfers out	-	-	(1,674,267)	(1,674,267)
Total other financing sources (uses)	-	-	(1,674,267)	(1,674,267)
Net change in fund balance	313,100	313,100	(1,676,136)	(1,989,236)
Fund balance at beginning of fiscal year	1,884,940	1,884,940	1,884,940	-
Fund balance at end of fiscal year	<u>\$ 2,198,040</u>	<u>\$ 2,198,040</u>	<u>\$ 208,804</u>	<u>\$ (1,989,236)</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

TRAFFIC IMPACT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 7,749	\$ 7,749
Developer fees	13,000	13,000	175,430	162,430
Total revenues	13,000	13,000	183,179	170,179
Other financing sources (uses):				
Transfers out	-	-	(277,403)	(277,403)
Total other financing sources (uses)	-	-	(277,403)	(277,403)
Net change in fund balance	13,000	13,000	(94,224)	(107,224)
Fund balance at beginning of fiscal year	1,484,750	1,484,750	1,484,750	-
Fund balance at end of fiscal year	<u>\$ 1,497,750</u>	<u>\$ 1,497,750</u>	<u>\$ 1,390,526</u>	<u>\$ (107,224)</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSPORTATION PROPOSITION C SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 169,454	\$ 169,454	\$ 169,714	\$ 260
Investment income	-	-	1,982	1,982
Total revenues	169,454	169,454	171,696	2,242
Expenditures:				
Current:				
Community development	5,000	5,000	2,458	2,542
Total expenditures	5,000	5,000	2,458	2,542
Excess of revenues over expenditures	164,454	164,454	169,238	4,784
Other financing sources (uses):				
Transfers in	-	-	13,826	13,826
Transfers out	(285,000)	(285,000)	-	285,000
Total other financing sources (uses)	(285,000)	(285,000)	13,826	298,826
Net change in fund balance	(120,546)	(120,546)	183,064	303,610
Fund balance at beginning of fiscal year	271,456	271,456	271,456	-
Fund balance at end of fiscal year	\$ 150,910	\$ 150,910	\$ 454,520	\$ 303,610

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LIGHTING AND LANDSCAPE SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 56,831	\$ 56,831	\$ 56,863	\$ 32
Investment income	500	500	638	138
	<u>57,331</u>	<u>57,331</u>	<u>57,501</u>	<u>170</u>
Total revenues				
Expenditures:				
Current:				
Public works	87,000	87,000	58,981	28,019
	<u>87,000</u>	<u>87,000</u>	<u>58,981</u>	<u>28,019</u>
Excess of revenues over expenditures	(29,669)	(29,669)	(1,480)	28,189
Fund balance at beginning of fiscal year	<u>116,510</u>	<u>116,510</u>	<u>116,510</u>	<u>-</u>
Fund balance at end of fiscal year	<u>\$ 86,841</u>	<u>\$ 86,841</u>	<u>\$ 115,030</u>	<u>\$ 28,189</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 100,000	\$ 100,000	\$ 114,619	\$ 14,619
Investment income	410	410	-	(410)
	<u>100,410</u>	<u>100,410</u>	<u>114,619</u>	<u>14,209</u>
Total revenues				
Expenditures:				
Current:				
Police	205,580	205,580	216,716	(11,136)
	<u>205,580</u>	<u>205,580</u>	<u>216,716</u>	<u>(11,136)</u>
Excess of revenues over expenditures	<u>(105,170)</u>	<u>(105,170)</u>	<u>(102,097)</u>	<u>3,073</u>
Other financing sources (uses):				
Transfers in	95,150	95,150	102,097	6,947
	<u>95,150</u>	<u>95,150</u>	<u>102,097</u>	<u>6,947</u>
Total other financing sources (uses)				
Net change in fund balance	(10,020)	(10,020)	-	10,020
Fund balance at beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of fiscal year	<u>\$ (10,020)</u>	<u>\$ (10,020)</u>	<u>\$ -</u>	<u>\$ 10,020</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

UASI GRANTS SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 300,000	\$ 408,500	\$ 358,415	\$ (50,085)
Total revenues	300,000	408,500	358,415	(50,085)
Expenditures:				
Current:				
Police	-	-	206,793	(206,793)
Capital outlay	300,000	408,500	151,622	256,878
Total expenditures	300,000	408,500	358,415	50,085
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance at beginning of fiscal year	-	-	-	-
Fund balance at end of fiscal year	\$ -	\$ -	\$ -	\$ -

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PUBLIC SAFETY STATE RESOURCES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ 17,829	\$ 17,829
Investment income	-	-	-	-
Total revenues	-	-	17,829	17,829
Expenditures:				
Current:				
Police	25,290	25,290	25,743	(453)
Total expenditures	25,290	25,290	25,743	(453)
Excess of revenues over expenditures	(25,290)	(25,290)	(7,914)	17,376
Other financing sources (uses):				
Transfers in	-	-	7,914	7,914
Total other financing sources (uses)	-	-	7,914	7,914
Net change in fund balance	(25,290)	(25,290)	-	25,290
Fund balance at beginning of fiscal year	-	-	-	-
Fund balance at end of fiscal year	\$ (25,290)	\$ (25,290)	\$ -	\$ 25,290

