



CITY OF SIGNAL HILL
YEAR ENDED JUNE 30, 2018
COMPREHENSIVE ANNUAL FINANCIAL REPORT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF SIGNAL HILL, CALIFORNIA
FISCAL YEAR ENDED JUNE 30, 2018



Prepared by
Department of Finance

Scott Williams
Director of Finance

ELECTED OFFICIALS



Tina L. Hansen

Mayor



Larry Forester

Vice Mayor



Robert D. Copeland

Council Member



Edward H.J. Wilson

Council Member



Lori Y. Woods

Council Member



Larry Blunden

City Treasurer



Keir Jones

City Clerk

EXECUTIVE MANAGEMENT

City Manager

Deputy City Manager

City Attorney

Administrative Services Officer/Finance Director

Community Development Director

Community Service Director

Chief of Police

Public Works Director

Charlie Honeycutt

Hannah Shin-Heydorn

David Aleshire

Scott Williams

Scott Charney

Aly Mancini

Christopher M. Nunley

Kelli Tunnicliff

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INTRODUCTORY SECTION

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CITY OF SIGNAL HILL

2175 Cherry Avenue ♦ Signal Hill, CA 90755-3799

January 31, 2019

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, 2018. 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, White Nelson Diehl Evans 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, 2018. 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, White Nelson Diehl Evans 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 11,749. 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 members 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 Sanitation District of Los Angeles County 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 16 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. Due to the Redevelopment Dissolution Act, the use of the Financing Authority to assist in future financings is limited, since the former Agency, now Successor Agency, is one of the parties to the joint powers agreement forming the Financing Authority. The Dissolution Act contains language concerning the termination of the Successor Agency in the future that could have an impact on any new debt issued by the Financing Authority.

To assist in financing and refinancing City capital improvements – to be used in connection with future City financing or refinancing activities, the Signal Hill Municipal Financing Authority was formed between the City and the Agency on August 22, 2017 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”). The Authority’s Board of Directors is the Signal Hill City Council.

Local Economy

According to the California Department of Finance, continued growth is expected through FY 2018-19, with low unemployment and a continued shift toward rising wages, which could drive inflation. Forecasts show expectations of continued growth in the California economy with record

low unemployment in the last forty years. Although the stock market shows volatility due to interest rate and geopolitical risk concerns, market oscillations tend to run alongside the economy without necessarily predicting actual expansion or contraction. However, stock market corrections are always a concern as returns affect pension and post-retirement benefits investment portfolios.

The Los Angeles County economy is expected to continue to move forward with very strong employment data. Specifically, the Southern California region is currently experiencing firm economic and job market growth, with continued reductions in unemployment rates (currently at 4.2%), and increases in household incomes and a slight decrease in the region's poverty rate. This measurement is significant due to the rising cost-of-living, primarily driven by scarcity of available housing as housing values continue to move upward due to the low inventory. This is significant since the retail sector is driven by the financial health of consumers as their perception of the local and national economy, also known as consumer confidence. The majority of economists expect the national economy to continue its growth through 2019.

With positive economic indicators and consumer confidence, stability in the housing market, increased but moderate rises of interest rates, low gas prices, and positive unemployment, the City is forecasting moderate growth in major General Fund revenues such as property, sales, and other taxes for the upcoming year.

Long Term Financial Planning

The community helped craft the City of Signal Hill Strategic Plan which sets the priorities for the City through 2019. 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 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 services 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 to be able to carry out this mission, is vital.

To meet these public duties, cities must manage and allocate millions of dollars each year, employ staff, negotiate and manage contracts, 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. The 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 61% of FY 2018-19 General Fund budgeted operating expenditures, which falls within policy guidelines of 50% as 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 loss of a major sales tax provider.

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 fiscal operations of the City. Fiscal operations include 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 Uniform Guidance, 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 2017-18, it will not be subject to the requirements of a Single Audit as it did not have 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; and (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 XIIIIB 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 2016-17 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 White Nelson Diehl Evans LLP, Certified Public Accountants, was selected to audit the City's accounting records. The auditor's report on the basic financial statements, 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, 2017. This was the 22nd 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 Services, the City Manager's Office, and the expertise and assistance of the City's auditors, White Nelson Diehl Evans LLP, 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,



Scott Williams
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, 2017

Christopher P. Monill

Executive Director/CEO



Members of the City Council

| | |
|---------------|--------------------|
| Mayor | Tina L. Hansen |
| Vice Mayor | Larry Forester |
| Councilmember | Robert D. Copeland |
| Councilmember | Edward H.J. Wilson |
| Councilmember | Lori Y. Woods |

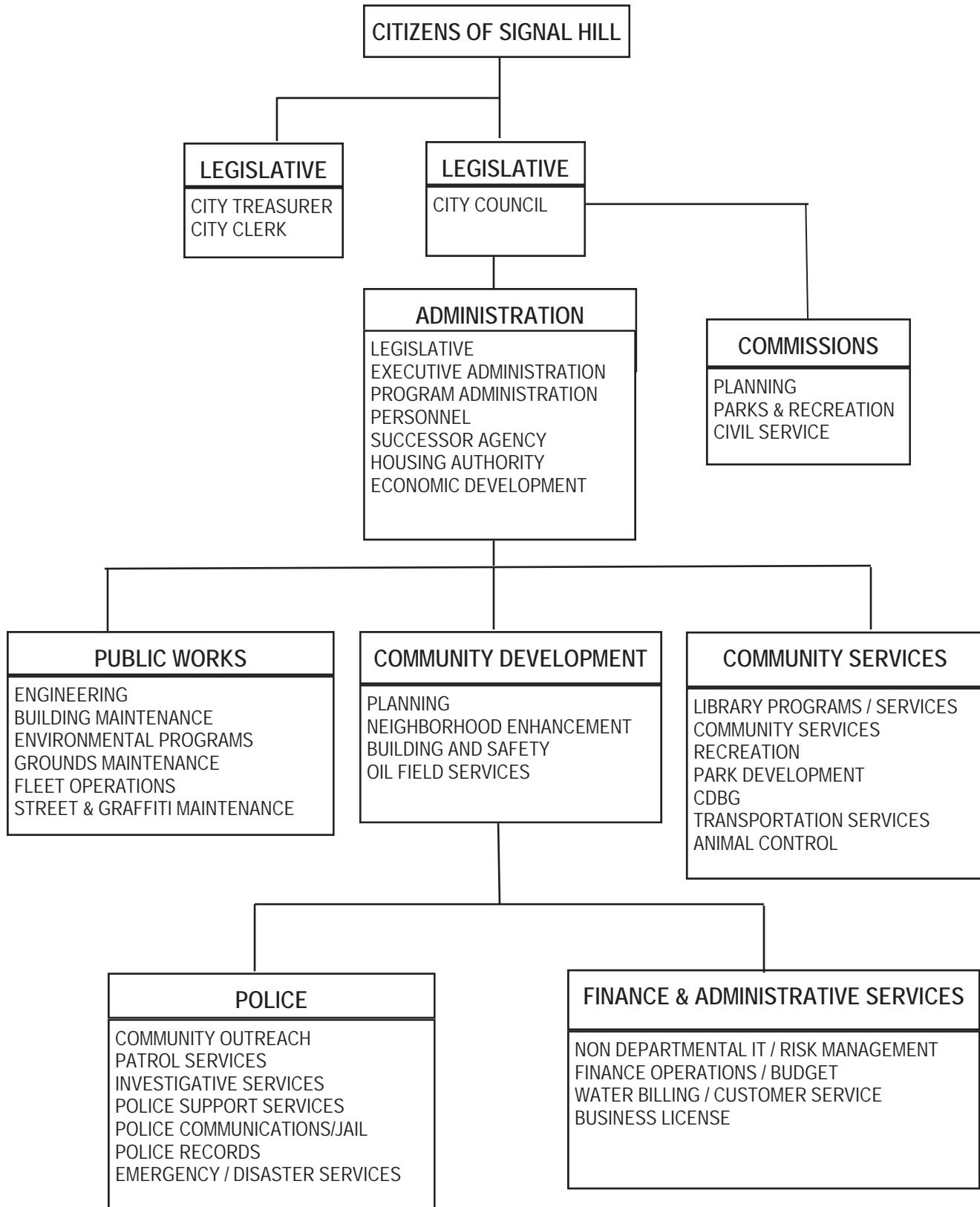
Other Elected Officials

| | |
|----------------|---------------|
| City Treasurer | Larry Blunden |
| City Clerk | Keir Jones |

Executive Staff

| | |
|--|-----------------------|
| City Manager | Charlie Honeycutt |
| Deputy City Manager | Hannah Shin-Heydorn |
| City Attorney | David Aleshire |
| Administrative Services Officer/Finance Director | Scott Williams |
| Community Development Director | Scott Charney |
| Community Service Director | Aly Mancini |
| Chief of Police | Christopher M. Nunley |
| Public Works Director | Kelli Tunnicliff |

CITY OF SIGNAL HILL ORGANIZATIONAL CHART



FINANCIAL SECTION

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INDEPENDENT AUDITORS' 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 (the City), as of and for the year ended June 30, 2018, 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the City'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 City'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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Budgetary Comparison Schedule - General Fund, the Budgetary Comparison Schedule - Housing Authority Special Revenue Fund, the note to required supplementary information, the schedules of proportionate share of the net pension liability, the schedules of pension contributions, and the schedule of changes in the City's net OPEB liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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. The introductory section, supplementary information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 January 31, 2019, 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.

White Nelson Dierk Evans LLP

Irvine, California

January 31, 2019

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CITY OF SIGNAL HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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, 2018 (FY 2017-18). 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 2016-17 and FY 2017-18. All increases and decreases are expressed relative to FY 2016-17 amounts. Financial highlights of the City for the fiscal year ending June 30, 2018 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 \$135.6 million. This total net position is comprised of \$114.6 million from governmental activities and \$21 million from business-type activities.
- The City's total net position of \$135.6 million is classified as net investment in capital assets of \$106.7 million, restricted of \$19.4 million, and unrestricted of \$9.5 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 \$7.5 million over the prior fiscal year. As explained throughout the remainder of this report, \$3.1 million of this increase is due to operating activities (\$3.4 million from governmental activities and \$0.3 million decrease from business-type activities). As explained further in this report, the City's net position also increased by an additional \$4.4 million as a result of an extraordinary item related to full recognition of a receivable from the Successor Agency to the Signal Hill Redevelopment Agency.

Fund Level

- Governmental funds report fiscal year-end combined fund balances of \$66.3 million. Assets of \$82.3 million exceed liabilities and deferred inflows of resources of \$16 million.
- The total governmental fund balance is \$66.3 million, and consists of nonspendable fund balance in the amount of \$14.7 million, restricted balances of \$28.1 million, committed balances of \$17.1 million, and unassigned balances of \$6.2 million.
- For FY 2017-18, General Fund unassigned fund balance totaled \$8.5 million, which represents 42.3% of General Fund expenditures of \$19.9 million.
- At June 30, 2018, cash and investments of the General Fund are \$20.7 million, which represent 51.2% of the General Fund's total fund balance of \$40.4 million.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

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 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 DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

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 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 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 one Agency Fund 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 fiduciary fund financial statements can be found beginning on page 33 of this report.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Assets: | | | | | | |
| Current and other assets | \$ 77,378,216 | \$ 64,306,880 | \$ 1,138,361 | \$ 2,197,438 | \$ 78,516,577 | \$ 66,504,318 |
| Capital assets, net | 83,173,177 | 73,464,363 | 27,676,679 | 28,225,572 | 110,849,856 | 101,689,935 |
| Total Assets | 160,551,393 | 137,771,243 | 28,815,040 | 30,423,010 | 189,366,433 | 168,194,253 |
| Deferred outflows of resources: | | | | | | |
| Deferred amount on refunding | - | - | 127,838 | 145,172 | 127,838 | 145,172 |
| Deferred amount from OPEB | 19,708 | - | 2,136 | - | 21,844 | - |
| Deferred amounts from pension | 7,681,254 | 6,152,873 | 724,762 | 575,296 | 8,406,016 | 6,728,169 |
| Total Deferred Outflows | 7,700,962 | 6,152,873 | 854,736 | 720,468 | 8,555,698 | 6,873,341 |
| Liabilities: | | | | | | |
| Current liabilities | 7,542,131 | 5,253,555 | 1,434,253 | 2,365,173 | 8,976,384 | 7,618,728 |
| Long-term liabilities | 44,452,358 | 33,454,484 | 6,998,283 | 7,181,444 | 51,450,641 | 40,635,928 |
| Total Liabilities | 51,994,489 | 38,708,039 | 8,432,536 | 9,546,617 | 60,427,025 | 48,254,656 |
| Deferred inflows of resources: | | | | | | |
| Deferred amount from OPEB | 506,425 | 40,966 | 54,897 | 2,156 | 561,322 | 43,122 |
| Deferred amounts from pension | 1,096,998 | 1,350,460 | 218,708 | 275,086 | 1,315,706 | 1,625,546 |
| Total Liabilities | 1,603,423 | 1,391,426 | 273,605 | 277,242 | 1,877,028 | 1,668,668 |
| Net position: | | | | | | |
| Net investment in capital assets | 83,152,558 | 73,428,115 | 23,535,611 | 23,635,607 | 106,688,169 | 97,063,722 |
| Restricted | 19,374,057 | 19,780,788 | - | - | 19,374,057 | 19,780,788 |
| Unrestricted | 12,127,828 | 10,615,748 | (2,571,976) | (2,315,988) | 9,555,852 | 8,299,760 |
| Total Net Position | \$ 114,654,443 | \$ 103,824,651 | \$ 20,963,635 | \$ 21,319,619 | \$ 135,618,078 | \$ 125,144,270 |

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's net position may serve, over time, as a useful indicator of a government's financial position. At June 30, 2018, net position is \$135.6 million while a year earlier at June 30, 2017, restated net position was \$128.1 million. This is a total increase in net position of \$7.5 million. This change in net position includes the following:

- An extraordinary gain of \$4.4 million related to full recognition of a \$10 million receivable plus accrued interest from the Successor Agency to the Signal Hill Redevelopment Agency. Refer to Notes to Basic Financial Statements No. 5(A) and No. 17I for additional information.
- A net increase in capital assets of \$9.7 million due to the continuing construction of two major capital projects – the Los Cerritos Channel Stormwater and the Civic Center Phase II – Library project.

The largest portion of the City's net position (\$106.7 million or 78.7%) 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 \$19.4 million (14.3%) 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 \$9.5 million (13%) 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 2017-18, current and other assets increased by 18.6% or \$12.0 million over the prior year while current liabilities increased by 17.8% or \$1.4 million; these changes are largely due to the timing of yearend expense payments.

The City's long-term debt increased by \$10.8 million or 26.6% during FY 2017-18, due mainly to the current year change in net pension liability as well as the issuance of \$8.6 million in Lease Revenue Bonds.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Statement of Activities

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,026,073 | \$ 1,632,584 | \$ 4,419,839 | \$ 3,784,588 | \$ 6,445,912 | \$ 5,417,172 |
| Grants and contributions: | | | | | | |
| Operating | 1,199,195 | 849,654 | - | - | 1,199,195 | 849,654 |
| Capital | 4,586,484 | 9,188,333 | 41,758 | 1,927,308 | 4,628,242 | 11,115,641 |
| General revenues: | | | | | | |
| Property taxes | 2,247,909 | 1,802,205 | - | - | 2,247,909 | 1,802,205 |
| Sales and use taxes | 14,483,938 | 14,597,400 | - | - | 14,483,938 | 14,597,400 |
| Other taxes | 1,413,013 | 1,608,732 | - | - | 1,413,013 | 1,608,732 |
| Use of money and property | 961,478 | 455,679 | 28,534 | 9,989 | 990,012 | 465,668 |
| Unrestricted grants and contributions | 455,548 | 311,493 | - | - | 455,548 | 311,493 |
| Total revenues | <u>27,373,638</u> | <u>30,446,080</u> | <u>4,490,131</u> | <u>5,721,885</u> | <u>31,863,769</u> | <u>36,167,965</u> |
| Expenses: | | | | | | |
| General government | 5,239,035 | 4,632,840 | - | - | 5,239,035 | 4,632,840 |
| Community services | 1,596,051 | 1,362,213 | - | - | 1,596,051 | 1,362,213 |
| Police | 10,563,793 | 9,576,174 | - | - | 10,563,793 | 9,576,174 |
| Community development | 963,613 | 857,883 | - | - | 963,613 | 857,883 |
| Public works | 4,926,981 | 4,605,059 | - | - | 4,926,981 | 4,605,059 |
| Unallocated infrastructure depreciation | 638,715 | 645,168 | - | - | 638,715 | 645,168 |
| Water | | | 4,846,115 | 5,312,312 | 4,846,115 | 5,312,312 |
| Total Expenses | <u>23,928,188</u> | <u>21,679,337</u> | <u>4,846,115</u> | <u>5,312,312</u> | <u>28,774,303</u> | <u>26,991,649</u> |
| Change in net position before extraordinary items | 3,445,450 | 8,766,743 | (355,984) | 409,573 | 3,089,466 | 9,176,316 |
| Extraordinary item - Successor Agency | <u>4,368,978</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,368,978</u> | <u>-</u> |
| Change in net position | 7,814,428 | 8,766,743 | (355,984) | 409,573 | 7,458,444 | 9,176,316 |
| Net position - beginning | 103,824,651 | 95,057,908 | 21,319,619 | 20,910,046 | 125,144,270 | 115,967,954 |
| Restatement of net position | 3,015,364 | - | - | - | 3,015,364 | - |
| Net position - beginning, restated | <u>106,840,015</u> | <u>95,057,908</u> | <u>21,319,619</u> | <u>20,910,046</u> | <u>128,159,634</u> | <u>115,967,954</u> |
| Net position - ending | <u>\$ 114,654,443</u> | <u>\$ 103,824,651</u> | <u>\$ 20,963,635</u> | <u>\$ 21,319,619</u> | <u>\$ 135,618,078</u> | <u>\$ 125,144,270</u> |

See independent auditor's report.

CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The previous table illustrates the City's overall \$7.5 million increase in net position. This overall increase is separated into a \$3.1 million increase resulting from its program expenses being less than total program and general revenues, and a \$4.4 million extraordinary gain.

Government-wide revenues decreased by \$3 million (10%) to \$31.9 million. The majority of this decrease is a result of lower operating grant and contribution revenue.

The most significant portion of the City's revenue came from sales and use tax, accounting for 45.5% of total revenues. Additionally, 20.2% was received for charges for services, 18.3% from grants and contributions, 7% from property taxes and 4.7% from other taxes. The remainder coming from use of money and property and unrestricted grants and contributions.

Government-wide expenses of all City programs and services increased by \$1.8 million (6.6%) to \$28.8 million during fiscal year ended June 30, 2018. This increase in costs is due in part by a \$1.8 million increase in pension expense resulting from the latest CalPERS (California Public Employer's Retirement System) valuation as well as a \$0.4 million increase to the City's annual pension contributions. Additionally, an increase of \$0.4 million is attributed to an increase to an increase in water supply costs related to the City's Water Fund. The remaining \$0.5 million increase stemmed from increases to contractual services related to the City's capital project management. This was partially offset by a decrease of \$0.7 million in Other Post-Employment Benefits (OPEB) resulting from the latest valuation.

Police costs accounted for 44% of the total costs, 20% of expenses was for public works, 22% was for general government, with community services and community development accounting for the remaining expenses.

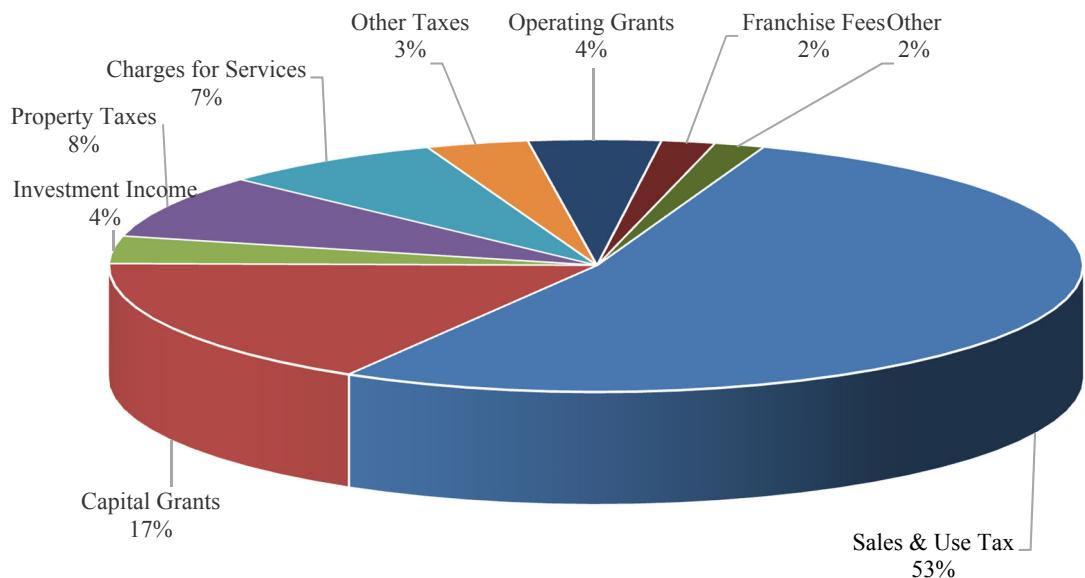
The following two charts show the source and use of funds for **Governmental Activities** with explanations following:

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

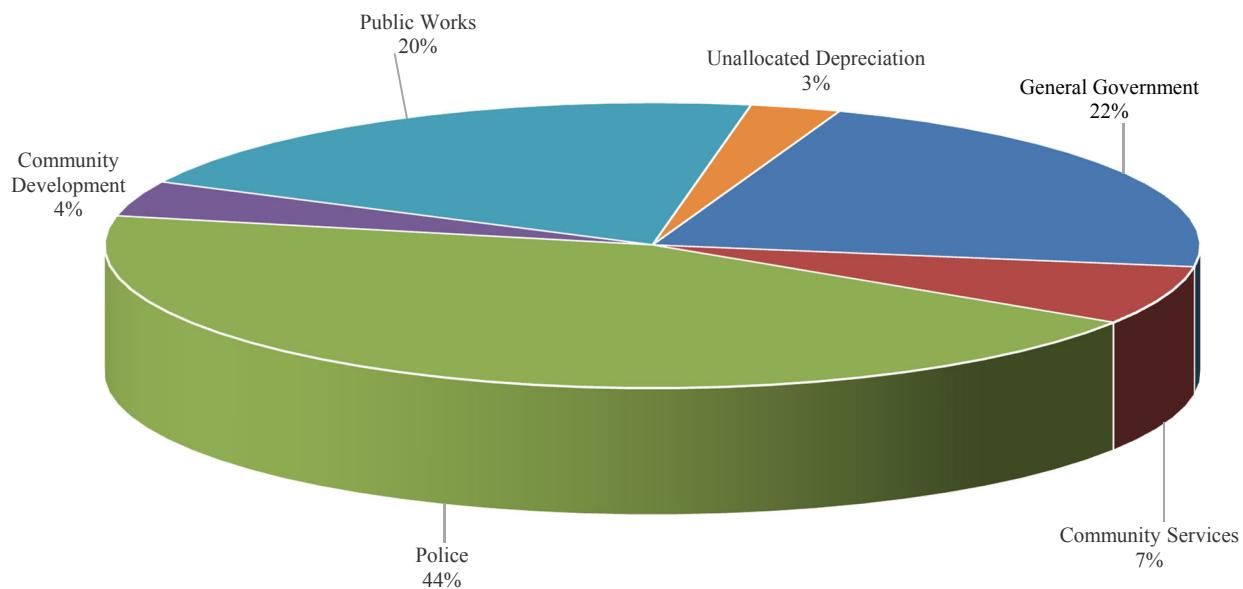
Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenues by Source – Governmental Activities
Fiscal Year 2017-18



Expenses – Governmental Activities
Fiscal Year 2017-18



See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

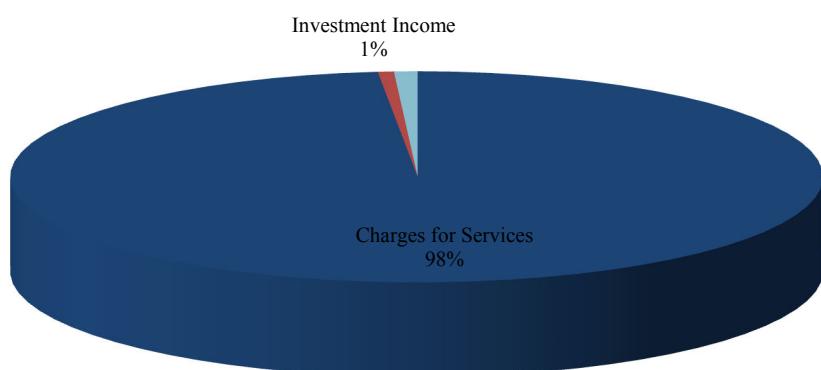
Governmental activities contributed \$7.8 million to the increase in net position resulting from revenues exceeding expenses by \$3.4 million, and an extraordinary gain of \$4.4. Because governmental activities comprise the majority of the government-wide data, explanations for changes in government-wide and governmental activities are often similar.