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HOUSING IMPACT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 2,550	\$ 2,550	\$ 3,946	\$ 1,396
Total revenues	2,550	2,550	3,946	1,396
Excess of revenues over expenditures	2,550	2,550	3,946	1,396
Fund balance at beginning of fiscal year	704,257	704,257	704,257	-
Fund balance at end of fiscal year	<u>\$ 706,807</u>	<u>\$ 706,807</u>	<u>\$ 708,203</u>	<u>\$ 1,396</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MTA-STPL GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 715	\$ 715	\$ -	\$ (715)
Total revenues	715	715	-	(715)
Other financing sources (uses):				
Transfers out	-	-	(72,834)	(72,834)
Total other financing sources (uses)	-	-	(72,834)	(72,834)
Net change in fund balance	715	715	(72,834)	(73,549)
Fund balance at beginning of fiscal year	72,834	72,834	72,834	-
Fund balance at end of fiscal year	<u>\$ 73,549</u>	<u>\$ 73,549</u>	<u>\$ -</u>	<u>\$ (73,549)</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSPORTATION MEASURE R SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 125,000	125,000	\$ 128,213	\$ 3,213
Investment income	205	205	1,546	1,341
Total revenues	125,205	125,205	129,759	4,554
Other financing sources (uses):				
Transfers out	(110,000)	(110,000)	(49,422)	60,578
Total other financing sources (uses)	(110,000)	(110,000)	(49,422)	60,578
Net change in fund balance	15,205	15,205	80,337	65,132
Fund balance at beginning of fiscal year	73,098	73,098	197,046	123,948
Fund balance at end of fiscal year	<u>\$ 88,303</u>	<u>\$ 88,303</u>	<u>\$ 277,383</u>	<u>\$ 189,080</u>

CITY OF SIGNAL HILL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

LA IMPACT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 140,000	\$ 140,000	\$ 5,532	\$ (134,468)
Expenditures:				
Current:				
Police	37,740	37,740	75,233	(37,493)
Total expenditures	37,740	37,740	75,233	(37,493)
Excess (deficiency) of revenues over (under) expenditures	102,260	102,260	(69,701)	(171,961)
Other financing sources (uses):				
Transfers in	-	-	69,701	69,701
Total other financing sources (uses)	-	-	69,701	69,701
Net change in fund balance	102,260	102,260	-	(102,260)
Fund balance at beginning of fiscal year	-	-	-	-
Fund balance at end of fiscal year	\$ 102,260	\$ 102,260	\$ -	\$ (102,260)

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FIDUCIARY FUNDS

AGENCY FUNDS

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

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

CITY OF SIGNAL HILL
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2016

	Gateway IRWM Joint Powers Authority Fund	Spring Street Corridor Joint Powers Authority Fund	Total
Assets:			
Cash and investments	\$ 1,528,596	\$ -	\$ 1,528,596
Due from other governments	<u>-</u>	<u>3,488</u>	<u>3,488</u>
Total assets	<u><u>\$ 1,528,596</u></u>	<u><u>\$ 3,488</u></u>	<u><u>\$ 1,532,084</u></u>
Liabilities:			
Accounts payable	\$ 4,064	\$ 3,488	\$ 7,552
Refundable deposits	<u>1,524,532</u>	<u>-</u>	<u>1,524,532</u>
Total liabilities	<u><u>\$ 1,528,596</u></u>	<u><u>\$ 3,488</u></u>	<u><u>\$ 1,532,084</u></u>

CITY OF SIGNAL HILL
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS

For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>GATEWAY IRWM JOINT POWER AUTHORITY</u>				
Assets:				
Cash and investments	\$ 3,037,125	\$ 954,216	\$ (2,462,745)	\$ 1,528,596
Accounts receivable	33,698	-	(33,698)	-
Total assets	<u>\$ 3,070,823</u>	<u>\$ 954,216</u>	<u>\$ (2,496,443)</u>	<u>\$ 1,528,596</u>
Liabilities:				
Accounts payable	\$ 237,333	\$ 615,000	\$ (848,269)	\$ 4,064
Refundable deposits	2,833,490	339,216	(1,648,174)	1,524,532
Total liabilities	<u>\$ 3,070,823</u>	<u>\$ 954,216</u>	<u>\$ (2,496,443)</u>	<u>\$ 1,528,596</u>
<u>SPRING STREET CORRIDOR JOINT POWER AUTHORITY</u>				
Assets:				
Due from other governments	\$ 8,691	\$ -	\$ (5,203)	\$ 3,488
Total assets	<u>\$ 8,691</u>	<u>\$ -</u>	<u>\$ (5,203)</u>	<u>\$ 3,488</u>
Liabilities:				
Accounts payable	\$ 8,691	\$ -	\$ (5,203)	\$ 3,488
Total liabilities	<u>\$ 8,691</u>	<u>\$ -</u>	<u>\$ (5,203)</u>	<u>\$ 3,488</u>
<u>TOTAL</u>				
Assets:				
Cash and investments	\$ 3,037,125	\$ 954,216	\$ (2,462,745)	\$ 1,528,596
Accounts receivable	33,698	-	(33,698)	-
Due from other governments	8,691	-	(5,203)	3,488
Total assets	<u>\$ 3,079,514</u>	<u>\$ 954,216</u>	<u>\$ (2,501,646)</u>	<u>\$ 1,532,084</u>
Liabilities:				
Accounts payable	\$ 246,024	\$ 615,000	\$ (853,472)	\$ 7,552
Refundable deposits	2,833,490	339,216	(1,648,174)	1,524,532
Total liabilities	<u>\$ 3,079,514</u>	<u>\$ 954,216</u>	<u>\$ (2,501,646)</u>	<u>\$ 1,532,084</u>

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

JUNE 30, 2016

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.	140 – 147
<u>Revenue Capacity</u> – These schedules contain 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.	148 – 151
<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	152 – 155
<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.	156 – 157
<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.	158 – 160

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

	Fiscal Year Ending June 30,			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 43,943	\$ 44,503	\$ 45,402	\$ 46,331
Restricted	32,432	37,503	36,632	56,423
Unrestricted	(43,683)	(47,272)	(43,794)	(65,190)
Total governmental activities net position	<u>\$ 32,692</u>	<u>\$ 34,734</u>	<u>\$ 38,240</u>	<u>\$ 37,564</u>
Business-type activities				
Net investment in capital assets	\$ 17,289	\$ 18,010	\$ 17,674	\$ 17,341
Restricted	688			670
Unrestricted	2,812	4,108	4,892	4,484
Total business-type activities net position	<u>\$ 20,789</u>	<u>\$ 22,118</u>	<u>\$ 22,566</u>	<u>\$ 22,495</u>
Primary government				
Net investment in capital assets	\$ 61,232	\$ 62,513	\$ 63,076	\$ 63,672
Restricted	33,120	37,503	36,632	57,093
Unrestricted	(40,871)	(43,164)	(38,902)	(60,706)
Total primary government net position	<u>\$ 53,481</u>	<u>\$ 56,852</u>	<u>\$ 60,806</u>	<u>\$ 60,059</u>

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2011	2012	2013	2014	2015	2016
\$ 59,680	\$ 57,653	\$ 47,617	\$ 47,543	\$ 48,407	\$ 67,914
47,378	10,749	10,172	16,927	17,086	23,481
(66,721)	35,059	33,426	30,728	13,095	7,115
<u>\$ 40,337</u>	<u>\$103,461</u>	<u>\$ 91,215</u>	<u>\$ 95,198</u>	<u>\$ 78,588</u>	<u>\$ 98,510</u>
\$ 17,076	\$ 16,792	\$ 16,315	\$ 15,821	\$ 16,003	\$ 18,952
679	674	671	-	-	-
4,026	4,239	4,237	4,660	3,110	1,958
<u>\$ 21,781</u>	<u>\$ 21,705</u>	<u>\$ 21,223</u>	<u>\$ 20,481</u>	<u>\$ 19,113</u>	<u>\$ 20,910</u>
\$ 76,756	\$ 74,445	\$ 63,932	\$ 63,364	\$ 64,410	\$ 86,866
48,057	11,423	10,843	16,927	17,086	23,481
(62,695)	39,298	37,663	35,388	16,205	9,073
<u>\$ 62,118</u>	<u>\$125,166</u>	<u>\$112,438</u>	<u>\$115,679</u>	<u>\$ 97,701</u>	<u>\$ 119,420</u>

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

	Fiscal Year Ending June 30,			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 3,009	\$ 3,344	\$ 3,685	\$ 3,137
Community services	1,248	1,407	1,418	1,273
Police	7,434	7,662	7,628	7,726
Community development	3,712	11,578	8,788	11,563
Public works	5,328	4,585	5,600	4,935
Unallocated infrastructure depreciation	524	531	531	521
Interest on long-term liabilities	4,252	4,095	3,761	4,394
Fiscal agent fees	-	17	19	-
Total governmental activities expenses	25,507	33,219	31,430	33,549
Business-type activities - Water	3,896	3,380	3,578	3,832
Total primary government expenses	<u>\$ 29,403</u>	<u>\$ 36,599</u>	<u>\$ 35,008</u>	<u>\$ 37,381</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 213	\$ 157	\$ 440	\$ 70
Community services	282	297	301	239
Police	549	665	639	556
Community development	588	597	559	506
Public works	989	962	1,062	914
Operating grants	1,748	806	1,187	1,703
Capital grants and contributions	2,366	1,230	1,268	1,376
Total governmental activities program revenues	6,735	4,714	5,456	5,364
Business-type activities - Water, Charges for services	3,601	3,352	3,291	3,630
Business-type activities - Capital grants	-	-	-	-
Total primary government program revenues	<u>\$ 10,336</u>	<u>\$ 8,066</u>	<u>\$ 8,747</u>	<u>\$ 8,994</u>
Net (expense)/revenue				
Governmental activities	\$ (18,772)	\$ (28,505)	\$ (25,974)	\$ (28,185)
Business-type activities	(295)	(28)	(287)	(202)
Total primary government net expenses	<u>\$ (19,067)</u>	<u>\$ (28,533)</u>	<u>\$ (26,261)</u>	<u>\$ (28,387)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property	\$ 13,995	\$ 14,302	\$ 15,391	\$ 15,168
Sales and use	12,177	12,162	9,978	9,460
Franchise	591	502	563	514
Motor vehicle	74	51	39	33
Other	1,302	1,117	1,355	1,058
Investment income	2,295	3,356	2,503	1,267
Unrestricted grants and contributions	206	195	136	27
Gain (loss) on disposition of assets	16	14	14	(17)
Transfers	(660)	(1,151)	(500)	-
Extraordinary item	-	-	-	-
Total governmental activities	29,996	30,548	29,479	27,510
Business-type activities:				
Investment income	184	206	236	131
Unrestricted grants and contributions	-	-	-	-
Gain (loss) on disposition of assets	1	-	-	-
Transfers	660	1,151	500	-
Total business-type activities	845	1,357	736	131
Total primary government	<u>\$ 30,841</u>	<u>\$ 31,905</u>	<u>\$ 30,215</u>	<u>\$ 27,641</u>
Changes in Net Position				
Governmental activities	\$ 11,224	\$ 2,043	\$ 3,505	\$ (675)
Business-type activities	550	1,329	449	(71)
Total primary government	<u>\$ 11,774</u>	<u>\$ 3,372</u>	<u>\$ 3,954</u>	<u>\$ (746)</u>