Revenues of governmental activities report a net decrease from the prior year of about \$3 million (10%), to \$27.4 million. Approximately \$4.2 million of this decrease is the result of a decrease in grant contributions. Interest revenue, property tax, and charges for services all experienced combined increases of about \$1.3 million. There were no significant variances from the prior year in the other revenue categories.

Expenses of governmental activities increased by \$2.2 million (10.3%). Police expenses increased by \$1 million, or 10.3%, primarily due to an increase in pension contributions and an increase in pension expense resulting from the latest CalPERS valuation. General government expenses increased by \$0.6 million, or 13% due primarily to the purchase of a new Enterprise Resource Planning (ERP) system. Public works increased by \$321,000 or 7% as a result of increased activity in the City's maintenance & repair projects. Community services expenses increased by \$106,000 or 12.3%, due to an increase in program services offered to the community.

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

Revenues by Sources – Business-type Activities
Fiscal Year 2017-18



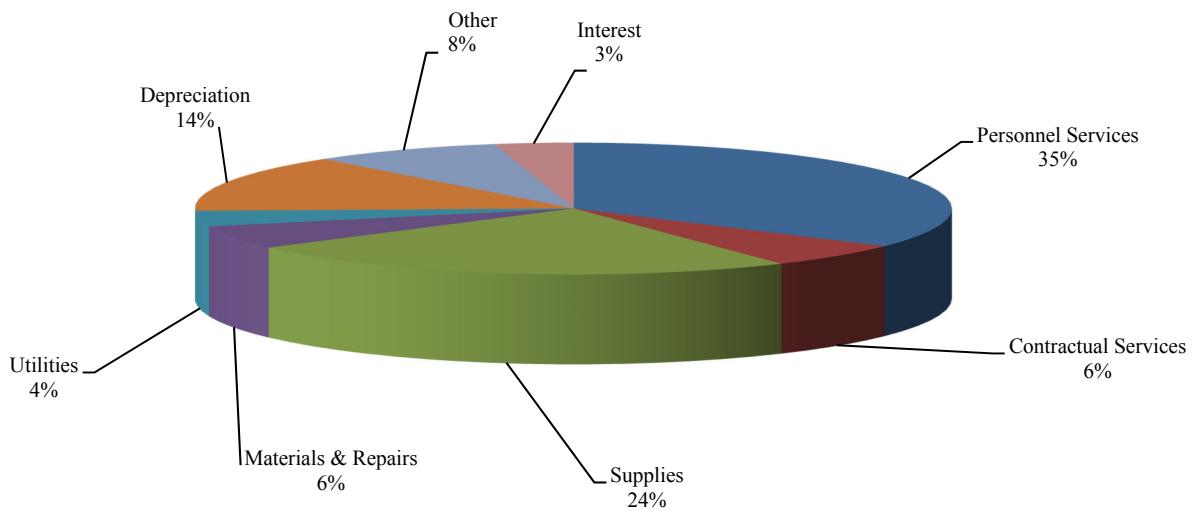
CITY OF SIGNAL HILL

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses – Business-type Activities Fiscal Year 2017-18



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 \$21.3 million at the end of the prior year. This represents a decrease in net position of \$0.4 million or 1.7%. The decrease in net position is a result of expenses of \$4.9 million exceeding revenues of \$4.5 million.

Revenues of \$4.5 million consist of charges for services, grant revenue and investment income. This is a decrease of \$1.2 million or 21.5% over the prior year's total revenue of \$5.7 million. Charges for services increased by \$0.6 million in the current year as a result of the change in water rates. Capital grants and contributions saw a decrease of \$1.9 million. With the completion of Well No. 9, funding for this project has been completed and grant revenue for this project was no longer required. Expenses totaled \$4.9 million in the current year, a decrease of \$0.4 million from the prior year's total expense of \$5.3 million. Operating expenses decreased mainly as a result of a decrease to pension expense.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

FUND FINANCIAL ANALYSIS

The City's major governmental funds for the fiscal year ended June 30, 2017 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 \$5.4 million in fiscal year 2017-18. This increase was a result of revenues totaling \$21.8 million exceeding expenditures of \$19.9 million and net transfers out of \$0.9, as well as the extraordinary gain on receivable from the Successor Agency of \$4.4 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 \$1.3 million compared to fiscal year 2016-17. This net increase is explained by a \$0.5 million increase in both property and sales tax revenues. Additionally, charges for services also experienced an increase of \$0.3 million or 40%, primarily due to an increase in permit fees and an increase in community service programs.

The General Fund's operating expenditures decreased by \$127,000, mainly the result of a decrease in insurance costs (\$173,000) over prior year, and increases in personnel costs spread across departments of approximately \$300,000.

Housing Authority Special Revenue Fund

The Housing Authority Fund's fund balance increased by \$3.5 million to \$3.4 million mainly as a result of a restatement of the same amount due to the overstatement of land held for resale (refer to Notes to Basic Financial Statements No. 17 for information on the restatement). Investment income increase over FY 2017-18 due to the inception of rent payments received from a developer.

Capital Improvement Capital Projects Fund

Capital expenditures within the Capital Improvement Capital Projects Fund totaled \$11.7 million for the fiscal year. The major projects worked on in FY 17-18 were the Los Cerritos Channel Stormwater project and continuing construction of the Signal Hill Public Library. This fund has a deficit fund balance of \$2.2 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.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

FUND FINANCIAL ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

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

Total General Fund revenues of \$21.8 million were lower than the adjusted budget amount of \$21.4 million by \$0.4 million. In FY 2017-18, the City experienced a decrease in sales tax revenues by \$88,000 due to slower overall sales activity and a drop in business-to-business sales. Property taxes received came in \$377,000 higher than expected.

Total General Fund expenditures were projected at \$20.8 million. The actual expenditures came in below budgeted amounts by \$400,000. In FY 2017-18, the community services department exceeded budgeted amounts; all other departments ended the year with expenditures below budget. 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, 2018, totaled \$110.9 million, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, water lines and construction in progress.

Capital Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Land | \$ 30,903,450 | \$ 30,903,450 | \$ 4,427,416 | \$ 4,427,416 | \$ 35,330,866 | \$ 35,330,866 |
| Water rights | - | - | 395,833 | 426,213 | 395,833 | 426,213 |
| Construction in progress | 17,560,514 | 7,612,787 | 20,070 | 8,945,749 | 17,580,584 | 16,558,536 |
| Buildings & equipment | 23,020,886 | 22,785,308 | 22,833,360 | 14,426,194 | 45,854,246 | 37,211,502 |
| Infrastructure | 11,688,327 | 12,162,818 | - | - | 11,688,327 | 12,162,818 |
| Total assets | <u>\$ 83,173,177</u> | <u>\$ 73,464,363</u> | <u>\$ 27,676,679</u> | <u>\$ 28,225,572</u> | <u>\$ 110,849,856</u> | <u>\$ 101,689,935</u> |

A net increase in capital assets of \$9.2 million due to the continuing construction of two major capital projects – the Los Cerritos Channel Stormwater and the Civic Center Phase II – Library project. For additional information see Note 3 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, 2018

Debt Administration

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Water revenue bonds | \$ - | \$ - | \$ 4,268,906 | \$ 4,740,961 | \$ 4,268,906 | \$ 4,740,961 |
| Leave revenue bonds | 8,974,210 | - | - | - | 8,974,210 | - |
| Advance from general fund | - | - | 2,615,426 | 2,750,000 | 2,615,426 | 2,750,000 |
| Capital lease obligations | 20,619 | 36,248 | - | - | 20,619 | 36,248 |
| Net pension liability | 25,918,907 | 22,719,714 | 2,527,583 | 2,204,200 | 28,446,490 | 24,923,914 |
| OPEB liability | 8,809,006 | 9,465,108 | 143,073 | 153,730 | 8,952,079 | 9,618,838 |
| Compensated absences | 846,011 | 889,902 | 58,721 | 82,553 | 904,732 | 972,455 |
| Total long-term liabilities | \$ 44,568,753 | \$ 33,110,972 | \$ 9,613,709 | \$ 9,931,444 | \$ 54,182,462 | \$ 43,042,416 |

The City has one issue of bonded indebtedness outstanding in its business-type fund with \$4.3 million outstanding at fiscal year-end. Payment of principal and interest on the Bonds is insured by Assured Guaranty Municipal Corp. ("AGM"). S&P has assigned a rating of "AA" to the Bonds based on the AGM bond insurance policy. The Bonds have received an underlying rating of "A+" 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 did not meet the required debt service coverage ratio. For additional information on the water revenue bonds, see Note 6 of the Notes to Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

According to the Congressional Budget Office (CBO), given current underlying trends, moderate economic growth will continue over the next two years, barring any unforeseen shocks to the national economy. Comments from economists indicate that an increased economic stability will make the way for the fastest pace of growth anticipated since the Great Recession. Southern California is anticipated to have continued employment gains and a decline in local unemployment rates.

The City continues its practice of conservative budgeting and cost containment practices. Additionally, in spite of reallocation of state revenues by the State to balance budget shortfalls and the loss of monies associated with redevelopment agencies in 2012 due to State dissolution, the City has fared rather well and has been able to provide needed services to its residents and community. Response to such issues requires the City to not only continue to be fiscally prudent and to manage its resources and operations diligently, but also to plan for the future to ensure adequate reserves are maintained to weather the next economic downturn.

See independent auditor's report.

CITY OF SIGNAL HILL
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Fiscal Year Ended June 30, 2018

The City's General Fund Reserve for Economic Uncertainties will continue to have a budgeted \$5.1 million fund balance in FY 2017-18, which along with the General Fund's Unassigned Fund Balance of \$8.5 million is 61% of the FY 2017-18 budgeted General Fund operating expenditures.

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. 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.

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.

CITY OF SIGNAL HILL

STATEMENT OF NET POSITION

June 30, 2018

| | Governmental Activities | Business-Type Activities | Totals |
|--|------------------------------|-----------------------------|------------------------------|
| ASSETS: | | | |
| Cash and investments | \$ 36,652,666 | \$ 2,378,476 | \$ 39,031,142 |
| Receivables: | | | |
| Accounts | 514,822 | 577,540 | 1,092,362 |
| Accrued interest | 252,231 | - | 252,231 |
| Loans | 1,840,772 | - | 1,840,772 |
| Due from other governments | 5,202,387 | - | 5,202,387 |
| From Successor Agency | 13,889,916 | - | 13,889,916 |
| Internal balances | 1,817,673 | (1,817,673) | - |
| Inventory | 19,967 | - | 19,967 |
| Prepaid items | 46,485 | - | 46,485 |
| Land and improvements held for resale, net | 615,641 | - | 615,641 |
| Restricted assets: | | | |
| Cash and investments | 16,525,656 | 18 | 16,525,674 |
| Capital assets, not depreciated | 48,463,964 | 4,447,486 | 52,911,450 |
| Capital assets, depreciated, net of accumulated depreciation | 34,709,213 | 23,229,193 | 57,938,406 |
| Total assets | <u>160,551,393</u> | <u>28,815,040</u> | <u>189,366,433</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred loss amount on debt refunding | - | 127,838 | 127,838 |
| Pension related | 7,681,254 | 724,762 | 8,406,016 |
| OPEB related | 19,708 | 2,136 | 21,844 |
| Total deferred outflow of resources | <u>7,700,962</u> | <u>854,736</u> | <u>8,555,698</u> |
| LIABILITIES: | | | |
| Accounts payable | 3,845,093 | 200,715 | 4,045,808 |
| Accrued liabilities | 1,870,197 | - | 1,870,197 |
| Deposits payable | 714,638 | 352,930 | 1,067,568 |
| Accrued interest payable | 20,425 | 76,512 | 96,937 |
| Unearned revenue | 975,383 | 804,096 | 1,779,479 |
| Noncurrent liabilities | | | |
| Due within one year | 539,400 | 430,000 | 969,400 |
| Due in more than one year | 9,301,440 | 3,897,627 | 13,199,067 |
| Net pension liability | 25,918,907 | 2,527,583 | 28,446,490 |
| Net OPEB liability | 8,809,006 | 143,073 | 8,952,079 |
| Total liabilities | <u>51,994,489</u> | <u>8,432,536</u> | <u>60,427,025</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension related | 1,096,998 | 218,708 | 1,315,706 |
| OPEB related | 506,425 | 54,897 | 561,322 |
| Total deferred inflow of resources | <u>1,603,423</u> | <u>273,605</u> | <u>1,877,028</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 83,152,558 | 23,535,611 | 106,688,169 |
| Restricted for: | | | |
| Capital improvements | 5,704,145 | - | 5,704,145 |
| Development impact | 4,739,996 | - | 4,739,996 |
| Transportation | 2,993,181 | - | 2,993,181 |
| Public protection | 183,926 | - | 183,926 |
| Housing | 5,752,809 | - | 5,752,809 |
| Unrestricted | 12,127,828 | (2,571,976) | 9,555,852 |
| TOTAL NET POSITION | <u>\$ 114,654,443</u> | <u>\$ 20,963,635</u> | <u>\$ 135,618,078</u> |

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2018

| | Program Revenues | | |
|---|----------------------------|--|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Expenses | | | |
| Governmental activities: | | | |
| General government | \$ 5,239,035 | \$ 216,031 | \$ 259,695 |
| Community services | 1,596,051 | 203,025 | - |
| Police | 10,563,793 | 249,561 | 326,824 |
| Community development | 963,613 | 567,137 | 307,943 |
| Public works | 4,926,981 | 790,319 | 304,733 |
| Unallocated infrastructure depreciation | <u>638,715</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>23,928,188</u> | <u>2,026,073</u> | <u>1,199,195</u> |
| | | | 4,586,484 |
| Business-type activities: | | | |
| Water | <u>4,846,115</u> | <u>4,419,839</u> | <u>-</u> |
| Total business-type activities | <u>4,846,115</u> | <u>4,419,839</u> | <u>-</u> |
| Total | <u>\$ 28,774,303</u> | <u>\$ 6,445,912</u> | <u>\$ 1,199,195</u> |
| | | | \$ 4,628,242 |

General revenues:

Taxes:

Property tax

Franchise tax

Other taxes

Intergovernmental - Sales and use tax

Investment income

Unrestricted grants and contributions

Total general revenues

Change in net position before extraordinary item

Extraordinary item-adjustment to Successor Agency receivable (Note 17I)

Change in net position

Net position at beginning of fiscal year, as restated (Note 17J)

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 |
|----------------------------|-----------------------------|-----------------------|
| \$ (4,763,309) | \$ - | \$ (4,763,309) |
| (1,393,026) | - | (1,393,026) |
| (9,987,408) | - | (9,987,408) |
| (88,533) | - | (88,533) |
| 754,555 | - | 754,555 |
| <u>(638,715)</u> | <u>-</u> | <u>(638,715)</u> |
| <u>(16,116,436)</u> | <u>-</u> | <u>(16,116,436)</u> |
| - - - | (384,518) | (384,518) |
| - - - | (384,518) | (384,518) |
| <u>(16,116,436)</u> | <u>(384,518)</u> | <u>(16,500,954)</u> |
| 2,247,909 | - | 2,247,909 |
| 486,729 | - | 486,729 |
| 926,284 | - | 926,284 |
| 14,483,938 | - | 14,483,938 |
| 961,478 | 28,534 | 990,012 |
| <u>455,548</u> | <u>-</u> | <u>455,548</u> |
| <u>19,561,886</u> | <u>28,534</u> | <u>19,590,420</u> |
| 3,445,450 | (355,984) | 3,089,466 |
| <u>4,368,978</u> | <u>-</u> | <u>4,368,978</u> |
| 7,814,428 | (355,984) | 7,458,444 |
| <u>106,840,015</u> | <u>21,319,619</u> | <u>128,159,634</u> |
| <u>\$ 114,654,443</u> | <u>\$ 20,963,635</u> | <u>\$ 135,618,078</u> |

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

| | General | Housing Authority Special Revenue Fund | Civic Center Phase II Special Revenue Fund |
|---|----------------------|--|---|
| ASSETS | | | |
| Cash and investments | \$ 20,653,763 | \$ 3,316,611 | \$ - |
| Accounts receivable | 510,277 | - | - |
| Accrued interest receivable | 251,631 | - | - |
| Due from other funds | 4,531,623 | - | - |
| Due from other governments | 2,921,613 | - | - |
| Receivable from Successor Agency | 12,131,250 | 1,758,666 | - |
| Prepaid items | 40,841 | - | - |
| Loans receivable | - | 1,834,734 | - |
| Advances to other funds | 2,622,914 | - | - |
| Land and improvements held for resale, net | - | 615,641 | - |
| Restricted Assets: | | | |
| Cash and investments | - | - | 7,680,729 |
| TOTAL ASSETS | \$ 43,663,912 | \$ 7,525,652 | \$ 7,680,729 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable | \$ 563,773 | \$ - | \$ - |
| Accrued liabilities | 1,870,197 | - | - |
| Deposits payable | 714,638 | - | - |
| Unearned revenue | 7,487 | - | - |
| Due to other funds | - | - | 4,306,160 |
| Advances from other funds | - | 1,779,480 | - |
| TOTAL LIABILITIES | 3,156,095 | 1,779,480 | 4,306,160 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenues | 72,516 | - | - |
| FUND BALANCES: | | | |
| Nonspendable | 14,722,489 | - | - |
| Restricted | - | 5,746,172 | 3,374,569 |
| Committed | 17,176,521 | - | - |
| Unassigned | 8,536,291 | - | - |
| TOTAL FUND BALANCES | 40,435,301 | 5,746,172 | 3,374,569 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 43,663,912 | \$ 7,525,652 | \$ 7,680,729 |

See accompanying notes to basic financial statements.

| Capital Improvement Capital Projects Fund | Lease Revenue Bond Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------------|--------------------------|--------------------------|
| \$ 1,048,082 | \$ - | \$ 10,238,985 | \$ 35,257,441 |
| - | - | 20 | 510,297 |
| - | - | 600 | 252,231 |
| - | - | - | 4,531,623 |
| 2,162,812 | - | 117,962 | 5,202,387 |
| - | - | - | 13,889,916 |
| - | - | 5,644 | 46,485 |
| - | - | 6,038 | 1,840,772 |
| - | - | 967,896 | 3,590,810 |
| - | - | - | 615,641 |
| - | <u>8,844,927</u> | - | <u>16,525,656</u> |
| <u>\$ 3,210,894</u> | <u>\$ 8,844,927</u> | <u>\$ 11,337,145</u> | <u>\$ 82,263,259</u> |

| | | | |
|---------------------|---------------------|----------------------|----------------------|
| \$ 3,236,664 | \$ - | \$ 27,367 | \$ 3,827,804 |
| - | - | - | 1,870,197 |
| - | - | - | 714,638 |
| - | - | 967,896 | 975,383 |
| - | 82,381 | 143,082 | 4,531,623 |
| - | - | - | 1,779,480 |
| <u>3,236,664</u> | <u>82,381</u> | <u>1,138,345</u> | <u>13,699,125</u> |
| <u>2,194,457</u> | <u>-</u> | <u>20,377</u> | <u>2,287,350</u> |
| - | - | - | 14,722,489 |
| - | 8,762,546 | 10,252,716 | 28,136,003 |
| - | - | - | 17,176,521 |
| <u>(2,220,227)</u> | <u>-</u> | <u>(74,293)</u> | <u>6,241,771</u> |
| <u>(2,220,227)</u> | <u>8,762,546</u> | <u>10,178,423</u> | <u>66,276,784</u> |
| <u>\$ 3,210,894</u> | <u>\$ 8,844,927</u> | <u>\$ 11,337,145</u> | <u>\$ 82,263,259</u> |

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CITY OF SIGNAL HILL

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

June 30, 2018

Fund balances - total governmental funds \$ 66,276,784

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities (excluding those in the internal service fund) are not current financial resources and therefore are not reported in the funds. Those assets consist of:

| | |
|--|-------------------|
| Land | \$ 30,903,450 |
| Construction in progress | 17,560,514 |
| Infrastructure, net of \$17,002,677 accumulated depreciation | 11,688,327 |
| Structures and improvements, net of \$8,863,455 accumulated depreciation | 21,387,510 |
| Vehicles, equipment and furniture, net of \$2,338,355 accumulated depreciation | 786,192 |
| Total capital assets used in governmental activities | 82,325,993 |

Certain receivables will be collected after year-end, but are not available soon enough to pay for current-period expenditures, and therefore are offset by unavailable revenues in the governmental funds.

2,287,350

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.

1,798,420

Deferred outflows and inflows of resources relating to pensions and OPEB are not reported in the governmental funds because they are applicable to future periods:

| | |
|---|------------------|
| Deferred outflow of resources - pension | 7,568,305 |
| Deferred outflow of resources - OPEB | 19,446 |
| Deferred inflow of resources - pension | (1,062,914) |
| Deferred inflow of resources - OPEB | (499,689) |
| | 6,025,148 |

Long-term liabilities and related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds:

| | |
|---------------------------|---------------------|
| Interest payable | (20,425) |
| Revenue bonds payable | (8,974,210) |
| Capital lease obligations | (20,619) |
| Compensated absences | (840,855) |
| Net pension liability | (25,524,998) |
| Net OPEB liability | (8,678,145) |
| | (44,059,252) |

Net position of governmental activities

\$ 114,654,443

See accompanying notes to basic financial statements.