Fiscal Year Ending June 30,					
2011	2012	2013	2014	2015	2016
\$ 2,790	\$ 3,080	\$ 3,695	\$ 5,556	\$ 4,149	\$ 3,843
1,241	1,217	1,220	1,319	1,251	1,505
7,521	7,571	7,611	8,220	8,254	9,350
8,863	1,280	935	992	942	868
4,462	4,141	4,506	4,142	4,369	4,256
524	535	545	614	551	551
4,787	3,687	-	-	-	-
-	-	-	-	-	-
30,188	21,511	18,512	20,843	19,516	20,373
4,163	3,804	3,992	4,531	4,424	4,145
<u>\$ 34,351</u>	<u>\$ 25,315</u>	<u>\$ 22,504</u>	<u>\$ 25,374</u>	<u>\$ 23,940</u>	<u>\$ 24,518</u>
\$ 168	\$ 176	\$ 210	\$ 227	\$ 201	\$ 175
234	209	202	115	192	212
607	453	430	297	282	270
677	531	95	368	537	584
897	773	649	431	437	422
1,448	1,586	1,596	1,619	1,339	1,735
440	2,691	1,339	2,369	2,433	9,598
4,471	6,419	4,521	5,426	5,421	12,996
3,383	3,515	3,672	3,734	3,760	3,400
-	-	-	-	-	999
<u>\$ 7,854</u>	<u>\$ 9,934</u>	<u>\$ 8,193</u>	<u>\$ 9,160</u>	<u>\$ 9,181</u>	<u>\$ 17,395</u>
\$ (25,717)	\$ (15,092)	\$ (13,991)	\$ (15,417)	\$ (14,095)	\$ (7,377)
(780)	(289)	(320)	(797)	(664)	254
<u>\$ (26,497)</u>	<u>\$ (15,381)</u>	<u>\$ (14,311)</u>	<u>\$ (16,214)</u>	<u>\$ (14,759)</u>	<u>\$ (7,123)</u>
\$ 14,801	\$ 7,487	\$ 2,146	\$ 1,700	\$ 1,797	\$ 1,916
9,946	11,210	12,487	14,574	11,567	14,588
533	547	546	603	773	549
58	-	-	-	-	-
1,145	1,278	1,483	1,609	1,462	1,459
649	1,252	647	850	787	955
71	20	12	66	2,048	46
6	4	19	-	-	-
-	(100)	(25)	(1)	(426)	(1,679)
-	56,518	(15,571)	-	-	-
<u>27,209</u>	<u>78,216</u>	<u>1,744</u>	<u>19,401</u>	<u>18,008</u>	<u>17,834</u>
66	75	25	53	51	21
-	38	97	-	-	-
-	-	-	-	-	-
	100	25	1	426	1,679
<u>66</u>	<u>213</u>	<u>147</u>	<u>54</u>	<u>477</u>	<u>1,700</u>
<u>\$ 27,275</u>	<u>\$ 78,429</u>	<u>\$ 1,891</u>	<u>\$ 19,455</u>	<u>\$ 18,485</u>	<u>\$ 19,534</u>
\$ 1,492	\$ 63,124	\$ (12,247)	\$ 3,984	\$ 3,913	\$ 10,457
(714)	(76)	(173)	(743)	(187)	1,954
<u>\$ 778</u>	<u>\$ 63,048</u>	<u>\$ (12,420)</u>	<u>\$ 3,241</u>	<u>\$ 3,726</u>	<u>\$ 12,411</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 Ending June 30,			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 43	\$ 10,000	\$ 10,000	\$ 10,314
Unreserved	26,564	19,652	17,445	14,212
Total General Fund	<u>26,607</u>	<u>29,652</u>	<u>27,445</u>	<u>24,526</u>
All Other Governmental Funds				
Reserved	20,150	30,761	30,331	49,583
Unreserved, reported in:				
Special revenue funds	10,983	6,616	7,427	8,047
Debt service funds	5,904	(1,640)	804	(2,458)
Capital projects funds	2,312	868	-	-
Total All Other Governmental Funds	<u>39,349</u>	<u>36,605</u>	<u>38,562</u>	<u>55,172</u>
Total All Governmental Funds	<u>\$ 65,956</u>	<u>\$ 66,257</u>	<u>\$ 66,007</u>	<u>\$ 79,698</u>
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted				
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All Other Governmental Funds				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
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

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 10,539	\$ 10,241	\$ 7,690	\$ 7,695	\$ 7,768	\$ 8,430
10,220	10,721	10,820	12,662	\$ 13	\$ 13
6,167	6,642	7,085	7,611	20,588	14,160
26,926	27,604	25,595	27,968	1,278	12,227
26,926	27,604	25,595	27,968	29,647	34,830
18,127	4,068	5,160	5,131	4,414	-
28,604	9,942	9,990	11,712	12,574	23,468
-	-	414	-	-	-
(5,271)	(719)	(703)	(2,363)	(3,193)	(2,555)
41,460	13,291	14,861	14,480	13,795	20,913
\$ 68,386	\$ 40,895	\$ 40,456	\$ 42,448	\$ 43,442	\$ 55,743

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 Ending June 30,			
	2007	2008	2009	2010
Revenues				
Taxes	\$ 28,181	\$ 29,009	\$ 28,334	\$ 25,683
Licenses and permits	369	278	271	302
Intergovernmental	2,224	810	1,086	1,766
Charges for services	1,142	1,078	1,155	841
Fines and forfeitures	356	409	401	402
Investment income	2,960	3,547	2,945	1,390
Other	2,130	1,543	1,678	1,168
Total Revenues	<u>37,362</u>	<u>36,674</u>	<u>35,870</u>	<u>31,552</u>
Expenditures				
General government	2,919	3,054	3,398	3,071
Community services	1,246	1,406	1,413	1,272
Police	7,295	7,520	7,516	7,458
Community development	1,198	3,323	3,101	8,445
Public works	4,025	4,015	3,964	3,721
Capital outlay	3,738	8,136	7,742	5,241
Debt Service				
Principal retirement	2,451	2,545	2,845	2,865
Interest	3,749	4,019	4,563	4,999
Other debt service	1,842	1,721	1,079	1,215
Total Expenditures	<u>28,463</u>	<u>35,739</u>	<u>35,621</u>	<u>38,287</u>
Excess of revenues over/(under) expenditures	<u>8,899</u>	<u>935</u>	<u>249</u>	<u>(6,735)</u>
Other Financing Sources/(Uses)				
Transfers in	5,024	13,845	5,129	3,565
Transfers out	(5,742)	(14,996)	(5,629)	(3,565)
Other	13,500	517		20,427
Total other financing sources	<u>12,782</u>	<u>(634)</u>	<u>(500)</u>	<u>20,427</u>
Net change in fund balances	<u>\$ 21,681</u>	<u>\$ 301</u>	<u>\$ (251)</u>	<u>\$ 13,692</u>
Capitalized capital outlay	<u>\$ 1,286</u>	<u>\$ 535</u>	<u>\$ 1,617</u>	<u>\$ 1,693</u>
Debt service as a percentage of noncapital expenditures	29.6%	23.5%	25.0%	24.8%

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2011	2012	2013	2014	2015	2016
\$ 26,822	\$ 21,141	\$ 17,585	\$ 18,862	\$ 15,811	\$ 21,394
331	312	328	360	411	370
864	1,214	1,475	1,294	1,367	3,591
871	645	516	829	739	762
385	317	367	298	301	326
2,205	1,160	53	934	826	778
1,043	2,960	1,646	113	2,786	652
<u>32,521</u>	<u>27,749</u>	<u>21,970</u>	<u>22,690</u>	<u>22,241</u>	<u>27,873</u>
3,051	3,103	3,772	5,456	4,476	3,940
1,239	1,216	1,219	1,320	1,257	1,472
7,442	7,482	7,475	8,147	8,172	9,270
4,659	1,689	935	995	952	962
3,637	3,640	3,738	3,910	3,627	3,883
21,457	6,047	1,511	869	2,485	3,259
5,044	4,819	-	-	-	14
5,695	3,672	-	-	-	3
1,102	14	-	-	-	-
<u>53,326</u>	<u>31,682</u>	<u>18,650</u>	<u>20,697</u>	<u>20,969</u>	<u>22,803</u>
<u>(20,805)</u>	<u>(3,933)</u>	<u>3,320</u>	<u>1,993</u>	<u>1,272</u>	<u>5,070</u>
9,243	3,755	1,603	3,670	1,694	1,236
(9,253)	(3,855)	(1,628)	(3,671)	(2,120)	(2,915)
9,503	(23,458)	(3,733)	-	76	7,578
<u>9,493</u>	<u>(23,558)</u>	<u>(3,758)</u>	<u>(1)</u>	<u>(350)</u>	<u>5,899</u>
<u>\$ (11,312)</u>	<u>\$ (27,491)</u>	<u>\$ (438)</u>	<u>\$ 1,992</u>	<u>\$ 922</u>	<u>\$ 10,969</u>
<u>\$ 17,446</u>	<u>\$ 6,093</u>	<u>\$ 869</u>	<u>\$ 1,076</u>	<u>\$ 1,788</u>	<u>\$ 2,985</u>
33.0%	33.2%	0.0%	0.0%	0.0%	0.1%