CITY OF SIGNAL HILL

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

For the year ended June 30, 2018

| | General | Housing Authority Special Revenue Fund | Civic Center Phase II Special Revenue Fund |
|---|----------------------|--|---|
| REVENUES: | | | |
| Property taxes | \$ 2,247,909 | \$ - | \$ - |
| Sales and use tax | 15,066,809 | - | - |
| Other taxes | 1,413,013 | - | - |
| Licenses and permits | 428,918 | - | - |
| Intergovernmental revenues | 47,356 | - | - |
| Charges for services | 1,063,953 | - | - |
| Fines and forfeitures | 312,006 | - | - |
| Investment income (loss) | 845,743 | 98,721 | 70,011 |
| Other revenue | 417,021 | - | - |
| TOTAL REVENUES | 21,842,728 | 98,721 | 70,011 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 4,408,637 | - | - |
| Community services | 1,592,270 | - | - |
| Police | 8,995,178 | - | - |
| Community development | 771,134 | 3,627 | - |
| Public works | 4,039,310 | - | - |
| Capital outlay | 86,509 | - | - |
| Debt service: | | | |
| Principal | 15,629 | - | - |
| Interest | 1,399 | - | - |
| Costs of debt issuance | - | - | - |
| TOTAL EXPENDITURES | 19,910,066 | 3,627 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,932,662 | 95,094 | 70,011 |
| OTHER FINANCING SOURCES (USES): | | | |
| Original issue premium | - | - | - |
| Debt issuance | - | - | - |
| Transfers in | - | - | - |
| Transfers out | (861,654) | - | (3,543,527) |
| TOTAL OTHER FINANCING SOURCES (USES) | (861,654) | - | (3,543,527) |
| CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM | 1,071,008 | 95,094 | (3,473,516) |
| EXTRAORDINARY ITEM: | | | |
| Adjustment to Successor Agency receivable (Note 17I) | 4,368,978 | - | - |
| NET CHANGE IN FUND BALANCES | 5,439,986 | 95,094 | (3,473,516) |
| FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED (NOTE 17J) | 34,995,315 | 5,651,078 | 6,848,085 |
| FUND BALANCES AT END OF YEAR | \$ 40,435,301 | \$ 5,746,172 | \$ 3,374,569 |

| Capital Improvement Capital Projects Fund | Lease Revenue Bond Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------------|--------------------------|--------------------------|
| \$ - | \$ - | \$ - | \$ 2,247,909 |
| - | - | - | 15,066,809 |
| - | - | 715,813 | 2,128,826 |
| - | - | - | 428,918 |
| 4,756,523 | - | 636,545 | 5,440,424 |
| - | - | 1,569 | 1,065,522 |
| - | - | - | 312,006 |
| - | 29,321 | 133,609 | 1,177,405 |
| - | - | - | 417,021 |
| 4,756,523 | 29,321 | 1,487,536 | 28,284,840 |
| | | | |
| - | - | - | 4,408,637 |
| - | - | - | 1,592,270 |
| - | - | 417,174 | 9,412,352 |
| - | - | 173,323 | 948,084 |
| - | - | 90,882 | 4,130,192 |
| 11,682,817 | - | 61,199 | 11,830,525 |
| - | - | - | 15,629 |
| - | 82,381 | - | 83,780 |
| - | 170,123 | - | 170,123 |
| 11,682,817 | 252,504 | 742,578 | 32,591,592 |
| (6,926,294) | (223,183) | 744,958 | (4,306,752) |
| | | | |
| - | 345,729 | - | 345,729 |
| - | 8,640,000 | - | 8,640,000 |
| 5,236,757 | - | 146,286 | 5,383,043 |
| (440) | - | (977,422) | (5,383,043) |
| 5,236,317 | 8,985,729 | (831,136) | 8,985,729 |
| (1,689,977) | 8,762,546 | (86,178) | 4,678,977 |
| | | | |
| - | - | - | 4,368,978 |
| (1,689,977) | 8,762,546 | (86,178) | 9,047,955 |
| (530,250) | - | 10,264,601 | 57,228,829 |
| \$ (2,220,227) | \$ 8,762,546 | \$ 10,178,423 | \$ 66,276,784 |

See accompanying notes to 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 year ended June 30, 2018

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 9,047,955 |
|--|--------------|

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 | \$ 11,075,289 |
| Depreciation expense | <u>(1,570,245)</u> |
| | 9,505,044 |

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of debt increases long-term liabilities and the repayment of principal reduces long-term liabilities in the statement of net position:

| | |
|--------------------------------|---------------|
| Issuance of revenue bonds | (8,640,000) |
| Original issuance bond premium | (345,729) |
| Repayment of capital lease | <u>15,629</u> |
| | (8,970,100) |

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 | 39,875 |
| Net change in accrued interest payable | (20,425) |
| Amortization of bond premium | <u>11,519</u> |
| | 30,969 |

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.

(954,805)

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.

5,102

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

(1,055,521)

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

205,784

Change in net position of governmental activities

\$ 7,814,428

See accompanying notes to basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

| | Business-type Activity | Governmental Activity |
|---|-----------------------------|--|
| | Water Enterprise Fund | Vehicle and Equipment Internal Service Fund |
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 2,378,476 | \$ 1,395,225 |
| Restricted cash and investments | 18 | - |
| Accounts receivable, net | 577,540 | 4,525 |
| Advances to other funds | 804,096 | - |
| Inventory | - | 19,967 |
| TOTAL CURRENT ASSETS | 3,760,130 | 1,419,717 |
| NONCURRENT ASSETS: | | |
| Capital assets: | | |
| Land | 4,427,416 | - |
| Construction in progress | 20,070 | - |
| Depreciable assets, net of accumulated depreciation | 23,229,193 | 847,184 |
| TOTAL NONCURRENT ASSETS | 27,676,679 | 847,184 |
| TOTAL ASSETS | 31,436,809 | 2,266,901 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred amount on debt refunding | 127,838 | - |
| Deferred outflows - pension related | 724,762 | 112,949 |
| Deferred outflows - OPEB related | 2,136 | 262 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 854,736 | 113,211 |
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | 200,715 | 17,289 |
| Accrued interest payable | 76,512 | - |
| Refundable deposits | 352,930 | - |
| Advances from other funds | 2,615,426 | - |
| Unearned revenue | 804,096 | - |
| Current portion of long-term liabilities: | | |
| Water revenue refunding bonds | 430,000 | - |
| TOTAL CURRENT LIABILITIES | 4,479,679 | 17,289 |
| LONG-TERM LIABILITIES: | | |
| Water revenue refunding bonds | 3,838,906 | - |
| Compensated absences | 58,721 | 5,156 |
| Net pension liability | 2,527,583 | 393,909 |
| Net OPEB liability | 143,073 | 130,861 |
| TOTAL LONG-TERM LIABILITIES | 6,568,283 | 529,926 |
| TOTAL LIABILITIES | 11,047,962 | 547,215 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred inflows - pension related | 218,708 | 34,084 |
| Deferred inflows - OPEB related | 54,897 | 6,736 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 273,605 | 40,820 |
| NET POSITION: | | |
| Net investment in capital assets | 23,535,611 | 847,184 |
| Unrestricted | (2,565,633) | 944,893 |
| TOTAL NET POSITION | 20,969,978 | \$ 1,792,077 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (6,343) | |
| Net position of business-type activity | \$ 20,963,635 | |

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 year ended June 30, 2018

| | Business-type Activity | Governmental Activity |
|--|-----------------------------|--|
| | Water Enterprise Fund | Vehicle and Equipment Internal Service Fund |
| OPERATING REVENUES: | | |
| Charges for services | \$ 4,015,350 | \$ 607,470 |
| Other operating revenues | 404,489 | - |
| TOTAL OPERATING REVENUES | 4,419,839 | 607,470 |
| OPERATING EXPENSES: | | |
| Personnel services | 1,680,064 | 197,116 |
| Contractual services | 294,698 | 32,179 |
| Supplies | 1,164,437 | 142,408 |
| Material and repairs | 276,967 | 135,866 |
| Utilities | 185,349 | - |
| Depreciation/amortization | 682,176 | 136,609 |
| Other | 392,555 | 8,454 |
| TOTAL OPERATING EXPENSES | 4,676,246 | 652,632 |
| OPERATING LOSS | (256,407) | (45,162) |
| NONOPERATING REVENUES (EXPENSES): | | |
| Investment income | 28,534 | 16,403 |
| Interest expense | (163,208) | - |
| Gain on sale of assets | - | 27,200 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (134,674) | 43,603 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (391,081) | (1,559) |
| CAPITAL CONTRIBUTIONS: | | |
| Capital grants | 41,758 | - |
| CHANGES IN NET POSITION | (349,323) | (1,559) |
| NET POSITION AT BEGINNING OF YEAR | 21,319,301 | 1,793,636 |
| NET POSITION AT END OF YEAR | \$ 20,969,978 | \$ 1,792,077 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | (6,661) | |
| Change in net position of business-type activity | \$ (355,984) | |

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2018

| | Business-type Activity | Governmental Activity |
|---|-----------------------------|--|
| | Water Enterprise Fund | Vehicle and Equipment Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 4,391,060 | \$ - |
| Receipts from interfund services provided | - | 610,008 |
| Payments to suppliers | (3,269,971) | (367,933) |
| Payments to employees | (1,546,409) | (187,382) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (425,320) | 54,693 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Net cash paid to other funds | (134,574) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from sale of capital assets | - | 27,200 |
| Capital grants | 1,002,284 | - |
| Acquisition of property, plant and equipment | (133,283) | (340,379) |
| Principal paid | (420,000) | - |
| Interest paid | (176,176) | - |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | 272,825 | (313,179) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | 28,534 | 16,403 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (258,535) | (242,083) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 2,637,029 | 1,637,308 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,378,494 | \$ 1,395,225 |
| Reconciliation of cash and cash equivalents to amounts reported on the statement of net position: | | |
| Cash and investments | \$ 2,378,476 | \$ 1,395,225 |
| Restricted cash and investments | 18 | - |
| Cash and cash equivalents at end of fiscal year | <u>\$ 2,378,494</u> | <u>\$ 1,395,225</u> |

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2018

| | Business-type Activity | Governmental Activity |
|--|-----------------------------|--|
| | Water Enterprise Fund | Vehicle and Equipment Internal Service Fund |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating loss | \$ (256,407) | \$ (45,162) |
| Depreciation/amortization | 682,176 | 136,609 |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| (Increase) decrease in accounts receivable | (32,071) | 2,538 |
| (Increase) decrease in inventory | - | 6,197 |
| (Increase) decrease in deferred outflows of resources - pensions | (149,466) | (23,293) |
| (Increase) decrease in deferred outflows of resources - OPEB | (2,136) | (262) |
| Increase (decrease) in accounts payable | (955,965) | (55,223) |
| Increase (decrease) in refundable deposits | 3,292 | - |
| Increase (decrease) in compensated absences | (23,832) | (4,016) |
| Increase (decrease) in deferred inflows of resources - OPEB | 52,741 | 5,442 |
| Increase (decrease) in deferred inflows of resources - pensions | (56,378) | (8,787) |
| Increase (decrease) in net OPEB liability | (10,657) | (9,747) |
| Increase (decrease) in net pension liability | 323,383 | 50,397 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (425,320) | \$ 54,693 |

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

| | Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund | Spring Street Corridor Joint Powers Authority Agency Fund |
|--|---|--|
| ASSETS: | | |
| Cash and investments | \$ 5,334,778 | \$ - |
| Restricted cash and investments | 7,542,647 | - |
| Accounts receivable | 32,240 | - |
| Due from other governments | - | 3,739 |
| Capital assets: | | |
| Land | <u>23,646,365</u> | <u>-</u> |
| TOTAL ASSETS | <u>36,556,030</u> | <u>\$ 3,739</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred loss amount on debt refunding | <u>1,539,040</u> | |
| LIABILITIES: | | |
| Accounts payable | 2,666,513 | \$ - |
| Accrued liabilities | 1,329,875 | - |
| Accrued interest payable | 689,896 | - |
| Refundable deposits | 6,110,000 | - |
| Due to other governments | - | 3,739 |
| Long-term liabilities: | | |
| Due within one year | 5,265,000 | - |
| Due in more than one year | 53,449,308 | - |
| Payable to the City of Signal Hill | 12,131,250 | - |
| Payable to the Signal Hill Housing Authority | <u>1,758,666</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>83,400,508</u> | <u>\$ 3,739</u> |
| NET POSITION: | | |
| Held in trust | <u>\$ (45,305,438)</u> | |

See accompanying notes to the basic financial statements.

CITY OF SIGNAL HILL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the year ended June 30, 2018

| | Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund |
|--|---|
| ADDITIONS: | |
| Distributions from County-administered redevelopment property tax trust fund | \$ 11,528,390 |
| Investment earnings | 259,146 |
| Other | <u>36,581</u> |
| TOTAL ADDITIONS | <u>11,824,117</u> |
| DEDUCTIONS: | |
| Personnel services | 407,266 |
| Contractual services | 10,943 |
| Project costs | 2,768,587 |
| Interest | <u>2,915,443</u> |
| TOTAL DEDUCTIONS | <u>6,102,239</u> |
| CHANGE IN NET POSITION, BEFORE EXTRAORDINARY ITEM | <u>5,721,878</u> |
| EXTRAORDINARY ITEM: | |
| Adjustment to payable to the City of Signal Hill (Note 17I) | <u>(2,428,410)</u> |
| CHANGE IN NET POSITION | 3,293,468 |
| NET DEFICIT - BEGINNING OF YEAR, AS RESTATED (NOTE 17J) | <u>(48,598,906)</u> |
| NET DEFICIT - END OF YEAR | <u>\$ (45,305,438)</u> |

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity “City of Signal Hill” includes the accounts of the City of Signal Hill (the primary government), the Signal Hill Public Financing Authority (the Financing Authority), and the Signal Hill Housing Authority (the Housing Authority).

The City of Signal Hill was incorporated in 1924 under the general laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities. On November 7, 2000, the Charter of the City of Signal Hill was adopted by a vote of the people. As a result, the City will enjoy all rights and privileges pertaining to “Charter Law” cities.

The Signal Hill 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. A portion of the City’s salary and overhead expenses is billed to the Authorities each year.
- The City, Financing Authority and Housing Authority are financially interdependent.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Under the economic resources measurement focus, all assets, 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and of the government's internal service funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 which are recognized as expenditures only when payment is due.

Property taxes, taxpayer-assessed taxes, such as sales taxes, gas taxes, transient occupancy taxes and oil production taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other receipts allocated by law or contractual agreement to other funds are accounted for in this fund. Expenditures of this fund include general operating costs not paid through other funds.

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

The Civic Center Phase II 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.

The Lease Revenue Bond Debt Service Fund is used to account for the proceeds and debt service related to the Signal Hill Municipal Financing Authority's Lease Revenue Bonds (Library Project), Series 2018.

The Capital Improvement Capital Projects Fund is used to account for major capital improvement projects not accounted for in other funds.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major enterprise fund:

The Water Fund is used to account for financial activity relative to the purchase, production, storage and distribution of water used by the community, as well as the maintenance, repair and replacement of related equipment and pipeline. Revenues consist primarily of water sales.

Additionally, the City reports the following fund types:

Proprietary Funds

The Internal Service Fund is used to account for the furnishing of vehicle and equipment services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such vehicles and equipment are used or services rendered.

Fiduciary Funds

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

The Agency Funds are used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for special deposits resulting from new development and joint governmental projects in this fund type.

D. New Accounting Pronouncements

Implemented

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This accounting pronouncement did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017. This accounting pronouncement did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017. This accounting pronouncement did not impact the City.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. In accordance with the standard, the City will not capitalize interest costs incurred before the end of a construction period.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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:

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

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

F. Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external pools are valued based on the stated fair value represented by the external pool.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

G. Restricted Assets

Cash and investments totaling \$7,680,729 are restricted in the Civic Center Phase II Special Revenue fund for the Civic Center improvement projects. Cash and investments totaling \$8,844,927 are restricted in the Lease Revenue Bond fund for the construction of the new City library.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**H. Capital Assets**

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, trails, traffic signals and sewer lines. Capital assets are defined by the City as assets, with an initial cost of more than \$5,000 and a useful life that is greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

I. Inventory and Prepaid Items

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Governmental Funds Balance Sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding, net of accumulated amortization are reported in the government-wide statement of net position and the proprietary funds financial statements. A deferred loss on 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.
- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions and OPEB resulting from the net differences between projected and actual earnings on plan investments of the pension plans fiduciary net position. These amounts are amortized over five years.
- Deferred outflow related to pension plans for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from *unavailable revenues*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, which are taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to pensions and OPEB for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the respective plans.
- Deferred inflow related to pension plans for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

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 year end is recorded as a long-term liability of the governmental activities, as these amounts will be liquidated from future resources rather than expendable available financial resources. Compensated absences are primarily liquidated in the General Fund.

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

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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 percentage pay-off at retirement varies based on employee group agreements and/or years of service of employment. The City has an annual cash-out program ranging from 48 - 80 annual maximum hours for its employees based on tiered, years of service of employment. 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. OPEB

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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 year's appropriated budget.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances (Continued)

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

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

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

O. Property Taxes

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

P. Claims and Judgments

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

Under the City's self-insurance program, deposits to the Joint Powers Insurance Authority (Note 14) are recorded as insurance expenditures in the period to which they relate in the General Fund. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Insurance Authority and such refunds, if any, are recorded as deposits since they will be used to offset future deposit requirements. Adverse claims experience in prior years results in the payment of additional deposits which are recorded as insurance expenditures when incurred.

Q. Net Position

Net position reported in the government-wide and proprietary fund financial statements are 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, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Q. Net Position (Continued)**

At June 30, 2018, net investment in capital assets, was determined as follows:

| | Governmental Activities | Business-type Activity |
|--|------------------------------------|-----------------------------------|
| Capital assets, net of accumulated depreciation | \$ 83,173,177 | \$ 27,676,679 |
| Less: | | |
| Bonds, net | (8,974,210) | (4,268,906) |
| Capital leases | (20,619) | - |
| Add back: | | |
| Deferred amount on refunding | - | 127,838 |
| Bond proceeds not available for capital purposes | 145,024 | |
| Unspent bonds proceeds - reserve funds | <u>8,829,186</u> | <u>-</u> |
| Total | <u>\$ 83,152,558</u> | <u>\$ 23,535,611</u> |

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

R. 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.

S. Estimates

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

2. CASH AND INVESTMENTS**Cash and Investments**

Cash and investments at June 30, 2018 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 | \$ 39,031,142 | \$ 5,334,778 | \$ 44,365,920 |
| Restricted cash and investments | <u>16,525,674</u> | <u>7,542,647</u> | <u>24,068,321</u> |
| Total Cash and Investments | <u>\$ 55,556,816</u> | <u>\$ 12,877,425</u> | <u>\$ 68,434,241</u> |

Cash and investments at June 30, 2018 consisted of the following:

| | |
|--------------------------------------|--------------------------|
| Cash on hand | \$ 3,734 |
| Deposits with financial institutions | 2,825,243 |
| Investments | <u>65,605,264</u> |
| Total Cash and Investments | <u>\$ 68,434,241</u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****2. CASH AND INVESTMENTS (CONTINUED)****Investments Authorized by the California Government Code and the City's Investment Policy**

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

| 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% | 10% |
| Time Certificate of Deposits | 1 year | 30% | 10% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | 10% |
| Repurchase Agreements | 1 year | None | None |
| Medium-Term Corporate Notes | 5 years | 30% | 10% |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Mutual Funds | N/A | 20% | 10% |
| County Pooled Funds | N/A | None | None |

N/A - Not Applicable

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

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****2. CASH AND INVESTMENTS (CONTINUED)****Disclosures Relating to Interest Rate Risk (Continued)**

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

| Investment Type | Remaining Maturity (in Months) | | | Total |
|------------------------------------|--------------------------------|-------------------|---------------------|----------------------|
| | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | |
| Local Agency Investment Fund | \$ 37,129,802 | \$ - | \$ - | \$ 37,129,802 |
| US Government Agency Securities | - | 492,480 | - | 492,480 |
| Negotiable Certificates of Deposit | 1,284,493 | 492,171 | 1,890,726 | 3,667,390 |
| Medium-Term Corporate Note | 247,271 | - | - | 247,271 |
| Held by Bond Trustee: | | | | |
| Money Market Mutual Funds | 22,423,565 | - | - | 22,423,565 |
| Bank Money Market Funds | 1,644,756 | - | - | 1,644,756 |
| | <u>\$ 62,729,887</u> | <u>\$ 984,651</u> | <u>\$ 1,890,726</u> | <u>\$ 65,605,264</u> |

Disclosures Relating to Credit Risk

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

| Investment Type | Total as of June 30, 2018 | Minimum Legal Ratings | | | Not Rated |
|------------------------------------|---------------------------|-----------------------|----------------------|-------------------|----------------------|
| | | AAA | AA+ | AA | |
| Local Agency Investment Fund | \$ 37,129,802 | N/A | \$ - | \$ - | \$ 37,129,802 |
| US Government Agency Securities | 492,480 | AA | - | 492,480 | - |
| Negotiable Certificates of Deposit | 3,667,390 | N/A | - | - | 3,667,390 |
| Medium-Term Corporate Note | 247,271 | N/A | - | - | 247,271 |
| Held by Bond Trustee: | | | | | |
| Money Market Mutual Funds | 22,423,565 | AAA | 22,423,565 | - | - |
| Bank Money Market Funds | 1,644,756 | N/A | - | - | 1,644,756 |
| Total | <u>\$ 65,605,264</u> | | <u>\$ 22,423,565</u> | <u>\$ 492,480</u> | <u>\$ 42,689,219</u> |

N/A - Not Applicable

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

2. CASH AND INVESTMENTS (CONTINUED)**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City did not have any investments in any one issuer that represented 5% or more of total City's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2018, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation and the remaining balances were collateralized under California Law.