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

Fiscal Year Ended June 30	Secured Property					Unsecured Property	Taxable Assessed Value (Note)	Total Direct Tax Rate
	Residential	Commercial	Industrial	Vacant	Others**			
2007	\$ 946,757	\$ 244,485	\$ 245,657	\$ 73,509	\$ 160,871	\$ 122,669	\$ 1,793,948	0.67271
2008	1,028,528	285,247	265,873	82,831	167,695	122,147	1,952,321	0.67048
2009	1,079,098	299,807	276,897	84,960	208,718	129,102	2,078,582	0.67314
2010	991,262	308,952	292,454	78,712	205,371	119,511	1,996,262	0.68186
2011	981,950	304,562	299,286	66,756	217,456	123,924	1,993,934	0.68693
2012	991,423	301,195	297,328	66,202	227,080	127,728	2,010,956	0.68596
2013	978,140	303,924	306,805	80,495	259,131	120,212	2,048,707	0.68639
2014	1,012,408	312,572	316,413	75,859	269,037	134,440	2,120,729	0.06530
2015	1,085,513	319,579	337,455	74,824	326,281	138,597	2,282,249	0.06542
2016	1,141,748	327,201	347,936	101,203	354,901	128,996	2,401,985	0.06560

** Includes institutional, miscellaneous, recreational, SBE Nonunitary, cross reference, and unknown property.

Note:

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

Source: County of Los Angeles Assessor / HdL Coren & Cone

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

Agency	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic Levy (1)	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	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
L.A. County Flood Control	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Long Beach Community College District	0.01153	0.01839	0.02181	0.02392	0.02559	0.02615	0.05095	0.02241	0.04595	0.03825
Long Beach Unified School District	0.03811	0.03457	0.03220	0.08663	0.08834	0.09223	0.09394	0.07981	0.08764	0.08324
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350
Total Direct and Overlapping (2) Tax Rates	1.05505	1.05746	1.05831	1.11485	1.11763	1.12208	1.14839	1.10572	1.13709	1.12500
City's Share of 1% Levy per Prop 13 (3)	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate (4)	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	0.00000	0.00000	0.00000	0.00000
Total Direct Rate (5)	0.67271	0.67048	0.67314	0.68186	0.68693	0.68596	0.68639	0.06530	0.06542	0.06560

Notes:

- (1) 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) to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
- (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.

Source: HdL Coren & Cone

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

Taxpayer	FY 2015-16		FY 2006-07	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Signal Hill Petroleum, Inc.	\$ 184,824	7.69%	\$ 81,727	4.56%
Tesoro Logistics Operations LLC	54,713	2.28%	-	0.00%
Long Beach Acquisition Corp.	37,182	1.55%	14,027	0.78%
PL Signal Hill LP	34,514	1.44%	36,334	2.03%
LBSH Development	27,717	1.15%	25,000	1.39%
Towne Center West LLC	25,356	1.06%	-	0.00%
Costco Wholesale Corporation	21,962	0.91%	18,680	1.04%
Home Depot USA, Inc.	18,159	0.76%	17,520	0.98%
Signal Hill Town Center LLC	16,266	0.68%	10,613	0.59%
VNO Trust Cherry Avenue LP	14,807	0.62%	-	0.00%
Arco Terminal Services Corp.	-	0.00%	21,725	1.21%
Samantha Marketplace LLC	-	0.00%	9,462	0.53%
American Office Properties LP	-	0.00%	9,578	0.53%
	<u>\$ 435,500</u>	<u>18.13%</u>	<u>\$ 244,666</u>	<u>13.64%</u>

Source: HdL Coren & Cone

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Note (1) Total Collections to Date	
		Amount (2)	Percent of Levy		Amount	Percent of Levy
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
2013	14,251,099	14,060,300	98.66%	N/A	N/A	N/A
2014	14,434,912	14,434,912	100.00%	N/A	N/A	N/A
2015	15,725,976	15,725,976	100.00%	N/A	N/A	N/A
2016	17,735,298	16,765,193	94.53%	N/A	N/A	N/A

Notes:

(1) Los Angeles County does not provide detail of prior year collections. Therefore, the information about subsequent collections is not available.

(2) Taxes Levied and Collected includes amounts applicable to the City and to the Signal Hill Redevelopment Agency and its Successor Agency.

Source: County of Los Angeles Auditor-Controller

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 Bonds	Notes	Leases & Loans	Certificates of Participation	Water Revenue Bonds	Loans				
2007	\$ 73,770	\$3,866	\$ 2,000	\$ -	\$8,220	\$454	\$ 88,310	4.923%	\$ 7,942	255.54
2008	71,808	3,866	2,000	-	7,955	378	86,007	4.405%	7,598	242.24
2009	69,031	3,866	2,000	-	7,680	302	82,879	3.987%	7,277	238.87
2010	86,670	3,866	2,000	-	7,395	227	100,158	5.017%	8,736	266.50
2011	91,678	4,402	1,000	-	7,095	151	104,326	5.232%	9,374	267.06
2012	-	-	-	-	6,785	76	6,861	0.341%	612	18.50
2013	-	-	-	-	6,788	-	6,788	0.331%	595	19.27
2014	-	-	-	-	6,424	-	6,424	0.303%	563	17.95
2015	-	-	65	-	6,044	-	6,109	0.268%	523	17.88
2016	-	-	51	-	5,650	-	5,701	0.237%	N/A	N/A

N/A Information is not yet available.

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL
Direct and Overlapping Governmental Activity Debt
As of June 30, 2016

Debt	Total Debt 6/30/2016	Percent Applicable To City	City's Share of Debt 6/30/2016
Direct Debt:			
260.01 Capital Leases	\$ 51,145	100.000%	\$ 51,145
TOTAL DIRECT DEBT			\$ 51,145
Overlapping Debt:			
310.25* Metropolitan Water District	\$ 49,916,916	0.080%	\$ 35,897
807.52 Long Beach CCD DS REF 2002 Series C 2005	1,423,937	4.128%	58,774
807.53 Long Beach CCD DS 2002 Series D (2007)	24,042,666	4.128%	992,370
807.54 Long Beach CCD DS 2008 Series A	17,471,109	4.128%	721,127
807.55 Long Beach CCD DS 2008 Series 2009B	40,275,000	4.128%	1,662,366
807.56 Long Beach CCD DS REF 2002 2012 Series A	228,233,695	4.128%	9,420,431
807.57 Long Beach CCD DS REF Bonds 2014 Series C	11,825,000	4.128%	488,081
807.58 Long Beach CCD DS REF Bonds 2014 Series E	42,430,000	4.128%	1,751,314
807.59 Long Beach CCD DS REF Bonds 2014 Series F	32,265,000	4.128%	1,331,750
883.56 Long Beach USD DS 1999 Series G	19,825,606	4.128%	818,414
883.57 Long Beach USD DS 2008 Refunding Bonds	19,170,000	4.128%	791,350
883.58 Long Beach USD DS 2008 Series A	66,235,000	4.128%	2,734,224
883.59 Long Beach USD DS 2009 Ref Bonds Series B	1,500,000	4.128%	61,921
883.60 Long Beach USD DS 2010 Ref Bonds Series A	44,610,000	4.128%	1,841,530
883.62 Long Beach USD DS 2008 SR B-1 QSCB	72,406,000	4.128%	2,988,967
883.63 Long Beach USD DS 2011 Refunding Bonds	11,280,686	4.128%	465,674
883.64 Long Beach USD DS 2012 Ref Bonds	79,675,000	4.128%	3,289,037
863.65 Long Beach USD DS 2008 Series C	34,010,000	4.128%	1,403,955
863.66 Long Beach USD DS 2008 Series D	399,548,410	4.128%	16,493,622
TOTAL OVERLAPPING DEBT			\$ 47,350,804
TOTAL DIRECT and OVERLAPPING DEBT			\$ 47,401,949
2015-16 Total Assessed Valuation	\$ 2,401,984,968		
Less Incremental Value	(1,579,868,493)		
2015-16 Assessed Valuation	\$ 822,116,475		

Debt to Assessed Valuation Ratios

Direct Debt	0.01%
Overlapping Debt	5.76%
Total Debt	5.77%

* 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, 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.

Source: HdL, Coren & Cone

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	\$ 2,401,984,968
Debt limit (15% of assessed value)	360,297,745
Debt applicable to limit	-
Legal debt margin - Current Year	<u><u>\$ 360,297,745</u></u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
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%
2013	307,306,083	-	307,306,083	0.00%
2014	318,109,295	-	318,109,295	0.00%
2015	342,337,382	-	342,337,382	0.00%
2016	360,297,745	-	360,297,745	0.00%

Source: City of Signal Hill, Finance Department

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

RDA Tax Allocation Bonds					
Fiscal Year	Pledged Tax Revenue	Debt Service (1)			Coverage
		Principal	Interest	Total	
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)	-	-	-	-	-
2013 (2)	-	-	-	-	-
2014 (2)	-	-	-	-	-
2015 (2)	-	-	-	-	-
2016 (2)	-	-	-	-	-

RDA Revenue Refunding Bonds					
Fiscal Year	Pledged Tax Revenue	Debt Service (1)			Coverage
		Principal	Interest	Total	
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)	-	-	-	-	-
2013 (2)	-	-	-	-	-
2014 (2)	-	-	-	-	-
2015 (2)	-	-	-	-	-
2016 (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.

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>City Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	11,120	\$ 345,578	\$ 31,077	4.0%
2008	11,320	355,042	31,364	5.9%
2009	11,389	346,963	30,465	9.2%
2010	11,465	375,823	32,780	10.1%
2011	11,129	390,639	35,101	9.8%
2012	11,218	370,946	33,067	7.4%
2013	11,411	352,235	30,868	6.0%
2014	11,415	357,826	31,347	9.0%
2015	11,673	341,699	29,272	7.3%
2016	N/A	N/A	N/A	N/A

N/A - Information is not yet available.