Investment in State Investment Pool

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

2. CASH AND INVESTMENTS (CONTINUED)**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2018:

| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total |
|------------------------------------|-----------------------------|---------------------------------|-----------------------------------|---------------|
| US Government Agency Securities | \$ - | \$ 492,480 | \$ - | \$ 492,480 |
| Negotiable Certificates of Deposit | - | 3,667,390 | - | 3,667,390 |
| Medium-Term Corporate Notes | - | 247,271 | - | 247,271 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ - | \$ 3,914,661 | \$ - | 4,407,141 |
| Local Agency Investment Fund* | | | | 37,129,802 |
| Held by Bond Trustee: | | | | |
| Money Market Mutual Funds* | | | | 22,423,565 |
| Bank Money Market Funds | | | | 1,644,756 |
| | | | | <hr/> |
| | | | | \$ 65,605,264 |

* Not subject to fair value measurement hierarchy.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Balance at July 1, 2017 | Additions | Deletions | Balance at June 30, 2018 |
|---|----------------------------|----------------------|-----------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 30,903,450 | \$ - | \$ - | \$ 30,903,450 |
| Construction in progress | <u>7,612,787</u> | <u>10,950,968</u> | <u>(1,003,241)</u> | <u>17,560,514</u> |
| Total capital assets, not being depreciated | <u>38,516,237</u> | <u>10,950,968</u> | <u>(1,003,241)</u> | <u>48,463,964</u> |
| Capital assets, being depreciated: | | | | |
| Structure and improvements | 29,566,076 | 910,229 | - | 30,476,305 |
| Equipment and furniture | 3,121,497 | 46,748 | - | 3,168,245 |
| Vehicles and major equipment | 2,555,209 | 340,379 | (174,346) | 2,721,242 |
| Infrastructure | <u>28,520,419</u> | <u>170,585</u> | <u>-</u> | <u>28,691,004</u> |
| Total capital assets, being depreciated | <u>63,763,201</u> | <u>1,467,941</u> | <u>(174,346)</u> | <u>65,056,796</u> |
| Less accumulated depreciation for: | | | | |
| Structure and improvements | (8,404,534) | (650,859) | - | (9,055,393) |
| Equipment and furniture | (2,098,551) | (283,217) | - | (2,381,768) |
| Vehicles and major equipment | (1,954,389) | (127,702) | 174,346 | (1,907,745) |
| Infrastructure | <u>(16,357,601)</u> | <u>(645,076)</u> | <u>-</u> | <u>(17,002,677)</u> |
| Total accumulated depreciation | <u>(28,815,075)</u> | <u>(1,706,854)</u> | <u>174,346</u> | <u>(30,347,583)</u> |
| Total capital assets, being depreciated, net | <u>34,948,126</u> | <u>(238,913)</u> | <u>-</u> | <u>34,709,213</u> |
| Total governmental activities capital, net | <u>\$ 73,464,363</u> | <u>\$ 10,712,055</u> | <u>\$ (1,003,241)</u> | <u>\$ 83,173,177</u> |

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

3. CAPITAL ASSETS (CONTINUED)

Capital Asset Activity (Continued)

| | <u>Balance at July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2018</u> |
|---|------------------------------------|---------------------|-----------------------|-------------------------------------|
| Business-type Activity | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,427,416 | \$ - | \$ - | \$ 4,427,416 |
| Construction in progress | <u>8,945,749</u> | <u>133,283</u> | <u>(9,058,962)</u> | <u>20,070</u> |
| Total capital assets, not being depreciated | <u>13,373,165</u> | <u>133,283</u> | <u>(9,058,962)</u> | <u>4,447,486</u> |
| 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 | 9,030,001 | - | 10,961,240 |
| 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 | <u>1,108,511</u> | <u>28,961</u> | <u>-</u> | <u>1,137,472</u> |
| Total capital assets, being depreciated | <u>31,369,110</u> | <u>9,058,962</u> | <u>-</u> | <u>40,428,072</u> |
| Less accumulated depreciation for: | | | | |
| Water rights | (788,973) | (30,380) | - | (819,353) |
| Reservoirs and tanks | (4,610,103) | (271,280) | - | (4,881,383) |
| Wells | (978,912) | (45,959) | - | (1,024,871) |
| Mains | (5,841,178) | (195,408) | - | (6,036,586) |
| Pumps | (1,055,815) | (37,465) | - | (1,093,280) |
| Fire hydrants | (554,717) | (1,883) | - | (556,600) |
| Meters | (429,048) | - | - | (429,048) |
| Services | (827,483) | (27,579) | - | (855,062) |
| Structures | (578,594) | (28,673) | - | (607,267) |
| Equipment and furniture | <u>(851,880)</u> | <u>(43,549)</u> | <u>-</u> | <u>(895,429)</u> |
| Total accumulated depreciation | <u>(16,516,703)</u> | <u>(682,176)</u> | <u>-</u> | <u>(17,198,879)</u> |
| Total capital assets, being depreciated, net | <u>14,852,407</u> | <u>8,376,786</u> | <u>-</u> | <u>23,229,193</u> |
| Total business-type activity capital, net | <u>\$ 28,225,572</u> | <u>\$ 8,510,069</u> | <u>\$ (9,058,962)</u> | <u>\$ 27,676,679</u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****3. CAPITAL ASSETS (CONTINUED)****Depreciation/Amortization Expense**

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

Governmental activities:

| | |
|--|----------------|
| General government | \$ 79,199 |
| Community services | 3,078 |
| Police | 717,189 |
| Public works | 132,064 |
| Internal service fund depreciation charged to programs | <u>136,609</u> |

| | |
|------------------------|-----------|
| Allocated depreciation | 1,068,139 |
|------------------------|-----------|

| | |
|---|----------------|
| Unallocated infrastructure depreciation | <u>638,715</u> |
|---|----------------|

| | |
|--|----------------------------|
| Total depreciation expense - governmental activities | <u><u>\$ 1,706,854</u></u> |
|--|----------------------------|

Business-type activity:

| | |
|-------|--------------------------|
| Water | <u><u>\$ 682,176</u></u> |
|-------|--------------------------|

4. UNAVAILABLE REVENUES

At June 30, 2018, deferred inflows of resources - unavailable revenues, reported in the governmental fund financial statements, consisted of the following:

| | General Fund | Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| | | Capital Projects Fund | | |
| Unavailable grant revenue | \$ - | \$ 2,194,457 | \$ 20,377 | \$ 2,214,834 |
| Unavailable interest from notes receivable | <u>72,516</u> | <u>-</u> | <u>-</u> | <u>72,516</u> |
| | <u><u>\$ 72,516</u></u> | <u><u>\$ 2,194,457</u></u> | <u><u>\$ 20,377</u></u> | <u><u>\$ 2,287,350</u></u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

5. LONG-TERM RECEIVABLES**A. Receivables from Successor Agency**

| Description | General Fund | Housing Authority Special Revenue Fund |
|--|----------------------|---|
| Long-term loans to finance improvements and operations related to and within the former Redevelopment Agency's project areas | <u>\$ 12,131,250</u> | |
| Deferral of housing set aside payments by former Redevelopment Agency's | | <u>\$ 1,758,666</u> |

For further discussion of the receivables due from the Successor Agency, see Note 17I and 17J.

B. Loans Receivables

The discontinued First Time Homebuyer Program provided downpayment assistance to first time low or moderate income homebuyers. Financial assistance was provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. The second mortgage loan is due if the unit is sold or if the property no longer qualifies as the buyer's principal residence. The loans are equity participation loans if paid within the first 10 years. The principal loan amount plus a declining percentage of equity (depending on how long the home was owned) is due to the Agency at the time of sale. After 10 years, no equity is due the Agency. After 30 years, the homebuyer has the option of repaying the principal amount in full, or amortizing the principal amount due over 10 years with an interest payment at the prime rate plus 1%. Currently, 4 loans totaling \$55,254 remain outstanding.

The discontinued Residential Rehabilitation Loan Program provided funding to Signal Hill homeowners for exterior improvements to their residences. The loans are secured by promissory notes and second deeds of trust on the property. Loans are to be repaid upon sale or transfer of the property. Currently, 1 loan totaling \$6,038 remains outstanding.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****5. LONG-TERM RECEIVABLES (CONTINUED)****C. Notes Receivables****Loan to Developer**

In February 2015 a loan of \$7,729,480 secured by a deed of trust on real property was provided pursuant to a disposition and development agreement with Meta Housing to provide funding for the 72-unit affordable housing development called Zinnia. The loan accrues interest at 3% interest and is repaid on each April 1st in which there was positive cash flow for the calendar year, or portion thereof, ending on the immediately preceding December 31, fifty percent (50%) of that year's net cash flow, based on the contribution of the Signal Hill Housing Authority. The first repayment shall be due on April 1st following the issuance of the first Certificate of occupancy, and the last payment shall be due on April 1st fifty-five (55) years later. The amount outstanding at June 30, 2018 was \$7,729,480. The City also set up an allowance for doubtful accounts, on this loan of \$5,950,000.

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

| | Balance at July 1, 2017 | Additions | Deletions | Balance at June 30, 2018 | Due Within One Year |
|------------------------------------|----------------------------|---------------------|---------------------|-----------------------------|------------------------|
| Governmental activities: | | | | | |
| 2018 library lease revenue bonds | \$ - | \$ 8,640,000 | \$ - | \$ 8,640,000 | \$ 100,000 |
| Plus 2018 original issue premium | <u>-</u> | <u>345,729</u> | <u>(11,519)</u> | <u>334,210</u> | <u>-</u> |
| Total library lease revenue bonds | - | 8,985,729 | (11,519) | 8,974,210 | 100,000 |
| Capital lease obligations | 36,248 | | (15,629) | 20,619 | 16,395 |
| Compensated absences | <u>889,902</u> | <u>391,002</u> | <u>(434,893)</u> | <u>846,011</u> | <u>423,005</u> |
| Total governmental-type activity | <u>\$ 926,150</u> | <u>\$ 9,376,731</u> | <u>\$ (462,041)</u> | <u>\$ 9,840,840</u> | <u>\$ 539,400</u> |
| Business-type activity: | | | | | |
| 2016 Water revenue refunding bonds | \$ 4,305,000 | \$ - | \$ (420,000) | \$ 3,885,000 | \$ 430,000 |
| Plus 2016 original issue premium | <u>435,961</u> | <u>-</u> | <u>(52,055)</u> | <u>383,906</u> | <u>-</u> |
| Total refunding bonds payable | 4,740,961 | - | (472,055) | 4,268,906 | 430,000 |
| Compensated absences | <u>82,553</u> | <u>16,642</u> | <u>(40,474)</u> | <u>58,721</u> | <u>-</u> |
| Total business-type activity | <u>\$ 4,823,514</u> | <u>\$ 16,642</u> | <u>\$ (512,529)</u> | <u>\$ 4,327,627</u> | <u>\$ 430,000</u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****6. LONG-TERM LIABILITIES (CONTINUED)****A. 2018 Library Lease Revenue Bonds**

On January 10, 2018, the City issued \$8,640,000 2018 Library Lease Revenue Bonds to fund the construction of the City's new library. The 2018 Bonds were issued at a premium of \$345,729, which is being amortized on a straight-line basis of \$23,049 annually as interest expense through the year 2032. The 2018 bonds were issued as \$8,640,000 in serial bonds with a maturity date of December 1, 2032. These bonds carry interest at 2.0-3.5%.

The annual requirements to amortize the outstanding 2018 bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 2019 | \$ 100,000 | \$ 244,100 | \$ 344,100 |
| 2020 | 105,000 | 242,050 | 347,050 |
| 2021 | 110,000 | 239,900 | 349,900 |
| 2022 | 120,000 | 237,600 | 357,600 |
| 2023 | 650,000 | 29,088 | 679,088 |
| 2024 - 2028 | 3,495,000 | 900,888 | 4,395,888 |
| 2028 - 2033 | 4,060,000 | 351,850 | 4,411,850 |
| | <u>\$ 8,640,000</u> | <u>\$ 2,245,476</u> | <u>\$ 10,885,476</u> |

B. 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 outstanding balance at June 30, 2018 on this lease is \$20,619. The net book value of the leased copiers at June 30, 2018 is \$37,776 (cost of \$75,557 less accumulated depreciation of \$45,333).

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

| Future minimum lease payments for the fiscal year ended June 30, | |
|---|------------------|
| 2019 | \$ 17,028 |
| 2020 | 4,252 |
| Subtotal | 21,280 |
| Less amount representing interest | (661) |
| Present value of future lease payments | <u>\$ 20,619</u> |

C. Compensated Absences

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

6. LONG-TERM LIABILITIES (CONTINUED)**D. 2016 Water Revenue Refunding Bonds**

On November 17, 2016, the City issued \$4,305,000 2016 Water Revenue Refunding Bonds to advance refund the Signal Hill Public Financing Authority's outstanding 2006 Water Revenue Refunding Bonds. The 2006 Bonds were issued at a premium of \$468,495, which is being amortized on a straight-line basis of \$52,055 annually as interest expense through the year 2026.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$156,004. This difference, reported as deferred outflows of resources, is being amortized on a straight-line basis of \$17,334 annually as interest expense through the fiscal year 2026.

The 2016 Bonds were issued as \$4,305,000 in serial bonds with a maturity date of November 1, 2025. These bonds carry interest at 3-5%.

The City is required by the 2016 Bond Covenant to maintain a debt service coverage ratio of at least 125%. As of the fiscal year ended June 30, 2018, this ratio was not met. The Water Fund is in the third of a five-year rate increase schedule with increases of 8% per year. Sufficient rates required for the debt ratio related to the bond covenant will be addressed in subsequent fiscal years.

The annual requirements to amortize the outstanding 2016 bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 430,000 | \$ 134,075 | \$ 564,075 |
| 2020 | 445,000 | 124,288 | 569,288 |
| 2021 | 460,000 | 110,937 | 570,937 |
| 2022 | 475,000 | 97,138 | 572,138 |
| 2023 | 490,000 | 81,663 | 571,663 |
| 2024 - 2026 | 1,585,000 | 116,899 | 1,701,899 |
| | <u>\$ 3,885,000</u> | <u>\$ 665,000</u> | <u>\$ 4,550,000</u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2018, is as follows:

Due From/To Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------------------|--------------|
| General | Civic Center Phase II | |
| | Special Revenue Fund | \$ 4,306,160 |
| | Lease Revenue Bond | |
| | Debt Service Fund | 82,381 |
| | Other Governmental Funds | 143,082 |
| | | <hr/> |
| | | \$ 4,531,623 |

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

Advances To/From Other Funds

Advances receivable and payable balances at June 30, 2017, are as follows:

| Receivable Fund | Payable Fund | Amount |
|--------------------------|--|--------------|
| General Fund | Water Enterprise Fund | \$ 2,615,426 |
| General Fund | Housing Authority Special Revenue Fund | 7,488 |
| Other Governmental Funds | Housing Authority Special Revenue Fund | 967,896 |
| Water Enterprise Fund | Housing Authority Special Revenue Fund | 804,096 |

In FY 2015-16 the City entered into an interfund agreement whereby the General Fund issued a loan to the Water Fund for \$2,750,000, for the purpose of financing the construction of Well #9. Interest is based on the LAIF rate plus 1%, as determined every January. Payments are due annually by the end of the fiscal year, through July 2036.

In FY 2015-16, the Signal Hill Housing Authority entered into a difficult development areas agreement with Meta Housing to develop affordable housing. As this was new development, an assessment of Park In-Lieu, Traffic Impact Fees, and Water Impact Fees were estimated based on the number of units and area of the property. These fees total \$967,896 to the General Fund, and \$804,096 to the Water Fund, and are a liability of the Housing Authority to the General Fund. The Housing Authority will repay as it obtains repayment from the developer.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)****Interfund Transfers**

| Transfer In to Fund | Transfers Out of Fund | Amount |
|--------------------------|--|---------------------|
| Capital Improvement | | |
| Capital Projects Fund | General Fund | 715,808 |
| | Civic Center Phase II Special Revenue Fund | 3,543,527 |
| | Other Governmental Funds | 977,422 |
| Other Governmental Funds | General Fund | 145,846 |
| | Capital Improvement Capital Projects Fund | 440 |
| | | <u>\$ 5,383,043</u> |

The purposes for significant interfund transfers made during the fiscal year ended June 30, 2018 were as follows:

- The General Fund made a transfer (\$715,808) into the Capital Projects Fund for partial funding of capital projects.
- The Civic Center Phase II Fund made a transfer (\$3,543,527) into the Capital Projects Fund for the construction of the library.
- Other Governmental Funds made transfers (\$976,422) into the Capital Improvement Capital Projects Fund to cover costs of various projects.
- The General Fund made transfers (\$145,846) into various Other Governmental Funds to cover funding shortfalls.
- The Capital Projects Fund made a transfer (\$440) into the Other Governmental Funds (Traffic Impact) to cover a funding shortfall.

8. INDIVIDUAL FUND DISCLOSURES**Deficit Fund Balances**

For the year ended June 30, 2018, the following funds had deficit fund balances:

Major Governmental Fund:

| | |
|--|--------------|
| Capital Improvement Capital Project Fund | \$ 2,220,227 |
|--|--------------|

Other Governmental Funds:

| | |
|--------------------------------|--------|
| OTS Grant Special Revenue Fund | 19,777 |
|--------------------------------|--------|

| | |
|---------------------------------|--------|
| UASI Grant Special Revenue Fund | 54,516 |
|---------------------------------|--------|

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.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

8. INDIVIDUAL FUND DISCLOSURES (CONTINUED)**Expenditures Exceeding Appropriations**

For the year ended June 30, 2018, expenditures exceeded appropriations in the following programs (the legal level of budgetary control):

Major Funds**General Fund:**

| | |
|--|----------|
| General government - City Treasurer | \$ 1,259 |
| General government - Executive administration | 46,907 |
| General government - Management information services | 31,697 |
| General government - Support services | 3,484 |
| Community services - Community support and services | 78,663 |
| Community services - Recreation | 97,412 |
| Police - Police support services | 62,317 |
| Public works - Building maintenance | 33,407 |
| Capital outlay | 80,509 |

Capital Improvement Capital Projects Fund:

| | |
|--------------------|------------|
| Capital Outlay (1) | 11,682,817 |
|--------------------|------------|

(1) Expenditures were budgeted at the project level.

Other Governmental Funds:**HCDA Grant Special Revenue Fund:**

| | |
|--------------------------------------|-----|
| Community development - CDBG program | 117 |
|--------------------------------------|-----|

Air Quality Improvement Special Revenue Fund:

| | |
|-----------------------------------|-------|
| General government - City Council | 1,000 |
|-----------------------------------|-------|

Lighting and Landscape Special Revenue Fund:

| | |
|---|--------|
| Public works - Lighting and landscape maintenance | 33,882 |
|---|--------|

Supplemental Law Enforcement Special Revenue Fund:

| | |
|--------------------------|--------|
| Police - Patrol services | 14,478 |
|--------------------------|--------|

UASI Special Revenue Fund:

| | |
|----------------|--------|
| Capital outlay | 46,748 |
|----------------|--------|

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

9. DEFINED BENEFIT PENSION PLANS**A. General Information about the Pension Plans****Plan Descriptions**

All qualified employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports 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. Classic Members with five years of total service are eligible to retire at age 50 and PEPRA members must be at least 52 years old to retire 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.

The Plans' provisions and benefits in effect at June 30, 2018, 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 | 2%@55 | 2%@60 | 2%@62 |
| Benefit formula | | | |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 63 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 1.43% to 2.42% | 1.09% to 2.42% | 1.00% to 2.50% |
| Required employee contribution rates | 7% | 7% | 6.25% |
| Required employer contribution rates: | | | |
| Normal cost rate | 8.921% | 7.653% | 6.533% |
| Payment of unfunded liability | \$ 739,777 | \$ 1,510 | \$ 195 |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****9. DEFINED BENEFIT PENSION PLANS (CONTINUED)****A. General Information about the Pension Plans (Continued)****Benefits Provided (Continued)**

| | 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 | 2.7%@57 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of 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 | 3.0% | 2.40% to 3.00% | 2.00% to 2.70% |
| Required employee contribution rates | 9% | 9% | 12.25% |
| Required employer contribution rates: | | | |
| Normal cost rate | 21.418% | 19.520% | 12.729% |
| Payment of unfunded liability | \$ 1,125,181 | \$ 1,185 | \$ 190 |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. City contribution rates may change if plan contracts are amended.

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

| | Proportionate Share of Net Pension Liability |
|------------------------------------|---|
| Miscellaneous | \$ 12,625,288 |
| Safety | <u>15,821,202</u> |
| Total Net Pension Liability | \$ 28,446,490 |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****9. DEFINED BENEFIT PENSION PLANS (CONTINUED)****B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportionate share 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 each Plan as of the measurement date ended June 30, 2016 and 2017 was as follows:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|------------------------------|----------------------|---------------|
| Proportion - June 30, 2016 | 0.31694% | 0.27528% |
| Proportion - June 30, 2017 | 0.32027% | 0.26478% |
| Change - Increase (Decrease) | 0.00333% | -0.01050% |

For the year ended June 30, 2018, the City recognized pension expense of \$3,964,912 (\$1,682,683 Miscellaneous Plan and \$2,282,229 Safety Plan). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Miscellaneous</u> | |
|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Pension contributions subsequent to measurement date | \$ 1,095,591 | \$ - |
| Differences between actual and expected experience | 16,486 | (236,190) |
| Change in assumptions | 2,045,509 | (155,972) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | (700,285) |
| Net differences between projected and actual earnings on plan investments | <u>462,609</u> | - |
| Total | <u><u>\$ 3,620,195</u></u> | <u><u>\$ (1,092,447)</u></u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****9. DEFINED BENEFIT PENSION PLANS (CONTINUED)****B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

| | Safety | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|----------------------------|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 1,677,943 | \$ - | |
| Differences between actual and expected experience | 158,818 | (41,408) | |
| Change in assumptions | 2,303,259 | (176,712) | |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 143,601 | (5,139) | |
| Net differences between projected and actual earnings on plan investments | <u>502,200</u> | <u>-</u> | |
| Total | <u>\$ 4,785,821</u> | <u>\$ (223,259)</u> | |

The \$2,773,534 (\$1,095,591 Miscellaneous Plan and \$1,677,943 Safety Plan) 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 year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Miscellaneous | |
|----------------|-----------|
| Year Ending | Amount |
| June 30, | |
| 2018 | \$ 200 |
| 2019 | 1,079,920 |
| 2020 | 626,697 |
| 2021 | (274,660) |
| 2022 | - |
| Thereafter | - |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****9. DEFINED BENEFIT PENSION PLANS (CONTINUED)****B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

| Safety | |
|----------------------------|------------|
| Year Ending June 30, | Amount |
| 2018 | \$ 767,931 |
| 2019 | 1,493,893 |
| 2020 | 916,652 |
| 2021 | (293,857) |
| 2022 | - |
| Thereafter | - |

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous | Safety |
|----------------------------------|---------------------------------|---------------------------------|
| Valuation Date | June 30, 2016 | June 30, 2016 |
| Measurement Date | June 30, 2017 | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.15% | 7.15% |
| Inflation | 2.75% | 2.75% |
| Salary Increases | (1) | (1) |
| Mortality Rate Table | (2) | (2) |
| Post Retirement Benefit Increase | (3) | (3) |

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on 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 April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

9. DEFINED BENEFIT PENSION PLANS (CONTINUED)**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)****Actuarial Assumptions (Continued)**

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for the each Plan net of investment expenses and without reduction for administrative expenses. 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the 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 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****9. DEFINED BENEFIT PENSION PLANS (CONTINUED)****B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)****Discount Rate (Continued)**

The table below 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|-------------------------------|--------------------------|------------------------------|---------------------------|
| Global Equity | 47.00% | 4.90% | 5.38% |
| Global Fixed Income | 19.00% | 0.80% | 2.27% |
| Inflation Sensitive | 6.00% | 0.60% | 1.39% |
| Private Equity | 12.00% | 6.60% | 6.63% |
| Real Estate | 11.00% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.00% | 3.90% | 5.36% |
| Liquidity | 2.00% | -0.40% | -0.90% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period
 (b) An expected inflation of 3.0% used for this period

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

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the 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 |
|-----------------------|---------------|---------------|
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 19,367,870 | \$ 23,430,215 |
| | | |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 12,625,288 | \$ 15,821,202 |
| | | |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 7,040,960 | \$ 9,601,212 |

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

9. DEFINED BENEFIT PENSION PLANS (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.

C. Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

In addition to providing pension benefits, the City provides certain health care benefits under an agent multiple-employer OPEB plan for retired employees through the California Public Employees Medical and Hospital Care Act (PEMCHA) in accordance with a City Council resolution. Substantially all of the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. Those, and similar benefits for active employees, are provided through PERS whose premiums are based on the benefits paid during the year.