Source: HdL, Coren & Cone

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

Employer	2015-16			2006-07		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	428	1	3.98%	747	1	8.34%
Home Depot	343	2	3.19%	376	2	4.20%
Costco Wholesale	310	3	2.88%	308	3	3.44%
Target	266	4	2.47%	191	4	2.13%
Accountable Healthcare I.P.A.	136	5	1.26%			
Glenn E Thomas Company	127	6	1.18%			
Mercedes-Benz of Long Beach	127	7	1.18%	126	8	1.41%
Edge Systems LLC	124	8	1.15%			
Platt Security	122	9	1.13%	111	10	1.24%
Hof's Hut Restaurant	114	10	1.06%			
Long Beach BMW Motorcycle				179	5	2.00%
Long Beach BMW Auto				158	6	1.76%
Universal Care				152	7	1.70%
Charter Communications				116	9	1.30%
	<u>2,097</u>		<u>19.49%</u>	<u>2,464</u>		<u>27.52%</u>

Source: City of Signal Hill Business Licenses

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

Department	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	4.00	5.00	5.00	5.00	5.00	4.73	5.73	4.73	4.73	4.73
Finance	6.44	6.48	6.48	6.48	6.48	5.91	5.98	5.98	5.98	5.98
Community Services	22.46	24.15	24.19	24.15	20.84	20.25	19.32	19.30	19.53	19.53
Police	52.40	53.88	54.40	52.40	53.37	53.40	53.40	52.89	52.89	52.89
Community Development	7.00	7.00	7.00	7.00	7.00	6.40	6.40	7.00	7.00	7.00
Public Works	29.00	30.00	30.00	30.00	30.00	30.04	30.04	30.02	30.04	30.04
Economic Development	2.00	1.00	1.00	1.00	1.00	0.00	0.00	1.00	1.00	1.00
Total	<u>123.30</u>	<u>127.51</u>	<u>128.08</u>	<u>126.04</u>	<u>123.69</u>	<u>120.74</u>	<u>120.87</u>	<u>120.92</u>	<u>121.16</u>	<u>121.16</u>

Source: City of Signal Hill, Finance Department

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

Function/Program	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Calls for service	8,092	6,284	6,340	6,377	6,062	6,384	6,500	6,400	9,842	9,948
Reports written	4,792	4,951	4,516	4,004	3,978	3,826	3,254	3,312	3,894	4,332
Total arrests	2,074	2,219	2,092	1,776	2,060	1,823	1,120	1,115	1,390	1,216
Hazardous traffic citations	3,480	3,928	3,773	3,445	3,229	3,758	4,359	4,278	2,496	1,703
Parking citations	6,410	6,542	6,446	5,758	4,881	4,196	4,179	4,212	3,866	4,628
Community Development										
Code enforcement cases	82	67	79	94	94	75	85	87	77	68
Building permits	193	182	154	163	193	144	175	181	247	236
Site plan design reviews	14	10	8	7	6	6	7	7	5	6
Water										
Number of customers	2,890	2,856	2,908	2,960	2,964	3,014	3,052	3,079	3,116	3,162
Average daily consumption (in millions of gallons)	2.15	1.94	1.88	1.76	1.74	1.75	1.82	1.80	1.77	1.59
Number of hydrants maintained	473	466	467	562	566	568	422	435	568	568
Public Works										
Traffic signals maintained	29	29	29	29	29	29	29	29	31	31
Street sweeping miles	3,500	6,240	6,240	6,240	6,240	6,240	6,240	6,240	5,980	5,980
Sidewalk repairs (square feet)	4,200	3,200	10,269	15,674	5,787	14,220	14,220	14,220	6,362	4,504
Curb & gutter replaced (linear feet)	325	170	267	197	522	1,388	1,388	1,388	-	-
Cross gutter replaced (square feet)	N/A	720	-	490	-	5,067	5,067	5,067	-	-
Engineering										
Number of infrastructure projects administered	14	10	8	8	9	4	4	4	3	3
Plan checks completed	17	8	8	6	10	5	5	5	8	7
Community Services										
Library items borrowed	68,321	80,266	89,059	57,847	59,359	39,972	39,972	40,001	39,761	38,947
Youth sports participants	5,886	7,099	9,205	6,897	7,390	8,080	8,080	8,100	5,467	5,289
After school youth programs	13,324	13,582	15,001	16,086	11,886	14,746	14,746	14,785	15,530	15,326
Facility rental bookings	356	523	948	813	697	748	748	750	681	620

N/A - Not Available.

Source: Various City Departments

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	10	10	10	10	10	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
Water										
Miles of Lines & Mains	34	50	50	50	50	50	50	50	50	50
Reservoirs	3	3	3	3	3	3	3	3	3	3
Wells	2	2	3	3	3	3	3	3	3	3
Highways and Streets										
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	3,971	3,903	3,984	3,903	3,715	3,711	3,706	3,706	3,619	3,667
Recreation and Culture										
Parks	10	10	10	10	10	10	10	10	10	10
Area of Parks (Acres)	23.03	23.03	23.03	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

Source: City of Signal Hill, Finance Department