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

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

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

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

- Employees with less than 5 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$133 monthly).
- Employees with 5-10 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee only.
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee only.
- Employees with over 16 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**Tier 3 - Employees Hired On or After April 7, 2010****A. Plan Description (Continued)**

- Employees with less than 11 years of service with Signal Hill, but who are vested with PERS are eligible to receive the minimum monthly premium mandated by PERS (currently \$133 monthly).
- Employees with 11-15 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 25% of the monthly benefit applicable towards the employee only.
- Employees with 16-19 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.
- Employees with over 20 years of PERS service (combined City service plus 50% credit for service with another PERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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

B. 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, 2018, the date of the latest actuarial valuation:

| | |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefit payments | 93 |
| Inactive employees entitled to but not yet receiving benefit payments | 0 |
| Active plan members | 99 |
| | <hr/> |
| | 192 |
| | <hr/> |

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, 2018, the City contributed \$729,067. 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 \$885 per calendar year. Amount paid to retirees on a pay as you go was \$729,067.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****D. Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | | |
|-----------------------------|-------|---|
| 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 does 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. CalPERS 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 | Long-Term Expected | |
|--------------|--------------------|---------------------|
| | Target Allocation | Real Rate of Return |
| Equities | 50% | 7.9% |
| Fixed Income | 50% | 5.1% |
| Total | 100% | |

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.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

E. Change in the Net OPEB Liability

| | Increase (Decrease) | | |
|--------------------------------------|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| | \$ 11,473,184 | \$ 1,854,346 | \$ 9,618,838 |
| Balance at June 30, 2017 | | | |
| Changes in the fiscal year: | | | |
| Service Cost | 88,947 | - | 88,947 |
| Interest on the Total OPEB Liability | 724,953 | - | 724,953 |
| Experience Gains (Losses) | (633,287) | - | (633,287) |
| Investment Gains (Losses) | (5,035) | - | (5,035) |
| Contribution from the Employer | - | 729,067 | (729,067) |
| Contribution from the Employees | - | - | - |
| Net Investment Income | - | 125,181 | (125,181) |
| Benefit Payments | (729,067) | (729,067) | - |
| Administrative Expenses | - | (11,911) | 11,911 |
| Net Changes | (553,489) | 113,270 | (666,759) |
| Balance at June 30, 2018 | \$ 10,919,695 | \$ 1,967,616 | \$ 8,952,079 |

There is sensitivity of the net OPEB liability due 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 | Current Discount Rate | 1% Increase |
|--------------------|------------------|-----------------------|--------------|
| | 5.50% | 6.50% | 7.50% |
| | \$ 10,182,049 | \$ 8,952,079 | \$ 7,931,255 |
| Net OPEB Liability | Health-care Cost | | |
| | 1% Decrease | Trend Rate | 1% Increase |
| | 3.00% | 4.00% | 5.00% |
| Net OPEB Liability | \$ 8,642,034 | \$ 8,952,079 | \$ 9,278,905 |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)****F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$636,284. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between actual and expected experience | \$ - | \$ 561,322 |
| Net differences between projected and actual earnings on plan investments | <u>21,844</u> | - |
| Total | <u>\$ 21,844</u> | <u>\$ 561,322</u> |

Amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

| | Fiscal Year Ended |
|------------|----------------------------|
| | June 30 |
| 2019 | \$ (64,347) |
| 2020 | (64,347) |
| 2021 | (64,350) |
| 2022 | (72,972) |
| 2023 | (71,965) |
| Thereafter | <u>(201,497)</u> |
| | <u>\$ (539,478)</u> |

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 PERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings.

On May 15, 2001, the City Council authorized establishment of a 401(a) Deferred Contribution Plans for its management and middle management employees. The Plan is qualified defined contribution plans under Section 401(a) of the Internal Revenue Code.

These plans were discontinued on April 30, 2016 and have not been replaced. 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. Total matching contributions made by the City totaled \$64,962 for the fiscal year ended June 30, 2018.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

12. DEFERRED COMPENSATION (CONTINUED)

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

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The various fund balance classifications as of June 30, 2018 were as follows:

| | Housing Authority General Fund | Civic Center Phase II Special Revenue Fund | Capital Improvement Capital Projects Fund | Lease Revenue Bond Debt Service Fund | Other Governmental Funds |
|-------------------------------------|-----------------------------------|---|--|---|-----------------------------|
| Nonspendable: | | | | | |
| Receivables from Successor Agency | \$ 12,058,734 | \$ - | \$ - | \$ - | \$ - |
| Prepaid expenses | 40,841 | - | - | - | - |
| Advances to other funds | <u>2,622,914</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>14,722,489</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Restricted for: | | | | | |
| Low and moderate income housing | - | 5,746,172 | - | - | - |
| Public protection | - | - | - | - | 183,926 |
| Development | - | - | - | - | 3,336,297 |
| Transportation | - | - | - | - | 4,396,880 |
| Capital improvements | - | - | 3,374,569 | - | 8,762,546 |
| Housing | - | - | - | - | 6,037 |
| | <u>-</u> | <u>5,746,172</u> | <u>3,374,569</u> | <u>-</u> | <u>8,762,546</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,252,716</u> |
| Committed for Contingencies: | | | | | |
| Equipment replacement | 435,393 | - | - | - | - |
| Insurance premium increases | 435,972 | - | - | - | - |
| Capital improvements | 1,501,331 | - | - | - | - |
| Economic uncertainty | 5,081,972 | - | - | - | - |
| Economic development | 500,000 | - | - | - | - |
| Police radio reserve | 367,749 | - | - | - | - |
| Library expansion | 3,728,122 | - | - | - | - |
| Park expansion | 57,846 | - | - | - | - |
| CalPERS rate increases | 1,987,225 | - | - | - | - |
| Building and land acquisition | 1,879,448 | - | - | - | - |
| OPEB future costs | 1,121,444 | - | - | - | - |
| 100th Anniversary | 30,019 | - | - | - | - |
| General plan | 50,000 | - | - | - | - |
| | <u>17,176,521</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Unassigned | <u>8,536,291</u> | <u>-</u> | <u>-</u> | <u>(2,220,227)</u> | <u>(74,293)</u> |
| | <u>\$ 40,435,301</u> | <u>\$ 5,746,172</u> | <u>\$ 3,374,569</u> | <u>\$ (2,220,227)</u> | <u>\$ 8,762,546</u> |
| | | | | | <u>\$ 10,178,423</u> |

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

A. Description of Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Primary Self-insurance Programs of the Insurance Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Primary Liability Program. Claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 to \$50,000,000 are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website:
<http://cjpia.org/protection/coverage-programs>.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED)

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

Workers' Compensation. Claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For Fiscal Year 2017-18, 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.

C. Purchased Insurance

Pollution Legal Liability Insurance. The City of Signal Hill participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Signal Hill. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Insurance Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance. The City of Signal Hill participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. City of Signal Hill property is currently insured according to a schedule of covered property submitted by City of Signal Hill to the Insurance Authority. The City of Signal Hill currently has all-risk property insurance protection in the amount of \$46,928,657. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has \$2,500 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City of Signal Hill purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City of Signal Hill property currently has earthquake protection in the amount of \$22,615,881. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED)

C. Purchased Insurance (Continued)

Crime Insurance. The City of Signal Hill purchases crime insurance coverage in the amount of \$1 million with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority.

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 Insurance Authority.

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

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 2017-18, the City collected Parks & Recreation fees Water fees, or 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 2017-18, the City expended \$844,547 in Parks & Recreation fees, \$260 in Traffic fees and no Water fees. At June 30, 2018, the fund balances for the Parks & Recreation Impact Fund was \$2,356,370, for the Water Impact Fund was \$260,616, and for the Traffic Impact Fund was \$1,403,699.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

16. TAX ABATEMENTS

In accordance with Chapter 3.32 of the Signal Hill Municipal Code, the City provides sales tax rebates to a local sales tax generator based on sales tax generated at a site developed within the City of Signal Hill. The City entered into an economic development agreement for sales tax rebates with a local sales tax generator in order to retain one of the City's significant tax-generating business, jobs, and occupancy of land within City boundaries. The rebates are calculated based on the total taxes generated by the business.

For the fiscal year ended June 30, 2018, the City abated local sales tax totaling \$2,836,635.

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

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | <u>Balance at July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2018</u> |
|--|------------------------------------|--------------------|--------------------|-------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | <u>\$ 23,646,365</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,646,365</u> |
| Total capital assets, not being depreciated | <u>23,646,365</u> | <u> -</u> | <u> -</u> | <u>23,646,365</u> |
| T capital, net | <u>\$ 23,646,365</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,646,365</u> |

CITY OF SIGNAL HILL, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

| | Balance at July 1, 2017 | Additions | Deletions | Balance at June 30, 2018 | Due Within One Year |
|---|----------------------------|----------------------|------------------------|-----------------------------|------------------------|
| Bonds payable: | | | | | |
| 2006 TABs | \$ 11,660,000 | \$ - | \$ (235,000) | \$ 11,425,000 | \$ 260,000 |
| 2007 Refunding TABs | 12,540,000 | - | (12,540,000) | - | - |
| 2009 Tax Allocation Parity Bonds | 15,535,000 | - | (15,535,000) | - | - |
| 2011 Tax Allocation Parity Bonds | 6,615,000 | - | (535,000) | 6,080,000 | 555,000 |
| 2015 Refunding TABs Series A | 15,020,000 | | (1,915,000) | 13,105,000 | 1,960,000 |
| 2015 Refunding TABs Series B | 1,750,000 | | (105,000) | 1,645,000 | 100,000 |
| 2017 Refunding TABs | - | 22,580,000 | | 22,580,000 | 2,390,000 |
| Less original issuance discounts | (277,844) | - | 163,785 | (114,059) | |
| Add premium on bonds | 1,902,090 | 2,564,999 | (473,722) | 3,993,367 | - |
| Total bonds payable | 64,744,246 | 25,144,999 | (31,174,937) | 58,714,308 | 5,265,000 |
| Notes payable | 49,365 | - | (49,365) | - | - |
| Loan payable to Signal Hill Housing Authority | 3,015,364 | - | (1,256,698) | 1,758,666 | |
| Loan payable to the City of Signal Hill | 9,702,840 | 2,428,410 | - | 12,131,250 | - |
| Total long-term liabilities | <u>\$ 77,511,815</u> | <u>\$ 27,573,409</u> | <u>\$ (32,481,000)</u> | <u>\$ 72,604,224</u> | <u>\$ 5,265,000</u> |

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, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018****17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)****A. 2006 Tax Allocation Bonds (Continued)**

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2017, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-----------------------------|----------------------------|-----------------------------|
| 2019 | \$ 260,000 | \$ 659,515 | \$ 919,515 |
| 2020 | 275,000 | 643,896 | 918,896 |
| 2021 | 295,000 | 627,255 | 922,255 |
| 2022 | 310,000 | 609,592 | 919,592 |
| 2023 | 325,000 | 591,052 | 916,052 |
| 2024-2027 | <u>9,960,000</u> | <u>1,434,350</u> | <u>11,394,350</u> |
| Totals | <u>\$ 11,425,000</u> | <u>\$ 4,565,660</u> | <u>\$ 15,990,660</u> |

B. 2007 Refunding Tax Allocation Bonds

On November 15, 2007, the Agency issued the 2007 Tax Allocation Refunding Parity Bonds, Series A in the amount of \$14,970,000. As a result of the advance refunding, the 2007 Refunding Tax Allocation Bonds are considered to be defeased and the liability has been removed from the accounting records of the Successor Agency. The defeased 2007 Tax Allocation Refunding Bonds were retired on December 1, 2017. The bonds were paid off by the 2017 Refunding Tax Allocation Bonds.

C. 2009 Tax Allocation Parity Bonds

On November 17, 2009, the Agency issued the 2009 Tax Allocation Parity Bonds in the amount of \$20,655,000. As a result of the advance refunding, the 2009 Tax Allocation Parity Bonds are considered to be defeased and the liability has been removed from the accounting records of the Successor Agency. The defeased 2009 Tax Allocation Parity Bonds were retired on December 1, 2017. The bonds were paid off by the 2017 Refunding Tax Allocation Bonds.

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 will be used to (i) finance redevelopment activities of benefit to the Redevelopment Project, (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2011 Bonds were issued at a discount of \$181,895. This discount is being amortized on a straight-line basis as interest 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, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**D. 2011 Tax Allocation Parity Bonds (Continued)**

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------------|------------------|------------------|
| 2019 | \$ 555,000 | \$ 388,769 | \$ 943,769 |
| 2020 | 590,000 | 355,112 | 945,112 |
| 2021 | 625,000 | 317,881 | 942,881 |
| 2022 | 670,000 | 276,575 | 946,575 |
| 2023 | 710,000 | 229,951 | 939,951 |
| 2024-2027 | 2,930,000 | 413,000 | 3,343,000 |
| Totals | \$ 6,080,000 | \$ 1,981,288 | \$ 8,061,288 |

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.

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.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**E. 2015 Refunding Tax Allocation Bonds - Series A (Continued)**

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 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 | 2,220,000 | 293,750 | 2,513,750 |
| 2023 | 2,330,000 | 180,000 | 2,510,000 |
| 2024 | 2,435,000 | 60,875 | 2,495,875 |
| Totals | \$ 13,105,000 | \$ 2,039,575 | \$ 15,144,575 |

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.

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.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**F. 2015 Refunding Tax Allocation Bonds - Series B (Continued)**

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------------|--------------------------|----------------------------|
| 2019 | \$ 100,000 | \$ 45,200 | \$ 145,200 |
| 2020 | 105,000 | 43,531 | 148,531 |
| 2021 | 105,000 | 41,497 | 146,497 |
| 2022 | 105,000 | 39,135 | 144,135 |
| 2023 | 110,000 | 36,375 | 146,375 |
| 2024-2025 | <u>1,120,000</u> | <u>48,994</u> | <u>1,168,994</u> |
| Totals | <u>\$ 1,645,000</u> | <u>\$ 254,732</u> | <u>\$ 1,899,732</u> |

G. 2017 Refunding Tax Allocation Bonds

On December 1, 2017, the Agency issued the 2017 Tax Allocation Refunding Bonds (2017 Bonds) in the amount of \$22,580,000. The proceeds were used to (i) refinance the Agency's outstanding 2007 Refunding Tax Allocation Bonds in the amount of \$10,970,000, and the Agency's outstanding 2009 Tax Allocation Parity Bonds in the amount of \$14,670,000 (ii) fund the reserve requirement for the Bonds and (iii) provide for the costs of issuing the Bonds. The 2017 Bonds were issued at a premium of \$2,564,999. This premium is being amortized on a straight line basis as interest expense through the year 2026.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,196,102. 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 2026.

The advance refunding resulted in reducing total debt service payments by \$4,378,282 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,922,144 was obtained.

Principal amounts on the 2017 Bonds mature annually each October 1 from 2018 through 2026, and bear interest semiannually beginning April 1, 2018 at rates ranging from 3.00% to 5.00%. The 2017 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.

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**G. 2017 Refunding Tax Allocation Bonds (Continued)**

The annual requirements to amortize outstanding bond indebtedness as of June 30, 2018, including interest, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2019 | \$ 2,390,000 | \$ 970,300 | \$ 3,360,300 |
| 2020 | 2,265,000 | 889,150 | 3,154,150 |
| 2021 | 2,360,000 | 784,850 | 3,144,850 |
| 2022 | 2,480,000 | 663,850 | 3,143,850 |
| 2023 | 2,610,000 | 536,600 | 3,146,600 |
| 2024-2027 | <u>10,475,000</u> | <u>994,775</u> | <u>11,469,775</u> |
| Totals | \$ 22,580,000 | \$ 4,839,525 | \$ 27,419,525 |

H. Notes Payable

- 1) 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, 2018, there was no outstanding balance remaining on this note.

I. Loan Payable to the City of Signal Hill

The City made an advance to the Agency totaling \$10,000,000 to assist in funding the Agency's operating budget. The 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. 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, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**I. Loan Payable to the City of Signal Hill (Continued)**

The City retroactively recalculated interest using existing LAIF rates. As a result, the balance of the advance was written down by \$3,739,561. At July 1, 2017, the advance balance was \$9,702,840 which included accrued interest of \$90,645 representing accumulated interest charges prior to dissolution. The City and Successor Agency have not been accruing interest since fiscal year 2012-13 until a final interest rate determination has been made. Additionally, during fiscal year 2012-13, the City had 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.

During the current fiscal year, the DOF approved the advance from the City as an enforceable obligation of the Successor Agency based on an accrued interest rate of 3% per annum since the dissolution date of the former Redevelopment Agency. The balance as of June 30, 2018 is \$12,131,250. An extraordinary item has been reported in the governmental activities, the General fund, and the Successor Agency Private-Purpose Trust fund financial statements to account for the adjustments to the final DOF-approved advance balance.

J. Deferral payments due to Signal Hill Housing Authority

The former Redevelopment Agency had made resolutions in years prior to dissolutions to defer the payment of the 20% housing set aside as a result of having insufficient tax increment revenues to do so. During the fiscal year ended June 30, 2017, the Successor Agency submittal the support for these deferral obligations to the DOF for approval as an enforceable obligation. The DOF approved the amount of \$3,015,364 due to the Signal Hill Housing Authority which had accepted the role of the Successor Housing Agency to the former Redevelopment Agency. This transaction was not reported in the prior year financial statements; therefore a restatement has been made to increase the beginning balance of net position of the governmental activities, increase the beginning fund balance of the Housing Authority Special Revenue fund, and decrease the beginning net position of the Successor Agency Private-Purpose Trust Fund by \$3,015,364.

During the current year, the Housing Authority received additional payments of \$1,256,698 from the Successor Agency. At June 30, 2018, the remaining balance due to the Signal Hill Housing Authority is \$1,758,666.

K. 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 power authority (Authority) pursuant to the California Government Code in order to develop and operate public facilities and improvements in the Spring Street Corridor Area.

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

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

17. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**K. Spring Street Corridor Joint Powers Authority (Continued)**

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

L. 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 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, 2018, there was \$1,329,875 due under this agreement, which is reported as a current liability.

18. OPERATING LEASE OBLIGATIONS**A. The City is leasing land used for an Auto Center under an operating lease dated June 30, 1988. The term of the lease expires November 30, 2055. The current period rental payments, which are classified as project costs, were \$251,604.**

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

| Year Ending June 30, | |
|------------------------------|----------------------|
| 2019 | \$ 251,604 |
| 2020 | 251,604 |
| 2021 | 260,466 |
| 2022 | 266,796 |
| 2023 | 266,796 |
| 2024 - 2028 | 1,371,459 |
| 2029 - 2033 | 1,449,641 |
| 2034 - 2038 | 1,528,482 |
| 2039 - 2043 | 1,608,427 |
| 2044 - 2048 | 1,693,416 |
| 2049 - 2053 | 1,773,757 |
| 2054 - 2056 | 875,076 |
| Total minimum lease payments | <u>\$ 11,597,524</u> |

CITY OF SIGNAL HILL, CALIFORNIA**Notes to Basic Financial Statements****June 30, 2018**

18. OPERATING LEASE OBLIGATIONS (CONTINUED)

B. The City is leasing land for an Auto Center under an operating lease dated December 21, 1993 and amended May 7, 1996. The term of the lease expires December 31, 2055. The current period rental payments, which are classified as project costs, were \$220,142.

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

| Year Ending June 30, | |
|------------------------------|---------------------|
| 2019 | \$ 220,142 |
| 2020 | 220,142 |
| 2021 | 223,444 |
| 2022 | 226,745 |
| 2023 | 226,745 |
| 2024 - 2028 | 1,150,733 |
| 2029 - 2033 | 1,185,255 |
| 2034 - 2038 | 1,220,810 |
| 2039 - 2043 | 1,257,435 |
| 2044 - 2048 | 1,295,160 |
| 2049 - 2053 | 1,334,018 |
| 2054 - 2056 | 816,301 |
| Total minimum lease payments | <u>\$ 9,376,930</u> |

19. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 31, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Property taxes | \$ 1,867,050 | \$ 1,867,050 | \$ 2,247,909 | \$ 380,859 |
| Sales and use tax | 15,355,255 | 15,355,255 | 15,066,809 | (288,446) |
| Other taxes | 1,690,000 | 1,690,000 | 1,413,013 | (276,987) |
| Licenses and permits | 387,910 | 387,910 | 428,918 | 41,008 |
| Intergovernmental revenues | 72,200 | 72,200 | 47,356 | (24,844) |
| Charges for services | 717,643 | 717,643 | 1,063,953 | 346,310 |
| Fines and forfeitures | 332,200 | 332,200 | 312,006 | (20,194) |
| Investment income | 757,550 | 757,550 | 845,743 | 88,193 |
| Other revenue | 25,000 | 25,000 | 417,021 | 392,021 |
| TOTAL REVENUES | 21,204,808 | 21,204,808 | 21,842,728 | 637,920 |
| EXPENDITURES: | | | | |
| GENERAL GOVERNMENT: | | | | |
| City Council | 217,600 | 223,850 | 220,843 | 3,007 |
| City Treasurer | 6,110 | 6,610 | 7,869 | (1,259) |
| City Clerk | 177,545 | 178,545 | 101,231 | 77,314 |
| Economic development | 135,000 | 635,000 | 537,270 | 97,730 |
| Executive administration | 648,330 | 648,330 | 695,237 | (46,907) |
| Program administration | 281,740 | 281,740 | 270,983 | 10,757 |
| Personnel services | 297,800 | 298,300 | 234,320 | 63,980 |
| Support services | 1,422,752 | 1,422,752 | 1,426,236 | (3,484) |
| Management information services | 172,500 | 172,500 | 204,197 | (31,697) |
| Fiscal services | 952,425 | 952,425 | 710,451 | 241,974 |
| TOTAL GENERAL GOVERNMENT | 4,311,802 | 4,820,052 | 4,408,637 | 411,415 |
| COMMUNITY SERVICES: | | | | |
| Library programs and services | 471,230 | 471,230 | 367,323 | 103,907 |
| Community support and services | 614,682 | 615,182 | 693,845 | (78,663) |
| Recreation | 433,690 | 433,690 | 531,102 | (97,412) |
| TOTAL COMMUNITY SERVICES | 1,519,602 | 1,520,102 | 1,592,270 | (72,168) |
| POLICE: | | | | |
| Community outreach | 77,850 | 77,850 | 73,332 | 4,518 |
| Patrol services | 4,989,200 | 4,872,700 | 4,867,448 | 5,252 |
| Investigative services | 1,236,870 | 1,236,870 | 1,190,744 | 46,126 |
| Police support services | 1,698,020 | 1,698,020 | 1,760,337 | (62,317) |
| Communications | 758,180 | 758,180 | 702,196 | 55,984 |
| Records | 392,860 | 392,860 | 351,208 | 41,652 |
| Emergency and disaster services | 58,250 | 58,250 | 49,913 | 8,337 |
| TOTAL POLICE | 9,211,230 | 9,094,730 | 8,995,178 | 99,552 |

(Continued)

See note to the required supplementary information.

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

(Continued)

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | Actual | |
| EXPENDITURES (CONTINUED): | | | | |
| COMMUNITY DEVELOPMENT: | | | | |
| Planning services | \$ 342,980 | \$ 343,480 | \$ 333,740 | \$ 9,740 |
| Neighborhood enhancement | 116,170 | 116,170 | 95,105 | 21,065 |
| Building and safety | 321,900 | 326,400 | 200,773 | 125,627 |
| Oil field services | 146,600 | 146,600 | 141,516 | 5,084 |
| TOTAL COMMUNITY DEVELOPMENT | 927,650 | 932,650 | 771,134 | 161,516 |
| PUBLIC WORKS: | | | | |
| Engineering and project services | 648,090 | 648,090 | 635,727 | 12,363 |
| Building maintenance | 670,010 | 630,010 | 663,417 | (33,407) |
| Environmental programs | 835,650 | 823,150 | 514,953 | 308,197 |
| Park maintenance | 914,510 | 861,510 | 853,575 | 7,935 |
| Street maintenance operations | 1,659,515 | 1,584,515 | 1,371,638 | 212,877 |
| TOTAL PUBLIC WORKS | 4,727,775 | 4,547,275 | 4,039,310 | 507,965 |
| CAPITAL OUTLAY | 81,000 | 6,000 | 86,509 | (80,509) |
| DEBT SERVICE | 17,028 | 17,028 | 17,028 | - |
| TOTAL EXPENDITURES | 20,796,087 | 20,937,837 | 19,910,066 | 1,027,771 |
| EXCESS OF REVENUES OVER EXPENDITURES | 408,721 | 266,971 | 1,932,662 | 1,665,691 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (968,900) | (967,200) | (861,654) | 105,546 |
| TOTAL OTHER FINANCING USES | (968,900) | (967,200) | (861,654) | 105,546 |
| NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM | (560,179) | (700,229) | 1,071,008 | 1,771,237 |
| EXTRAORDINARY ITEM: | | | | |
| Adjustment to receivable from Successor Agency | - | - | 4,368,978 | 4,368,978 |
| NET CHANGE IN FUND BALANCE | (560,179) | (700,229) | 5,439,986 | 6,140,215 |
| FUND BALANCE AT BEGINNING OF YEAR | 34,995,315 | 34,995,315 | 34,995,315 | - |
| FUND BALANCE AT END OF YEAR | \$ 34,435,136 | \$ 34,295,086 | \$ 40,435,301 | \$ 6,140,215 |

See note to the required supplementary information.

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CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|--------------|--------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Other revenue | \$ 40,000 | \$ 40,000 | \$ 98,721 | \$ 58,721 |
| TOTAL REVENUES | 40,000 | 40,000 | 98,721 | 58,721 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 40,000 | 40,000 | 3,627 | 36,373 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 95,094 | 95,094 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 5,651,078 | 5,651,078 | 5,651,078 | - |
| FUND BALANCE AT END OF YEAR | \$ 5,651,078 | \$ 5,651,078 | \$ 5,746,172 | \$ 95,094 |

See note to the required supplementary information.

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CITY OF SIGNAL HILL, CALIFORNIA
Notes to Required Supplementary Information
June 30, 2018

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 (US GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. No budgets were adopted for the Lease Revenue Bond Debt Service Fund, Civic Center Phase II, Assets Seizure, Public Safety State Resources, Housing Impact, MTA-STPL Grant, Measure M and RMRA (SB1) for the current fiscal year.
- 3) 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.
- 4) 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.
- 5) The City Council approves all significant budgetary changes.
- 6) Under Article XIIIIB 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, 2018, based on calculations by City management, proceeds of taxes did not exceed appropriations.

CITY OF SIGNAL HILL

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

| | Miscellaneous Plan | | | |
|--|--------------------|---------------|---------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Fiscal year ended | | | | |
| Measurement period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.12731% | 0.12724% | 0.12534% | 0.13408% |
| Plan's proportionate share of the net pension liability | \$ 12,625,288 | \$ 11,009,993 | \$ 8,603,439 | \$ 8,343,258 |
| Plan's covered - payroll | \$ 4,782,533 | \$ 4,769,466 | \$ 4,171,972 | \$ 4,623,297 |
| Plan's proportionate share of the net pension liability as a percentage of covered - payroll | 263.99% | 230.84% | 206.22% | 180.46% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 73.31% | 75.87% | 79.72% | 79.79% |
| Plan's proportionate share of aggregate employer contributions | \$ 1,377,053 | \$ 1,233,606 | \$ 1,169,609 | \$ 890,524 |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

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

CITY OF SIGNAL HILL

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

| | Miscellaneous Plan | | | |
|---|--------------------|---------------|---------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Fiscal year ended | | | | |
| Contractually required contribution (actuarially determined) | \$ 1,095,591 | \$ 1,001,003 | \$ 913,915 | \$ 673,607 |
| Contributions in relation to the actuarially determined contributions | (1,095,591) | (1,001,003) | (913,915) | (673,607) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered - payroll | \$ 4,746,775 | \$ 4,782,533 | \$ 4,769,466 | \$ 4,171,972 |
| Contributions as a percentage of covered - payroll | 23.08% | 20.93% | 19.16% | 16.15% |

Notes to Schedule:

| | | | | |
|----------------|-----------|-----------|-----------|-----------|
| Valuation Date | 6/30/2015 | 6/30/2014 | 6/30/2013 | 6/30/2012 |
|----------------|-----------|-----------|-----------|-----------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|----------------------------|--|
| Single and agent employers | Entry age** |
| Amortization method | Level percentage of payroll, closed** |
| Asset valuation method | Market Value*** |
| Inflation | 2.75%** |
| Salary increases | Depending on age, service, and type of employment** |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation** |
| Retirement age | 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2% @ 62** |
| Mortality | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.*† |

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

** - The valuation for June 30, 2012, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, 2017, and 2018 respectively) included the same actuarial assumptions

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively)

CITY OF SIGNAL HILL

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

| | Safety Plan | | | |
|--|---------------|---------------|---------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Fiscal year ended | | | | |
| Measurement period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.15953% | 0.16477% | 0.16949% | 0.16671% |
| Plan's proportionate share of the net pension liability | \$ 15,821,202 | \$ 14,257,433 | \$ 11,633,599 | \$ 10,373,619 |
| Plan's covered - payroll | \$ 3,397,367 | \$ 3,120,311 | \$ 3,095,462 | \$ 3,002,188 |
| Plan's proportionate share of the net pension liability as a percentage of covered - payroll | 465.69% | 456.92% | 375.83% | 345.54% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 73.31% | 72.69% | 75.88% | 77.88% |
| Plan's proportionate share of aggregate employer contributions | \$ 1,330,746 | \$ 1,243,621 | \$ 1,244,854 | \$ 1,034,283 |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

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

CITY OF SIGNAL HILL

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

| | Safety Plan | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Fiscal year ended | | | | |
| Contractually required contribution (actuarially determined) | \$ 1,677,943 | \$ 1,531,100 | \$ 1,407,461 | \$ 1,197,783 |
| Contributions in relation to the actuarially determined contributions | <u>(1,677,943)</u> | <u>(1,531,100)</u> | <u>(1,407,461)</u> | <u>(1,197,783)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - payroll | \$ 2,752,971 | \$ 3,397,367 | \$ 3,120,311 | \$ 3,095,462 |
| Contributions as a percentage of covered - payroll | 60.95% | 45.07% | 45.11% | 38.69% |

Notes to Schedule:

Valuation Date 6/30/2015 6/30/2014 6/30/2013 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|----------------------------|--|
| Single and agent employers | Entry age** |
| Amortization method | Level percentage of payroll, closed** |
| Asset valuation method | Market Value*** |
| Inflation | 2.75%** |
| Salary increases | Depending on age, service, and type of employment** |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation** |
| Retirement age | 50 for all plans |
| Mortality | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.** |

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

** - The valuation for June 30, 2012, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, 2017, and 2018 respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

CITY OF SIGNAL HILL

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

| | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> |
|---|----------------------------|----------------------------|----------------------------|
| | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
| Fiscal year end | | | |
| Total OPEB Liability: | | | |
| Service cost | \$ 88,947 | \$ 86,566 | \$ 84,249 |
| Interest on total OPEB liability | 724,953 | 719,524 | 732,333 |
| Experience gains/(losses) | (633,287) | - | - |
| Investment gains/(losses) | (5,035) | - | - |
| Benefit payments, including refunds and the implied subsidy benefit payments | <u>(729,067)</u> | <u>(718,446)</u> | <u>(697,696)</u> |
| Net Change in Total OPEB Liability | (553,489) | 87,644 | 118,886 |
| Total OPEB Liability - Beginning of Year | <u>11,473,184</u> | <u>11,385,540</u> | <u>11,266,654</u> |
| Total OPEB Liability - End of Year (a) | <u>10,919,695</u> | <u>11,473,184</u> | <u>11,385,540</u> |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | 729,067 | 718,446 | 847,696 |
| Net investment income (loss) | 125,181 | 154,005 | (31,941) |
| Administrative expenses | (11,911) | (11,107) | (3,818) |
| Benefit payments, including refunds and the implied subsidy benefit payments | <u>(729,067)</u> | <u>(718,446)</u> | <u>(697,696)</u> |
| Net Change in Plan Fiduciary Net Position | 113,270 | 142,898 | 114,241 |
| Plan Fiduciary Net Position - Beginning of Year | <u>1,854,346</u> | <u>1,711,448</u> | <u>1,597,207</u> |
| Plan Fiduciary Net Position - End of Year (b) | <u>1,967,616</u> | <u>1,854,346</u> | <u>1,711,448</u> |
| Net OPEB Liability - Ending (a)-(b) | <u><u>\$ 8,952,079</u></u> | <u><u>\$ 9,618,838</u></u> | <u><u>\$ 9,674,092</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 18.02% | 16.16% |
| | | 12.16% | 15.03% |
| Covered - employee payroll | \$ 6,899,826 | \$ 7,997,352 | \$ 7,783,311 |
| Net OPEB liability as percentage of covered - employee payroll | | 129.74% | 120.28% |
| | | 124.29% | |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* Fiscal year 2016 was the first year of implementation; therefore, only three years are shown.

SUPPLEMENTARY INFORMATION

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OTHER MAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUNDS

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

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CITY OF SIGNAL HILL

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

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-----------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 7,557 | \$ 7,557 | \$ 4,756,523 | \$ 4,748,966 |
| TOTAL REVENUES | 7,557 | 7,557 | 4,756,523 | 4,748,966 |
| EXPENDITURES: | | | | |
| Capital outlay | - | - | 11,682,817 | (11,682,817) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 7,557 | 7,557 | (6,926,294) | (6,933,851) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 529,048 | 529,048 | 5,236,317 | 4,707,269 |
| NET CHANGE IN FUND BALANCE | 536,605 | 536,605 | (1,689,977) | (2,226,582) |
| FUND BALANCE (DEFICIT) | | | | |
| AT BEGINNING OF YEAR | (530,250) | (530,250) | (530,250) | - |
| FUND BALANCE (DEFICIT) | | | | |
| AT END OF YEAR | \$ 6,355 | \$ 6,355 | \$ (2,220,227) | \$ (2,226,582) |

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Pipeline Removal Fund - Accounts for revenues from fees paid by franchisees on idle pipeline for future removal costs.

Air Quality Improvement Fund - Accounts for revenues apportioned to the City from the Southern California AQMD fees on motor vehicle registrations, used to fund programs to reduce air pollution from mobile sources.

Water Development Fund - Accounts for revenues from residential and commercial developers' impact fees for water system improvements related to new development.

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

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

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OTHER GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

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

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

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

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.

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2018

| | Special Revenue Funds | | | |
|--|-----------------------|---------------------|------------------|-------------------|
| | Asset Seizure | Park Development | HCDA Grant | Special Gas Tax |
| ASSETS | | | | |
| Cash and investments | \$ 183,926 | \$ 2,356,370 | \$ - | \$ 750,827 |
| Accounts receivable | - | - | - | - |
| Accrued interest receivable | - | - | 600 | - |
| Due from other governments | - | - | 8,716 | - |
| Prepaid items | - | - | - | - |
| Loans receivable | - | - | 6,038 | - |
| Advances to other funds | - | 934,704 | - | - |
| TOTAL ASSETS | \$ 183,926 | \$ 3,291,074 | \$ 15,354 | \$ 750,827 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | - | - | 683 | - |
| Unearned revenues | - | 934,704 | - | - |
| Due to other funds | - | - | 8,034 | - |
| TOTAL LIABILITIES | - | 934,704 | 8,717 | - |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenues | - | - | 600 | - |
| FUND BALANCES (DEFICITS): | | | | |
| Restricted for: | | | | |
| Public protection | 183,926 | - | - | - |
| Development | - | 2,356,370 | - | - |
| Transportation | - | - | - | 750,827 |
| Capital improvements | - | - | - | - |
| Housing | - | - | 6,037 | - |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 183,926 | 2,356,370 | 6,037 | 750,827 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 183,926 | \$ 3,291,074 | \$ 15,354 | \$ 750,827 |

Special Revenue Funds (Continued)

| Transportation Proposition A | Pipeline Removal | Air Quality Improvement | Water Development | Traffic Impact | Transportation Proposition C | Lighting and Landscape |
|------------------------------|---------------------|-------------------------|-------------------|---------------------|------------------------------|------------------------|
| \$ 732,202 20 | \$ 2,257,596 | \$ 165,862 | \$ 260,616 | \$ 1,403,699 | \$ 468,252 | \$ 79,589 |
| - | - | - | - | - | - | - |
| - | - | 3,822 | - | - | - | 287 |
| 5,644 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 33,192 | - | - |
| <u>\$ 737,866</u> | <u>\$ 2,257,596</u> | <u>\$ 169,684</u> | <u>\$ 260,616</u> | <u>\$ 1,436,891</u> | <u>\$ 468,252</u> | <u>\$ 79,876</u> |
| 18,788 | - | - | - | - | - | 7,896 |
| - | - | - | - | 33,192 | - | - |
| - | - | - | - | - | - | - |
| <u>18,788</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,192</u> | <u>-</u> | <u>7,896</u> |
| - | - | - | - | - | - | - |
| 719,078 | - | 169,684 | 260,616 | - | 468,252 | - |
| - | 2,257,596 | - | - | 1,403,699 | - | 71,980 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>719,078</u> | <u>2,257,596</u> | <u>169,684</u> | <u>260,616</u> | <u>1,403,699</u> | <u>468,252</u> | <u>71,980</u> |
| <u>\$ 737,866</u> | <u>\$ 2,257,596</u> | <u>\$ 169,684</u> | <u>\$ 260,616</u> | <u>\$ 1,436,891</u> | <u>\$ 468,252</u> | <u>\$ 79,876</u> |

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2018

| | Special Revenue Funds (Continued) | | | |
|---|------------------------------------|-------------------------------------|-------------------|-------------------|
| | Supplemental Law Enforcement | Public Safety State Resources | Housing Impact | MTA-STPL Grant |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ - | \$ 719,311 | \$ 203,634 |
| Accounts receivable | - | - | - | - |
| Accrued interest receivable | - | - | - | - |
| Due from other governments | - | 19,777 | - | - |
| Prepaid items | - | - | - | - |
| Loans receivable | - | - | - | - |
| Advances to other funds | - | - | - | - |
| TOTAL ASSETS | \$ - | \$ 19,777 | \$ 719,311 | \$ 203,634 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Due to other funds | - | 19,777 | - | - |
| TOTAL LIABILITIES | - | 19,777 | - | - |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenues | - | 19,777 | - | - |
| FUND BALANCES (DEFICITS): | | | | |
| Restricted for: | | | | |
| Public protection | - | - | - | - |
| Development | - | - | 719,311 | - |
| Transportation | - | - | - | 203,634 |
| Capital improvements | - | - | - | - |
| Housing | - | - | - | - |
| Unassigned | - | (19,777) | - | - |
| TOTAL FUND BALANCES (DEFICITS) | - | (19,777) | 719,311 | 203,634 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ - | \$ 19,777 | \$ 719,311 | \$ 203,634 |

Special Revenue Funds (Continued)

| Measure M | Transportation Measure R | RMRA (SB1) | UASI Grant | Total Other Governmental Funds |
|-------------------------|-----------------------------|-------------------------|-------------------------|---|
| \$ 76,580 | \$ 536,075 | \$ 44,446 | \$ - | \$ 10,238,985 |
| - | - | - | - | 20 |
| - | - | - | - | 600 |
| - | - | 24,605 | 60,755 | 117,962 |
| - | - | - | - | 5,644 |
| - | - | - | - | 6,038 |
| - | - | - | - | 967,896 |
| <u>\$ 76,580</u> | <u>\$ 536,075</u> | <u>\$ 69,051</u> | <u>\$ 60,755</u> | <u>\$ 11,337,145</u> |

| | | | | |
|-----------------|-----------------|-----------------|-----------------|----------------------|
| - | - | - | - | 27,367 |
| - | - | - | - | 967,896 |
| - | - | - | 115,271 | 143,082 |
| - | - | - | 115,271 | 1,138,345 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,377</u> |

| | | | | |
|----------------------|-----------------------|----------------------|------------------------|--------------------------|
| - | - | - | - | 183,926 |
| - | - | - | - | 3,336,297 |
| 76,580 | 536,075 | 69,051 | - | 4,396,880 |
| - | - | - | - | 2,329,576 |
| - | - | - | - | 6,037 |
| - | - | - | (54,516) | (74,293) |
| <u>76,580</u> | <u>536,075</u> | <u>69,051</u> | <u>(54,516)</u> | <u>10,178,423</u> |

| | | | | |
|-------------------------|--------------------------|-------------------------|-------------------------|-----------------------------|
| <u>\$ 76,580</u> | <u>\$ 536,075</u> | <u>\$ 69,051</u> | <u>\$ 60,755</u> | <u>\$ 11,337,145</u> |
|-------------------------|--------------------------|-------------------------|-------------------------|-----------------------------|

CITY OF SIGNAL HILL

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

For the year ended June 30, 2018

| | Special Revenue Funds | | | |
|--|-----------------------|---------------------|-----------------|-------------------|
| | Asset Seizure | Park Development | HCDA Grant | Special Gas Tax |
| REVENUES: | | | | |
| Other taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | - | - | 12,536 | 264,025 |
| Charges for services | - | - | - | - |
| Investment income | 2,150 | 37,426 | - | 8,868 |
| TOTAL REVENUES | 2,150 | 37,426 | 12,536 | 272,893 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Police | - | - | - | - |
| Community development | - | - | 8,717 | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | 14,451 | - |
| TOTAL EXPENDITURES | - | - | 23,168 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,150 | 37,426 | (10,632) | 272,893 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 14,451 | - |
| Transfers out | - | (844,547) | - | (7,500) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (844,547) | 14,451 | (7,500) |
| NET CHANGE IN FUND BALANCES | 2,150 | (807,121) | 3,819 | 265,393 |
| FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR | 181,776 | 3,163,491 | 2,218 | 485,434 |
| FUND BALANCES (DEFICITS) AT END OF YEAR | \$ 183,926 | \$ 2,356,370 | \$ 6,037 | \$ 750,827 |

Special Revenue Funds (Continued)

| Transportation Proposition A | Pipeline Removal | Air Quality Improvement | Water Development | Traffic Impact | Transportation Proposition C | Lighting and Landscape |
|------------------------------|------------------|-------------------------|-------------------|----------------|------------------------------|------------------------|
| \$ 217,757 | \$ - | \$ - | \$ - | \$ - | \$ 181,762 | \$ 58,430 |
| - | - | 14,643 | - | - | - | - |
| 1,569 | - | - | - | - | - | - |
| 8,571 | 26,396 | 1,940 | 3,047 | 16,410 | 6,351 | 1,819 |
| 227,897 | 26,396 | 16,583 | 3,047 | 16,410 | 188,113 | 60,249 |
| 164,606 | - | - | - | - | - | - |
| - | - | 1,000 | - | - | - | 89,882 |
| - | - | - | - | - | - | - |
| 164,606 | - | 1,000 | - | - | - | 89,882 |
| 63,291 | 26,396 | 15,583 | 3,047 | 16,410 | 188,113 | (29,633) |
| - | - | - | - | 440 | - | - |
| (400) | - | - | - | (260) | (75,000) | - |
| (400) | - | - | - | 180 | (75,000) | - |
| 62,891 | 26,396 | 15,583 | 3,047 | 16,590 | 113,113 | (29,633) |
| 656,187 | 2,231,200 | 154,101 | 257,569 | 1,387,109 | 355,139 | 101,613 |
| \$ 719,078 | \$ 2,257,596 | \$ 169,684 | \$ 260,616 | \$ 1,403,699 | \$ 468,252 | \$ 71,980 |

(Continued)

CITY OF SIGNAL HILL

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

For the year ended June 30, 2018

| | Special Revenue Funds (Continued) | | | |
|--|------------------------------------|-------------------------------------|-------------------|-------------------|
| | Supplemental Law Enforcement | Public Safety State Resources | Housing Impact | MTA-STPL Grant |
| REVENUES: | | | | |
| Other taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | 139,416 | 77,146 | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | 8,410 | 2,381 |
| TOTAL REVENUES | 139,416 | 77,146 | 8,410 | 2,381 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Police | 246,678 | 101,973 | - | - |
| Community development | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| TOTAL EXPENDITURES | 246,678 | 101,973 | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (107,262) | (24,827) | 8,410 | 2,381 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 107,262 | 24,133 | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 107,262 | 24,133 | - | - |
| NET CHANGE IN FUND BALANCES | - | (694) | 8,410 | 2,381 |
| FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR | - | (19,083) | 710,901 | 201,253 |
| FUND BALANCES (DEFICITS) AT END OF YEAR | \$ - | \$ (19,777) | \$ 719,311 | \$ 203,634 |

| Special Revenue Funds (Continued) | | | | | Total Other Governmental Funds |
|-----------------------------------|-----------------------------|------------------|--------------------|----------------------|---|
| Measure M | Transportation Measure R | RMRA (SB1) | UASI Grant | | |
| \$ 121,015 | \$ 136,849 | \$ - | \$ - | \$ 715,813 | |
| - | - | 68,024 | 60,755 | 636,545 | |
| - | - | - | - | 1,569 | |
| 2,626 | 6,187 | 1,027 | - | 133,609 | |
| <u>123,641</u> | <u>143,036</u> | <u>69,051</u> | <u>60,755</u> | <u>1,487,536</u> | |
| | | | | | |
| - | - | - | 68,523 | 417,174 | |
| - | - | - | - | 173,323 | |
| - | - | - | - | 90,882 | |
| - | - | - | 46,748 | 61,199 | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>115,271</u> | <u>742,578</u> | |
| <u>123,641</u> | <u>143,036</u> | <u>69,051</u> | <u>(54,516)</u> | <u>744,958</u> | |
| | | | | | |
| - | - | - | - | 146,286 | |
| (47,061) | (2,654) | - | - | (977,422) | |
| <u>(47,061)</u> | <u>(2,654)</u> | <u>-</u> | <u>-</u> | <u>(831,136)</u> | |
| 76,580 | 140,382 | 69,051 | (54,516) | (86,178) | |
| <u>-</u> | <u>395,693</u> | <u>-</u> | <u>-</u> | <u>10,264,601</u> | |
| <u>\$ 76,580</u> | <u>\$ 536,075</u> | <u>\$ 69,051</u> | <u>\$ (54,516)</u> | <u>\$ 10,178,423</u> | |

CITY OF SIGNAL HILL

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

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | Actual | Positive (Negative) |
| REVENUES: | | | | |
| Investment income | \$ 10,000 | \$ 10,000 | \$ 37,426 | \$ 27,426 |
| Charges for services | 481,000 | 481,000 | - | (481,000) |
| TOTAL REVENUES | 491,000 | 491,000 | 37,426 | (453,574) |
| OTHER FINANCING USES: | | | | |
| Transfers out | - | - | (844,547) | (844,547) |
| NET CHANGE IN FUND BALANCE | 491,000 | 491,000 | (807,121) | (1,298,121) |
| FUND BALANCE AT BEGINNING OF YEAR | 3,163,491 | 3,163,491 | 3,163,491 | - |
| FUND BALANCE AT END OF YEAR | \$ 3,654,491 | \$ 3,654,491 | \$ 2,356,370 | \$ (1,298,121) |

CITY OF SIGNAL HILL

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

HCDA GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ 57,000 | \$ 57,000 | \$ 12,536 | \$ (44,464) |
| TOTAL REVENUES | 57,000 | 57,000 | 12,536 | (44,464) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 8,600 | 8,600 | 8,717 | (117) |
| Capital outlay | 48,400 | 48,400 | 14,451 | 33,949 |
| TOTAL EXPENDITURES | 57,000 | 57,000 | 23,168 | 33,832 |
| EXCESS OF REVENUES UNDER EXPENDITURES | | | | |
| | - | - | (10,632) | (10,632) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | - | 14,451 | 14,451 |
| NET CHANGE IN FUND BALANCE | - | - | 3,819 | 3,819 |
| FUND BALANCE AT BEGINNING OF YEAR | 2,218 | 2,218 | 2,218 | - |
| FUND BALANCE AT END OF YEAR | \$ 2,218 | \$ 2,218 | \$ 6,037 | \$ 3,819 |

CITY OF SIGNAL HILL

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

SPECIAL GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ 244,048 | \$ 244,048 | \$ 264,025 | \$ 19,977 |
| Investment income | - | - | 8,868 | 8,868 |
| TOTAL REVENUES | <u>244,048</u> | <u>244,048</u> | <u>272,893</u> | <u>28,845</u> |
| OTHER FINANCING USES: | | | | |
| Transfers out | (244,048) | (244,048) | (7,500) | 236,548 |
| NET CHANGE IN FUND BALANCE | - | - | 265,393 | 265,393 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>485,434</u> | <u>485,434</u> | <u>485,434</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 485,434</u> | <u>\$ 485,434</u> | <u>\$ 750,827</u> | <u>\$ 265,393</u> |

CITY OF SIGNAL HILL

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

TRANSPORTATION PROPOSITION A SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Other taxes | \$ 206,000 | \$ 206,000 | \$ 217,757 | \$ 11,757 |
| Charges for services | - | - | 1,569 | 1,569 |
| Investment income | - | - | 8,571 | 8,571 |
| TOTAL REVENUES | 206,000 | 206,000 | 227,897 | 21,897 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 205,750 | 205,750 | 164,606 | 41,144 |
| EXCESS OF REVENUES OVER EXPENDITURES | 250 | 250 | 63,291 | 63,041 |
| OTHER FINANCING USES: | | | | |
| Transfers out | - | - | (400) | (400) |
| NET CHANGE IN FUND BALANCE | 250 | 250 | 62,891 | 62,641 |
| FUND BALANCE AT BEGINNING OF YEAR | 656,187 | 656,187 | 656,187 | - |
| FUND BALANCE AT END OF YEAR | \$ 656,437 | \$ 656,437 | \$ 719,078 | \$ 62,641 |

CITY OF SIGNAL HILL

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

PIPELINE REMOVAL SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Charges for services | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Investment income | - | - | 26,396 | 26,396 |
| TOTAL REVENUES | 5,000 | 5,000 | 26,396 | 21,396 |
| FUND BALANCE AT BEGINNING OF YEAR | 2,231,200 | 2,231,200 | 2,231,200 | - |
| FUND BALANCE AT END OF YEAR | \$ 2,236,200 | \$ 2,236,200 | \$ 2,257,596 | \$ 21,396 |

CITY OF SIGNAL HILL

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

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ 10,000 | \$ 10,000 | \$ 14,643 | \$ 4,643 |
| Investment income | - | - | 1,940 | 1,940 |
| TOTAL REVENUES | 10,000 | 10,000 | 16,583 | 6,583 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | - | - | 1,000 | (1,000) |
| EXCESS OF REVENUES OVER EXPENDITURES | 10,000 | 10,000 | 15,583 | 5,583 |
| FUND BALANCE AT BEGINNING OF YEAR | 154,101 | 154,101 | 154,101 | - |
| FUND BALANCE AT END OF YEAR | \$ 164,101 | \$ 164,101 | \$ 169,684 | \$ 5,583 |

CITY OF SIGNAL HILL

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

WATER DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Charges for services | \$ 441,896 | \$ 441,896 | \$ - | \$ (441,896) |
| Investment income | 6,000 | 6,000 | 3,047 | (2,953) |
| TOTAL REVENUES | 447,896 | 447,896 | 3,047 | (444,849) |
| FUND BALANCE AT BEGINNING OF YEAR | 257,569 | 257,569 | 257,569 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ 705,465</u> | <u>\$ 705,465</u> | <u>\$ 260,616</u> | <u>\$ (444,849)</u> |

CITY OF SIGNAL HILL

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

TRAFFIC IMPACT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Charges for services | \$ 27,000 | \$ 27,000 | \$ - | \$ (27,000) |
| Investment income | - — | - — | 16,410 — | 16,410 — |
| TOTAL REVENUES | 27,000 | 27,000 | 16,410 | (10,590) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - — | - — | 440 — | 440 — |
| Transfers out | - — | - — | (260) — | (260) — |
| TOTAL OTHER FINANCING SOURCES (USES) | - — | - — | 180 | 180 |
| NET CHANGE IN FUND BALANCE | 27,000 | 27,000 | 16,590 | (10,410) |
| FUND BALANCE AT BEGINNING OF YEAR | 1,560,526 | 1,560,526 | 1,387,109 | (173,417) |
| FUND BALANCE AT END OF YEAR | \$ 1,587,526 | \$ 1,587,526 | \$ 1,403,699 | \$ (183,827) |

CITY OF SIGNAL HILL

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

TRANSPORTATION PROPOSITION C SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Other taxes | \$ 170,000 | \$ 170,000 | \$ 181,762 | \$ 11,762 |
| Investment income | - | - | 6,351 | 6,351 |
| TOTAL REVENUES | 170,000 | 170,000 | 188,113 | 18,113 |
| EXPENDITURES: | | | | |
| Capital outlay | 5,000 | 5,000 | - | 5,000 |
| EXCESS OF REVENUES OVER EXPENDITURES | 165,000 | 165,000 | 188,113 | 23,113 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (165,000) | (165,000) | (75,000) | 90,000 |
| NET CHANGE IN FUND BALANCE | - | - | 113,113 | 113,113 |
| FUND BALANCE AT BEGINNING OF YEAR | 355,139 | 355,139 | 355,139 | - |
| FUND BALANCE AT END OF YEAR | \$ 355,139 | \$ 355,139 | \$ 468,252 | \$ 113,113 |

CITY OF SIGNAL HILL

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

LIGHTING AND LANDSCAPE SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget |
|---|-------------------|-------------------|------------------|-------------------------------|
| | Original | Final | Actual | |
| | | | | Positive (Negative) |
| REVENUES: | | | | |
| Other taxes | \$ 60,000 | \$ 60,000 | \$ 58,430 | \$ (1,570) |
| Investment income | 1,000 | 1,000 | 1,819 | 819 |
| TOTAL REVENUES | 61,000 | 61,000 | 60,249 | (751) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 56,000 | 56,000 | 89,882 | (33,882) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 5,000 | 5,000 | (29,633) | (34,633) |
| FUND BALANCE AT BEGINNING OF YEAR | 101,613 | 101,613 | 101,613 | - |
| FUND BALANCE AT END OF YEAR | \$ 106,613 | \$ 106,613 | \$ 71,980 | \$ (34,633) |

CITY OF SIGNAL HILL

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

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget |
|---|------------------|-------------|-------------|-------------------------------|
| | Original | Final | Actual | Positive (Negative) |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ 100,000 | \$ 100,000 | \$ 139,416 | \$ 39,416 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Police | 232,200 | 232,200 | 246,678 | (14,478) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (132,200) | (132,200) | (107,262) | 24,938 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 132,200 | 132,200 | 107,262 | (24,938) |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE AT END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF SIGNAL HILL

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

TRANSPORTATION MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Other taxes | \$ 120,000 | \$ 120,000 | \$ 136,849 | \$ 16,849 |
| Investment income | - | - | 6,187 | 6,187 |
| TOTAL REVENUES | 120,000 | 120,000 | 143,036 | 23,036 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (120,000) | (120,000) | (2,654) | 117,346 |
| NET CHANGE IN FUND BALANCE | - | - | 140,382 | 134,195 |
| FUND BALANCE AT BEGINNING OF YEAR | 395,693 | 395,693 | 395,693 | - |
| FUND BALANCE AT END OF YEAR | \$ 395,693 | \$ 395,693 | \$ 536,075 | \$ 134,195 |

CITY OF SIGNAL HILL

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

UASI GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|--------------------|---|
| | Original | Final | Actual | |
| | | | | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ 96,000 | \$ 96,000 | \$ 60,755 | \$ (35,245) |
| TOTAL REVENUES | 96,000 | 96,000 | 60,755 | (35,245) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Police | 96,000 | 96,000 | 68,523 | 27,477 |
| Capital outlay | - | - | 46,748 | (46,748) |
| TOTAL EXPENDITURES | 96,000 | 96,000 | 115,271 | (19,271) |
| EXCESS OF REVENUES UNDER EXPENDITURES | - | - | (54,516) | (15,974) |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - | - |
| FUND BALANCE AT END OF YEAR | \$ - | \$ - | \$ (54,516) | \$ (15,974) |

**FIDUCIARY FUNDS
AGENCY FUNDS**

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

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CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2018

Spring Street
Corridor
Joint Powers
Authority
Fund

ASSETS:

| | |
|----------------------------|-----------------|
| Due from other governments | \$ <u>3,739</u> |
|----------------------------|-----------------|

LIABILITIES:

| | |
|--------------------------|-----------------|
| Due to other governments | \$ <u>3,739</u> |
|--------------------------|-----------------|

CITY OF SIGNAL HILL

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

For the year ended June 30, 2018

| SPRING STREET CORRIDOR JOINT POWERS AUTHORITY | <u>Balance</u> | | | <u>Balance</u> |
|--|---------------------|------------------|------------------|----------------------|
| | <u>July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2018</u> |
| ASSETS: | | | | |
| Due from other governments | <u>\$ 1,836</u> | <u>\$ 1,903</u> | <u>\$ -</u> | <u>\$ 3,739</u> |
| LIABILITIES: | | | | |
| Due to other governments | <u>\$ 1,836</u> | <u>\$ 1,903</u> | <u>\$ -</u> | <u>\$ 3,739</u> |

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2013

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

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

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

| | Fiscal Year | | | |
|---|-------------------------|-------------------------|-------------------------|--------------------------|
| | 2009 | 2010 | 2011 | 2012 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 45,402 | \$ 46,331 | \$ 59,680 | \$ 57,653 |
| Restricted | 36,632 | 56,423 | 47,378 | 10,749 |
| Unrestricted | <u>(43,794)</u> | <u>(65,190)</u> | <u>(66,721)</u> | <u>35,059</u> |
| Total governmental activities net position | <u><u>\$ 38,240</u></u> | <u><u>\$ 37,564</u></u> | <u><u>\$ 40,337</u></u> | <u><u>\$ 103,461</u></u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 17,674 | \$ 17,341 | \$ 17,076 | \$ 16,792 |
| Restricted | - | 670 | 679 | 674 |
| Unrestricted | <u>4,892</u> | <u>4,484</u> | <u>4,026</u> | <u>4,239</u> |
| Total business-type activities net position | <u><u>\$ 22,566</u></u> | <u><u>\$ 22,495</u></u> | <u><u>\$ 21,781</u></u> | <u><u>\$ 21,705</u></u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 63,076 | \$ 63,672 | \$ 76,756 | \$ 74,445 |
| Restricted | 36,632 | 57,093 | 48,057 | 11,423 |
| Unrestricted | <u>(38,902)</u> | <u>(60,706)</u> | <u>(62,695)</u> | <u>39,298</u> |
| Total primary government net position | <u><u>\$ 60,806</u></u> | <u><u>\$ 60,059</u></u> | <u><u>\$ 62,118</u></u> | <u><u>\$ 125,166</u></u> |

Source: City of Signal Hill, Finance Department

Fiscal Year

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| \$ 47,617 | \$ 47,543 | \$ 48,407 | \$ 67,914 | \$ 73,428 | \$ 83,152 |
| 10,172 | 16,927 | 17,086 | 23,481 | 19,781 | 19,374 |
| <u>33,426</u> | <u>30,728</u> | <u>13,095</u> | <u>7,115</u> | <u>10,616</u> | <u>12,128</u> |
| <u>\$ 91,215</u> | <u>\$ 95,198</u> | <u>\$ 78,588</u> | <u>\$ 98,510</u> | <u>\$ 103,825</u> | <u>\$ 114,654</u> |
| | | | | | |
| \$ 16,315 | \$ 15,821 | \$ 16,003 | \$ 18,952 | \$ 23,636 | \$ 23,536 |
| 671 | - | - | - | - | - |
| <u>4,237</u> | <u>4,660</u> | <u>3,110</u> | <u>1,958</u> | <u>(2,316)</u> | <u>(2,572)</u> |
| <u>\$ 21,223</u> | <u>\$ 20,481</u> | <u>\$ 19,113</u> | <u>\$ 20,910</u> | <u>\$ 21,320</u> | <u>\$ 20,964</u> |
| | | | | | |
| \$ 63,932 | \$ 63,364 | \$ 64,410 | \$ 86,866 | \$ 97,064 | \$ 106,688 |
| 10,843 | 16,927 | 17,086 | 23,481 | 19,781 | 19,374 |
| <u>37,663</u> | <u>35,388</u> | <u>16,205</u> | <u>9,073</u> | <u>8,300</u> | <u>9,556</u> |
| <u>\$ 112,438</u> | <u>\$ 115,679</u> | <u>\$ 97,701</u> | <u>\$ 119,420</u> | <u>\$ 125,145</u> | <u>\$ 135,618</u> |

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

| | Fiscal Year | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,685 | \$ 3,137 | \$ 2,790 | \$ 3,080 |
| Community services | 1,418 | 1,273 | 1,241 | 1,217 |
| Police | 7,628 | 7,726 | 7,521 | 7,571 |
| Community development | 8,788 | 11,563 | 8,863 | 1,280 |
| Public works | 5,600 | 4,935 | 4,462 | 4,141 |
| Unallocated infrastructure depreciation | 531 | 521 | 524 | 535 |
| Interest on long-term liabilities | 3,761 | 4,394 | 4,787 | 3,687 |
| Fiscal agent fees | 19 | - | - | - |
| Total governmental activities expenses | <u>31,430</u> | <u>33,549</u> | <u>30,188</u> | <u>21,511</u> |
| Business-type activities - Water | 3,578 | 3,832 | 4,163 | 3,804 |
| Total primary government expenses | <u><u>\$ 35,008</u></u> | <u><u>\$ 37,381</u></u> | <u><u>\$ 34,351</u></u> | <u><u>\$ 25,315</u></u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services | | | | |
| General government | \$ 440 | \$ 70 | \$ 168 | \$ 176 |
| Community services | 301 | 239 | 234 | 209 |
| Police | 639 | 556 | 607 | 453 |
| Community development | 559 | 506 | 677 | 531 |
| Public works | 1,062 | 914 | 897 | 773 |
| Operating grants and contributions | 1,187 | 1,703 | 1,448 | 1,586 |
| Capital grants and contributions | 1,268 | 1,376 | 440 | 2,691 |
| Total governmental activities program revenues | <u>5,456</u> | <u>5,364</u> | <u>4,471</u> | <u>6,419</u> |
| Business-type activities: | | | | |
| Charges for services - water | 3,291 | 3,630 | 3,383 | 3,515 |
| Capital grants and contributions | - | - | - | - |
| Total primary government program revenues | <u><u>\$ 8,747</u></u> | <u><u>\$ 8,994</u></u> | <u><u>\$ 7,854</u></u> | <u><u>\$ 9,934</u></u> |
| Net (expense)/revenue | | | | |
| Governmental activities | \$ (25,974) | \$ (28,185) | \$ (25,717) | \$ (15,092) |
| Business-type activities | (287) | (202) | (780) | (289) |
| Total primary government net expenseses | <u><u>\$ (26,261)</u></u> | <u><u>\$ (28,387)</u></u> | <u><u>\$ (26,497)</u></u> | <u><u>\$ (15,381)</u></u> |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property | \$ 15,391 | \$ 15,168 | \$ 14,801 | \$ 7,487 |
| Franchise | 563 | 514 | 533 | 547 |
| Motor vehicle | 39 | 33 | 58 | - |
| Other | 1,355 | 1,058 | 1,145 | 1,278 |
| Intergovernmental - Sales and use tax | 9,978 | 9,460 | 9,946 | 11,210 |
| Investment income | 2,503 | 1,267 | 649 | 1,252 |
| Unrestricted grants and contributions | 136 | 27 | 71 | 20 |
| Gain on disposition of assets | 14 | (17) | 6 | 4 |
| Transfers | (500) | - | - | (100) |
| Extraordinary item | - | - | - | 56,518 |
| Total governmental activities | <u>29,479</u> | <u>27,510</u> | <u>27,209</u> | <u>78,216</u> |
| Business-type activities | | | | |
| Investment income | 236 | 131 | 66 | 75 |
| Unrestricted grants and contributions | - | - | - | 38 |
| Transfers | 500 | - | - | 100 |
| Total business-type activities | <u>736</u> | <u>131</u> | <u>66</u> | <u>213</u> |
| Total primary government | <u><u>\$ 30,215</u></u> | <u><u>\$ 27,641</u></u> | <u><u>\$ 27,275</u></u> | <u><u>\$ 78,429</u></u> |
| Changes in Net Position | | | | |
| Governmental activities | \$ 3,505 | \$ (675) | \$ 1,492 | \$ 63,124 |
| Business-type activities | 449 | (71) | (714) | (76) |
| Total primary government | <u><u>\$ 3,954</u></u> | <u><u>\$ (746)</u></u> | <u><u>\$ 778</u></u> | <u><u>\$ 63,048</u></u> |

Source: City of Signal Hill, Finance Department

Fiscal Year

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------|------------------|------------------|------------------|------------------|------------------|----------|
| \$ | 3,695 | \$ 5,556 | \$ 4,149 | \$ 3,843 | \$ 4,633 | \$ 5,239 |
| 1,220 | 1,319 | 1,251 | 1,505 | 1,362 | 1,596 | |
| 7,611 | 8,220 | 8,254 | 9,350 | 9,576 | 10,564 | |
| 935 | 992 | 942 | 868 | 858 | 963 | |
| 4,506 | 4,142 | 4,369 | 4,256 | 4,605 | 4,927 | |
| 545 | 614 | 551 | 551 | 645 | 639 | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| 18,512 | 20,843 | 19,516 | 20,373 | 21,679 | 23,928 | |
| 3,992 | 4,531 | 4,424 | 4,145 | 5,312 | 4,846 | |
| \$ 22,504 | \$ 25,374 | \$ 23,940 | \$ 24,518 | \$ 26,991 | \$ 28,774 | |

| | | | | | | |
|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------|
| \$ | 210 | \$ 227 | \$ 201 | \$ 175 | \$ 178 | \$ 216 |
| 202 | 115 | 192 | 212 | 191 | 203 | |
| 430 | 297 | 282 | 270 | 288 | 250 | |
| 95 | 368 | 537 | 584 | 514 | 567 | |
| 649 | 431 | 437 | 422 | 461 | 790 | |
| 1,596 | 1,619 | 1,339 | 9,313 | 850 | 1,199 | |
| 1,339 | 2,369 | 2,433 | 2,020 | 9,188 | 4,587 | |
| 4,521 | 5,426 | 5,421 | 12,996 | 11,670 | 7,812 | |
| 3,672 | 3,734 | 3,760 | 3,400 | 3,785 | 4,420 | |
| - | - | - | 999 | 1,927 | 42 | |
| \$ 8,193 | \$ 9,160 | \$ 9,181 | \$ 17,395 | \$ 17,382 | \$ 12,232 | |
| \$ (13,991) | \$ (15,417) | \$ (14,095) | \$ (7,377) | \$ (10,009) | \$ (16,116) | |
| (320) | (797) | (664) | 254 | 400 | (384) | |
| \$ (14,311) | \$ (16,214) | \$ (14,759) | \$ (7,123) | \$ (9,609) | \$ (16,500) | |

| | | | | | | |
|--------------------|------------------|------------------|------------------|------------------|------------------|----------|
| \$ | 2,146 | \$ 1,700 | \$ 1,797 | \$ 1,916 | \$ 1,802 | \$ 2,248 |
| 546 | 603 | 773 | 549 | 735 | 487 | |
| - | - | - | - | - | - | |
| 1,483 | 1,609 | 1,462 | 1,459 | 874 | 926 | |
| 12,487 | 14,574 | 11,567 | 14,588 | 14,597 | 14,484 | |
| 647 | 850 | 787 | 955 | 442 | 961 | |
| 12 | 66 | 2,048 | 46 | 311 | 455 | |
| 19 | - | - | - | 14 | - | |
| (25) | (1) | (426) | (1,679) | - | - | |
| (15,571) | - | - | - | - | 4,369 | |
| 1,744 | 19,401 | 18,008 | 17,834 | 18,775 | 23,930 | |
| 25 | 53 | 51 | 21 | 10 | 28 | |
| 97 | - | - | - | - | - | |
| 25 | 1 | 426 | 1,679 | - | - | |
| 147 | 54 | 477 | 1,700 | 10 | 28 | |
| \$ 1,891 | \$ 19,455 | \$ 18,485 | \$ 19,534 | \$ 18,785 | \$ 23,958 | |
| \$ (12,247) | \$ 3,984 | \$ 3,913 | \$ 10,457 | \$ 8,766 | \$ 7,814 | |
| (173) | (743) | (187) | 1,954 | 410 | (356) | |
| \$ (12,420) | \$ 3,241 | \$ 3,726 | \$ 12,411 | \$ 9,176 | \$ 7,458 | |

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

| | Fiscal Year | | | |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | |
| Reserved | \$ 10,000 | \$ 10,314 | \$ - | \$ - |
| Unreserved | <u>17,445</u> | <u>14,212</u> | <u>-</u> | <u>-</u> |
| Total General Fund | <u><u>27,445</u></u> | <u><u>24,526</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| All Other Governmental Funds | | | | |
| Reserved | 30,331 | 49,583 | - | - |
| Unreserved, reported in: | | | | |
| Special revenue funds | 7,427 | 8,047 | - | - |
| Debt service funds | 804 | (2,458) | - | - |
| Capital projects funds | - | - | - | - |
| Total All Other Governmental Funds | <u><u>38,562</u></u> | <u><u>55,172</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| Total All Governmental Funds | <u><u><u>\$ 66,007</u></u></u> | <u><u><u>\$ 79,698</u></u></u> | <u><u><u>\$ -</u></u></u> | <u><u><u>\$ -</u></u></u> |
| General Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ 10,539 | \$ 10,241 |
| Restricted | - | - | - | - |
| Committed | - | - | 10,220 | 10,721 |
| Unassigned | - | - | 6,167 | 6,642 |
| Total General Fund | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 26,926</u></u> | <u><u>\$ 27,604</u></u> |
| All Other Governmental Funds | | | | |
| Nonspendable | \$ - | \$ - | \$ 18,127 | \$ 4,068 |
| Restricted | - | - | 28,604 | 9,942 |
| Assigned | - | - | - | - |
| Unassigned | - | - | (5,271) | (719) |
| Total All Other Governmental Funds | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 41,460</u></u> | <u><u>\$ 13,291</u></u> |
| Total All Governmental Funds | <u><u><u>\$ -</u></u></u> | <u><u><u>\$ -</u></u></u> | <u><u><u>\$ 68,386</u></u></u> | <u><u><u>\$ 40,895</u></u></u> |

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

Source: City of Signal Hill, Finance Department

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 | | | |
|---|--------------------|------------------|--------------------|--------------------|
| | 2009 | 2010 | 2011 | 2012 |
| Revenues | | | | |
| Taxes | \$ 28,334 | \$ 25,683 | \$ 26,823 | \$ 21,141 |
| Licenses and permits | 271 | 302 | 331 | 312 |
| Intergovernmental revenues | 1,086 | 1,766 | 864 | 1,214 |
| Charges for services | 1,155 | 841 | 870 | 645 |
| Fines and forfeitures | 401 | 400 | 385 | 317 |
| Investment income | 2,945 | 1,392 | 2,205 | 1,160 |
| Other | 1,678 | 1,168 | 1,043 | 2,960 |
| Total Revenues | <u>35,870</u> | <u>31,552</u> | <u>32,521</u> | <u>27,749</u> |
| Expenditures | | | | |
| General government | 3,398 | 3,070 | 3,051 | 3,103 |
| Community services | 1,413 | 1,272 | 1,239 | 1,216 |
| Public safety | 7,516 | 7,458 | 7,442 | 7,482 |
| Community development | 3,101 | 8,446 | 4,659 | 1,689 |
| Public works | 3,964 | 3,721 | 3,637 | 3,640 |
| Capital outlay | 7,742 | 5,241 | 21,457 | 6,047 |
| Debt service: | | | | |
| Principal retirement | 2,845 | 2,865 | 5,044 | 4,819 |
| Interest | 4,563 | 4,999 | 5,695 | 3,672 |
| Other debt service | 1,079 | 1,215 | 1,102 | 14 |
| Total Expenditures | <u>35,621</u> | <u>38,287</u> | <u>53,326</u> | <u>31,682</u> |
| Excess of revenues over/(under) expenditures | <u>249</u> | <u>(6,735)</u> | <u>(20,805)</u> | <u>(3,933)</u> |
| Other Financing Sources/(Uses) | | | | |
| Transfers in | 5,129 | 3,565 | 9,243 | 3,755 |
| Transfers out | (5,629) | (3,565) | (9,253) | (3,855) |
| Other | - | 20,427 | 9,503 | (23,458) |
| Total other financing sources/(uses) | <u>(500)</u> | <u>20,427</u> | <u>9,493</u> | <u>(23,558)</u> |
| Extraordinary Item | | | | |
| Net change in fund balances | <u>\$ (251)</u> | <u>\$ 13,692</u> | <u>\$ (11,312)</u> | <u>\$ (27,491)</u> |
| Capitalized capital outlay | <u>\$ 1,617</u> | <u>\$ 1,693</u> | <u>\$ 17,446</u> | <u>\$ 6,093</u> |
| Debt service as a percentage of noncapital expenditures | 25.0% | 24.8% | 33.0% | 33.2% |

Source: City of Signal Hill, Finance Department

Fiscal Year

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| \$ 17,585 | \$ 18,862 | \$ 15,811 | \$ 21,394 | \$ 18,701 | \$ 19,444 |
| 328 | 360 | 411 | 370 | 374 | 429 |
| 1,475 | 1,294 | 1,367 | 3,591 | 8,809 | 5,440 |
| 516 | 829 | 739 | 762 | 759 | 1,066 |
| 367 | 298 | 301 | 326 | 289 | 312 |
| 53 | 934 | 826 | 778 | 830 | 1,177 |
| 1,646 | 113 | 2,786 | 652 | 411 | 417 |
| <u>21,970</u> | <u>22,690</u> | <u>22,241</u> | <u>27,873</u> | <u>30,173</u> | <u>28,285</u> |
| 3,772 | 5,456 | 4,476 | 3,940 | 4,879 | 4,409 |
| 1,219 | 1,320 | 1,257 | 1,472 | 1,576 | 1,592 |
| 7,475 | 8,147 | 8,172 | 9,270 | 9,152 | 9,412 |
| 935 | 995 | 952 | 962 | 854 | 948 |
| 3,738 | 3,910 | 3,627 | 3,883 | 4,046 | 4,130 |
| 1,511 | 869 | 2,485 | 3,259 | 7,726 | 11,831 |
| - | - | - | 14 | - | 16 |
| - | - | - | 3 | - | 84 |
| - | - | - | - | 17 | 170 |
| <u>18,650</u> | <u>20,697</u> | <u>20,969</u> | <u>22,803</u> | <u>28,250</u> | <u>32,592</u> |
| <u>3,320</u> | <u>1,993</u> | <u>1,272</u> | <u>5,070</u> | <u>1,923</u> | <u>(4,307)</u> |
| 1,603 | 3,670 | 1,694 | 1,236 | 1,687 | 5,383 |
| (1,628) | (3,671) | (2,120) | (2,915) | (1,687) | (5,383) |
| (3,733) | - | 76 | 7,578 | - | 8,986 |
| <u>(3,758)</u> | <u>(1)</u> | <u>(350)</u> | <u>5,899</u> | <u>-</u> | <u>8,986</u> |
| - | - | - | - | - | 4,369 |
| <u>\$ (438)</u> | <u>\$ 1,992</u> | <u>\$ 922</u> | <u>\$ 10,969</u> | <u>\$ 1,923</u> | <u>\$ 9,048</u> |
| <u>\$ 869</u> | <u>\$ 1,076</u> | <u>\$ 1,788</u> | <u>\$ 2,985</u> | <u>\$ 7,016</u> | <u>\$ 11,075</u> |
| 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 1.3% |

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 | Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------------|------------------|------------|------------|---------|----------|-----------|------------------------------|-----------------------------|
| | Residential | Commercial | Industrial | Vacant | Others** | | | |
| 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 |
| 2017 | 1,197,754 | 341,534 | 362,919 | 106,832 | 289,239 | 129,041 | 2,427,319 | 0.06570 |
| 2018 | 1,299,915 | 351,279 | 376,414 | 84,384 | 279,165 | 135,990 | 2,527,147 | 0.06780 |

** 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 reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Los Angeles Assessor

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

| Agency | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 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 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| L.A. County Flood Control | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Long Beach Community College District | 0.02181 | 0.02392 | 0.02559 | 0.02615 | 0.05095 | 0.02241 | 0.04595 | 0.03825 | 0.06737 | 0.06760 |
| Long Beach Unified School District | 0.03220 | 0.08663 | 0.08834 | 0.09223 | 0.09394 | 0.07981 | 0.08764 | 0.08324 | 0.08539 | 0.19290 |
| Metropolitan Water District | <u>0.00430</u> | <u>0.00430</u> | <u>0.00370</u> | <u>0.00370</u> | <u>0.00350</u> | <u>0.00350</u> | <u>0.00350</u> | <u>0.00350</u> | <u>0.00350</u> | <u>0.00350</u> |
| Total Direct and Overlapping (2) | | | | | | | | | | |
| Tax Rates | <u>1.05831</u> | <u>1.11485</u> | <u>1.11763</u> | <u>1.12208</u> | <u>1.14839</u> | <u>1.10572</u> | <u>1.13709</u> | <u>1.12499</u> | <u>1.15626</u> | <u>1.26400</u> |
| City's Share of 1% Levy per Prop 13 (3) | 0.06777 | 0.06777 | 0.06777 | 0.06770 | 0.06777 | 0.06777 | 0.06777 | 0.06777 | 0.06770 | 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) | 1.00430 | 1.00430 | 1.00370 | 1.00370 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Total Direct Rate (5) | 0.67314 | 0.68186 | 0.68693 | 0.68596 | 0.68639 | 0.06530 | 0.06542 | 0.06560 | 0.06570 | 0.06569 |

Notes:

- (1) This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) Adopted prior 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 | 2017-18 | | 2008-09 | |
|---------------------------------|------------------------------|--|------------------------------|--|
| | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| | | | | |
| Signal Hill Petroleum, Inc. | \$ 142,522 | 5.93% | \$ 103,036 | 5.74% |
| Long Beach Acquisition Corp. | 39,274 | 1.64% | 14,576 | 0.81% |
| PL Signal Hill LP | 36,095 | 1.50% | 37,802 | 2.11% |
| LBSH Development | 29,277 | 1.22% | 25,361 | 1.41% |
| Towne Center West LLC | 26,782 | 1.12% | 23,200 | 1.29% |
| Costco Wholesale Corporation | 24,027 | 1.00% | 17,763 | 0.99% |
| Tesoro Logistics Operations LLC | 18,306 | 0.76% | - | 0.00% |
| Home Depot USA, Inc. | 17,884 | 0.74% | 17,942 | 1.00% |
| Executive Complex LP | 16,073 | 0.67% | - | 0.00% |
| VNO Trust Cherry Avenue LP | 15,641 | 0.65% | - | 0.00% |
| Arco Terminal Services Corp. | - | 0.00% | 22,555 | 1.26% |
| Signal Hill Towne Center LLC | - | 0.00% | 17,687 | 0.99% |
| MBK Aragon LLC | - | 0.00% | 15,099 | 0.84% |
| | <u>\$ 365,881</u> | <u>15.23%</u> | <u>\$ 295,021</u> | <u>16.45%</u> |

Note:

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

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 | Collected within the Fiscal Year of Levy | | Collections in Subsequent Years | Note (1) | |
|---------------------------------|--|---|--------------------|--|---------------------------|--------------------|
| | | Amount | Percent of Levy | | Total Collections to Date | Percent of Levy |
| 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 | 13,453,645 | 85.55% | N/A | N/A | N/A |
| 2016 | 16,337,411 | 13,950,475 | 85.39% | N/A | N/A | N/A |
| 2017 | 16,156,292 | 13,397,825 | 82.93% | N/A | N/A | N/A |
| 2018 | 17,090,273 | 12,488,540 | 73.07% | 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 |
|-------------|-------------------------|------------------------------------|-------|-------|--------------------------|-------|---------|--------------------------|-------------------------------|------------|----------------------------|
| | Lease Revenue Bonds | Redevelopment Tax Allocation Bonds | Notes | Loans | Water Revenue Bonds | Loans | | | | | |
| 2009 | - | 69,031 | 3,866 | 2,000 | 7,680 | 302 | 82,879 | 3.987% | 7,277.11 | 238.87 | |
| 2010 | - | 86,670 | 3,866 | 2,000 | 7,395 | 227 | 100,158 | 5.017% | 8,735.98 | 266.50 | |
| 2011 | - | 91,678 | 4,402 | 1,000 | 7,095 | 151 | 104,326 | 5.232% | 9,374.25 | 267.06 | |
| 2012 | - | - | - | - | 6,785 | 76 | 6,861 | 0.341% | 611.61 | 18.50 | |
| 2013 | - | - | - | - | 6,788 | - | 6,788 | 0.331% | 594.86 | 19.27 | |
| 2014 | - | - | - | - | 6,424 | - | 6,424 | 0.303% | 562.97 | 17.95 | |
| 2015 | - | - | - | 65 | 6,044 | - | 6,109 | 0.268% | 523.34 | 17.88 | |
| 2016 | - | - | - | 51 | 5,650 | - | 5,701 | 0.237% | 491.08 | 17.10 | |
| 2017 | - | - | - | 36 | 4,741 | - | 4,777 | 0.197% | 406.59 | 12.94 | |
| 2018 | 8,974 | - | - | 21 | 4,269 | - | 13,264 | 0.525% | 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 Bonded Debt
As of June 30, 2018

| | Gross Bonded Debt Balance | Percent Applicable To City | Net Bonded Debt |
|---|------------------------------|----------------------------------|-----------------------|
| Direct Debt: | | | |
| Library Lease Revenue Bonds 2018 | \$ 8,974,210 | 100.000% | \$ 8,974,210 |
| 260.01 Capital Leases | 20,619 | 100.000% | <u>20,619</u> |
| Total Direct Debt | | | <u>8,994,829</u> |
| Overlapping Debt: | | | |
| 310.25 *Metropolitan Water District | \$ 29,354,442 | 0.079% | \$ 23,184 |
| 807.53 Long Beach CCD DS 2002 Series D (2007) | 19,112,255 | 4.000% | 764,422 |
| 807.54 Long Beach CCD DS 2008, 2008 Series A | 15,096,105 | 4.000% | 603,791 |
| 807.55 Long Beach CCD DS 2008, 2009 Series B | 36,080,000 | 4.000% | 1,443,072 |
| 807.56 Long Beach CCD DS REF 2002, 2012 Series A | 140,078,695 | 4.000% | 5,602,650 |
| 807.57 Long Beach CCD DS REF Bonds 2014 Series C | 8,745,000 | 4.000% | 349,769 |
| 807.58 Long Beach CCD DS REF Bonds 2014 Series E | 42,430,000 | 4.000% | 1,697,049 |
| 807.59 Long Beach CCD DS REF Bonds 2014 Series F | 30,130,000 | 4.000% | 1,205,093 |
| 807.60 Long Beach CCD DS 2008 Series D | 71,775,000 | 4.000% | 2,870,745 |
| 807.62 Long Beach CCD DS 2016 Series B | 83,490,000 | 4.000% | 3,339,303 |
| 883.57 Long Beach USD 2008 Refunding Bonds | 27,225,606 | 4.000% | 1,089,064 |
| 883.58 Long Beach USD DS 2008 Series A | 39,490,000 | 4.000% | 1,579,657 |
| 883.60 Long Beach USD DS 2010 Refunding Bonds Series A | 39,850,000 | 4.000% | 1,594,058 |
| 883.62 Long Beach USD DS 2008 Series B-1 QSCB | 81,946,686 | 4.000% | 3,277,987 |
| 883.64 Long Beach Unified School District 2012 Refunding Bonds | 79,675,000 | 4.000% | 3,187,116 |
| 863.65 Long Beach Unified School District DS 2008 Series C | 34,010,000 | 4.000% | 1,360,449 |
| 863.66 Long Beach Unified School District DS 2008 Series D | 249,328,410 | 4.000% | 9,973,499 |
| 863.68 Long Beach Unified School District DS 2016 Refunding Bonds | 136,395,000 | 4.000% | 5,455,998 |
| 863.69 Long Beach Unified School District DS 2008 Series E | 150,000,000 | 4.000% | 6,000,218 |
| 883.70 Long Beach Unified School District DS 2016 Series A | 300,000,000 | 4.000% | 12,000,437 |
| Total Overlapping Debt | | | <u>63,417,561</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 72,412,390</u> |

| | |
|-----------------------------------|-----------------------|
| 2017-18 Total Assessed Valuation | \$2,500,611,922 |
| Less Incremental Value | (1,595,463,705) |
| 2017-18 Assessed Valuation | <u>\$ 905,148,217</u> |

Debt To Assessed Valuation Ratios:

| | |
|------------------|--------------|
| Direct Debt | 0.99% |
| Overlapping Debt | 7.01% |
| Total Debt | <u>8.00%</u> |

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

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

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

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 | \$ 2,500,611,922 |
| Debt limit (15% of assessed value) | 375,091,788 |
| Debt applicable to limit | - |
| Legal debt margin - Current Year | <u>\$ 375,091,788</u> |

| Fiscal Year | Debt Limit | Debt Applicable to Limit | Legal Debt Margin | Debt as Percentage of Limit |
|-------------|----------------|--------------------------|-------------------|-----------------------------|
| 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% |
| 2017 | 360,297,745 | - | 364,097,801 | 0.00% |
| 2018 | 375,091,788 | - | 375,091,788 | 0.00% |

Source: City of Signal Hill, Finance Department

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

| Fiscal Year | Non-Housing Component | | | | | Coverage |
|-------------|-----------------------|-----------|----------|----------|--|----------|
| | Pledged Tax Revenues | Principal | Interest | Total | | |
| 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) | - | - | - | - | | - |
| 2017 (2) | - | - | - | - | | - |
| 2018 (2) | | | | | | |

| Fiscal Year | Low Income Housing Component | | | | | Coverage |
|-------------|------------------------------|-----------|----------|----------|--|----------|
| | Pledged Tax Revenues | Principal | Interest | Total | | |
| 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) | - | - | - | - | | - |
| 2017 (2) | - | - | - | - | | - |
| 2018 (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

| Calendar Year | City Population | Per Capita | | | Unemployment Rate |
|---------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | | Personal Income | Personal Income | Personal Income | |
| 2008 | 11,320 | \$ 355,042 | \$ 31,364 | \$ 31,364 | 5.9% |
| 2009 | 11,389 | 346,963 | 30,465 | 30,465 | 9.2% |
| 2010 | 11,465 | 375,823 | 32,780 | 32,780 | 10.1% |
| 2011 | 11,129 | 390,639 | 35,101 | 35,101 | 9.8% |
| 2012 | 11,218 | 370,946 | 33,067 | 33,067 | 7.4% |
| 2013 | 11,411 | 352,235 | 30,868 | 30,868 | 6.0% |
| 2014 | 11,415 | 357,826 | 31,347 | 31,347 | 9.0% |
| 2015 | 11,673 | 341,699 | 29,273 | 29,273 | 7.3% |
| 2016 | 11,609 | 333,332 | 28,713 | 28,713 | 5.7% |
| 2017 | 11,749 | 369,284 | 31,431 | 31,431 | 3.6% |

Sources: City Population - State Department of Finance
 Unemployment Rate - Bureau of Labor Statistics

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

| Employer | 2017-18 | | | 2008-09 | | |
|-----------------------------|---------------------|------|-------------------------------------|---------------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Office Depot | 428 | 1 | 8.25% | 551 | 1 | 3.89% |
| Home Depot | 343 | 2 | 6.61% | 302 | 2 | 2.13% |
| Costco Wholesale | 301 | 3 | 5.80% | 292 | 3 | 2.06% |
| Target | 265 | 4 | 5.10% | 202 | 7 | 1.43% |
| Edge Systems LLC | 191 | 5 | 3.68% | | | 0.00% |
| Warren Distributing | 163 | 6 | 3.14% | | | 0.00% |
| Long Beach BMW Auto | 143 | 7 | 2.75% | | | 0.00% |
| Accountable Healthcare IPA | 136 | 8 | 2.62% | | | 0.00% |
| Allied Refrigeration | 130 | 9 | 2.50% | | | 0.00% |
| Mercedes-Benz of Long Beach | 127 | 10 | 2.45% | | | 0.00% |
| Universal Care | | | | 272 | 4 | 1.92% |
| Telestranger Productions | | | | 230 | 5 | 1.62% |
| Oil Well Service Company | | | | 225 | 6 | 1.59% |
| Home Depot | | | | 165 | 8 | 1.16% |
| Crane Valves North America | | | | 143 | 9 | 1.01% |
| Alliance | | | | 129 | 10 | 0.91% |
| | <u><u>2,227</u></u> | | <u><u>42.90%</u></u> | <u><u>2,511</u></u> | | <u><u>17.73%</u></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 Ended June 30, | | | | | | | | | |
|-----------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Administration | 5.00 | 5.00 | 5.00 | 4.73 | 5.73 | 4.73 | 4.73 | 4.73 | 5.00 | 5.75 |
| Finance | 6.48 | 6.48 | 6.48 | 5.91 | 5.98 | 5.98 | 5.98 | 5.98 | 6.80 | 6.75 |
| Community Services | 24.19 | 24.15 | 20.84 | 20.25 | 19.32 | 19.30 | 19.53 | 19.53 | 18.60 | 18.60 |
| Police | 54.40 | 52.40 | 53.37 | 53.40 | 53.40 | 52.89 | 52.89 | 52.89 | 53.00 | 53.00 |
| Community Development | 7.00 | 7.00 | 7.00 | 6.40 | 6.40 | 7.00 | 7.00 | 7.00 | 4.00 | 4.00 |
| Public Works | 30.00 | 30.00 | 30.00 | 30.04 | 30.04 | 30.02 | 30.04 | 30.04 | 28.00 | 28.00 |
| Economic Development | 1.00 | 1.00 | 1.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | <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> | <u>116.40</u> | <u>117.10</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, | | | | | | | | | |
|---|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Police | | | | | | | | | | |
| Calls for service | 6,340 | 6,377 | 6,062 | 6,384 | 6,500 | 6,400 | 9,842 | 9,948 | 8,632 | 9,078 |
| Reports written | 4,516 | 4,004 | 3,978 | 3,826 | 3,254 | 3,312 | 3,894 | 4,332 | 5,618 | 5,061 |
| Total arrests | 2,092 | 1,776 | 2,060 | 1,823 | 1,120 | 1,115 | 1,390 | 1,216 | 1,403 | 1,074 |
| Hazardous traffic citations | 3,773 | 3,445 | 3,229 | 3,758 | 4,359 | 4,278 | 2,496 | 1,703 | 3,638 | 3,613 |
| Parking citations | 6,446 | 5,758 | 4,881 | 4,196 | 4,179 | 4,212 | 3,866 | 4,628 | 4,222 | 4,092 |
| Community Development | | | | | | | | | | |
| Code enforcement cases | 79 | 94 | 94 | 75 | 85 | 87 | 77 | 68 | 67 | 59 |
| Building permits | 154 | 163 | 193 | 144 | 175 | 181 | 247 | 236 | 279 | 233 |
| Site plan design reviews | 8 | 7 | 6 | 6 | 7 | 7 | 5 | 6 | 6 | 5 |
| Water | | | | | | | | | | |
| Number of customers | 2,908 | 2,960 | 2,964 | 3,014 | 3,052 | 3,079 | 3,116 | 3,162 | 3,302 | 3,485 |
| Average daily consumption (in millions of gallons) | 1.88 | 1.76 | 1.74 | 1.75 | 1.82 | 1.80 | 1.77 | 1.59 | 1.58 | 1.57 |
| Number of hydrants maintained | 467 | 562 | 566 | 568 | 422 | 435 | 568 | 568 | 568 | 568 |
| Public Works | | | | | | | | | | |
| Traffic signals maintained | 29 | 29 | 29 | 29 | 29 | 29 | 31 | 31 | 33 | 18 |
| Street sweeping miles | 6,240 | 6,240 | 6,240 | 6,240 | 6,240 | 6,240 | 5,980 | 5,980 | 5,980 | 5,720 |
| Sidewalk repairs (square feet) | 10,269 | 15,674 | 5,787 | 14,220 | 14,220 | 14,220 | 6,362 | 4,504 | 1,762 | 8,731 |
| Curb & gutter replaced (linear feet) | 267 | 197 | 522 | 1,388 | 1,388 | 1,388 | - | - | - | - |
| Cross gutter replaced (square feet) | - | 490 | - | 5,067 | 5,067 | 5,067 | - | - | - | - |
| Engineering | | | | | | | | | | |
| Number of infrastructure projects administered | 8 | 8 | 9 | 4 | 4 | 4 | 3 | 3 | 10 | 15 |
| Plan checks completed | 8 | 6 | 10 | 5 | 5 | 5 | 8 | 7 | 39 | 74 |
| Community Services | | | | | | | | | | |
| Library items borrowed | 89,059 | 57,847 | 59,359 | 39,972 | 39,972 | 40,001 | 39,761 | 38,947 | 29,164 | 26,029 |
| Youth sports participants | 9,205 | 6,897 | 7,390 | 8,080 | 8,080 | 8,100 | 5,467 | 5,289 | 6,936 | 6,534 |
| After school youth programs | 15,001 | 16,086 | 11,886 | 14,746 | 14,746 | 14,785 | 15,530 | 15,326 | 30,960 | 16,810 |
| Facility rental bookings | 948 | 813 | 697 | 748 | 748 | 750 | 681 | 620 | 251 | 345 |

Source: Various City Departments

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

| Function/Program | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 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 and Mains | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Reservoirs | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Wells | 3 | 3 | 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 | 3,984 | 3,903 | 3,715 | 3,711 | 3,706 | 3,706 | 3,619 | 3,667 | 3,667 | 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