NEW ISSUE **RATING**

BOOK-ENTRY ONLY **S&P: AA**

(See "CONCLUDING INFORMATION - Ratings on the Bonds" herein)

In the opinion of Aleshire & Wynder, LLP, Irvine, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.

$8,640,000
SIGNAL HILL MUNICIPAL FINANCING AUTHORITY
LEASE REVENUE BONDS
(LIBRARY PROJECT)
SERIES 2018

Dated: Date of Delivery **Due: December 1 as shown on the inside front cover page**

The Signal Hill Municipal Financing Authority Lease Revenue Bonds (Library Project), Series 2018 (the "Bonds") are being issued to finance a portion of the cost to construct a new public library in the City of Signal Hill and pay the costs incurred in connection with the issuance of the Bonds. The Bonds are payable from the revenues pledged under the Indenture, as defined herein, consisting primarily of base rental payments (the "Base Rental Payments") to be made by the City of Signal Hill (the "City") to the Signal Hill Municipal Financing Authority (the "Authority") as rental for certain City-owned property (the "Leased Property") pursuant to a Lease, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The City is required under the Lease to make Base Rental Payments in each fiscal year in consideration of the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Bonds, subject to abatement, as described herein. See "SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2018, until maturity or earlier redemption. See "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power. The obligation of the City to pay Base Rental Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments does not constitute a debt of the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. Certain legal matters will also be passed on for the City and the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, as City Attorney and Authority General Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about January 31, 2018 (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein).

Changes from Preliminary Official Statement. In addition to pricing and pricing related information, the opinion of Bond Counsel that the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax described on the cover page of this Official Statement, as well as in the form of the opinion of Bond Counsel included in Appendix D hereof, and the related discussion of such opinion in the section of this Official Statement captioned "TAX MATTERS - Tax Exemption," was updated to reflect technical changes resulting from the passage of H.R. 1 of the 115th U.S. Congress, known as the "Tax Cuts and Jobs Act." Specifically, the update states that while such interest is not an item of tax preference for purposes of the federal alternative minimum tax, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018.

The date of the Official Statement is January 10, 2018.

$8,640,000
SIGNAL HILL MUNICIPAL FINANCING AUTHORITY
LEASE REVENUE BONDS
(LIBRARY PROJECT)
SERIES 2018

MATURITY SCHEDULE

(Base CUSIP®† 82664C)

Maturity Date December 1	Principal Amount	Interest Rate	Reoffering Yield	Reoffering Price	CUSIP®†
2018	$100,000	2.00%	1.47%	100.436	AA6
2019	105,000	2.00	1.64	100.646	AB4
2020	110,000	2.00	1.68	100.880	AC2
2021	120,000	2.00	1.77	100.847	AD0
2022	650,000	2.25	1.82	101.979	AE8
2023	660,000	2.25	1.88	102.033	AF5
2024	680,000	2.50	2.00	103.177	AG3
2025	700,000	2.50	2.09	102.946	AH1
2026	715,000	2.50	2.18	102.557	AJ7
2027	740,000	3.00	2.32	105.401 C	AK4
2028	760,000	3.00	2.41	104.667 C	AL2
2029	785,000	3.00	2.47	104.181 C	AM0
2030	810,000	3.25	2.57	105.340 C	AN8
2031	835,000	3.50	2.67	106.490 C	AP3
2032	870,000	3.50	2.76	105.763 C	AQ1

C Priced to the first optional call date of December 1, 2026 at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

No Offering May be Made Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Bonds, the Lease, the Indenture or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City Clerk for further information. See “INTRODUCTION - Summaries Not Definitive.”

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Bonds are Exempt from Securities Laws Registration. The issuance, sale and delivery of the Bonds has not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the execution, sale and delivery of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(l2) of the Securities Exchange Act of 1934.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the City, any press release and any oral statement made with the approval of an authorized officer of the Authority or the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Stabilization of and Changes to Offering Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

City Website. The City maintains a website. The information on such website is not part of this Official Statement and is not intended to be relied on by investors with respect to the Bonds unless specifically set forth or incorporated herein.

SIGNAL HILL MUNICIPAL FINANCING AUTHORITY

CITY COUNCIL/AUTHORITY BOARD MEMBERS

Edward H.J. Wilson, *Mayor*
Tina L. Hansen, *Vice Mayor*
Robert D. Copeland, *Council Member*
Larry Forester, *Council Member*
Lori Y. Woods, *Council Member*

CITY STAFF

Charlie Honeycutt, *City Manager*
Hannah Shin-Heydorn, *Deputy City Manager*
Scott Williams, *Administrative Services Officer/Finance Director*
Kelli Tunnicliff, *Public Works Director*

PROFESSIONAL SERVICES

Bond Counsel and City Attorney
Aleshire & Wynder, LLP
Irvine, California

Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor
Harrell & Company Advisors, LLC
Orange, California

Trustee
U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$8,640,000
SIGNAL HILL MUNICIPAL FINANCING AUTHORITY
LEASE REVENUE BONDS
(LIBRARY PROJECT)
SERIES 2018

This Official Statement which includes the cover page and appendices (the "Official Statement"), is provided to furnish certain information concerning the sale of the Signal Hill Municipal Financing Authority (the "Authority") Lease Revenue Bonds (Library Project), Series 2018 (the "Bonds"), in the aggregate principal amount of $8,640,000.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "RISK FACTORS" herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" herein.

The City and the Authority

The City of Signal Hill (the "City") was incorporated as a general law city in 1924 and became a charter city in 2000. The City operates under the Council/City Manager form of government. The City encompasses 2.25 square miles and is located centrally within the southwestern coastal area of Los Angeles County. Neighboring communities include Long Beach, Lakewood, Cypress and Carson (see "CITY OF SIGNAL HILL" herein).

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Joint Powers Act"). The City and the Signal Hill Housing Authority formed the Authority by the execution of a joint exercise of powers agreement on August 22, 2017.

Pursuant to the Joint Powers Act, the Authority is authorized to issue lease revenue bonds to provide funds to acquire or construct and to refinance public capital improvements, such revenue bonds to be repaid from the payments for such improvements, such as the base rental payments described herein.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor serves as the Chair of the Authority. The City Manager acts as the Executive Director, the City Clerk acts as the Secretary, and the City's Administrative Services Officer/Finance Director acts as the Controller of the Authority.

Purpose

Proceeds from the Bonds will be used to finance a portion of the cost of the design, acquisition, and construction of a new public library within the City of Signal Hill and pay costs related to the issuance of the Bonds (see "THE FINANCING PLAN - Estimated Sources and Uses of Funds" herein).

Security and Sources of Repayment

The Bonds are secured under an Indenture, dated as of January 1, 2018, (the "Indenture"), by and between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee") (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" herein).

The Bonds are payable from the revenues pledged under the Indenture. The revenues consist primarily of base rental payments (the "Base Rental Payments") to be made by the City to the Authority as the rental for real property and improvements thereon (the "Leased Property") and from certain funds held under the Indenture and investment earnings thereon, and from net proceeds of insurance or condemnation awards (collectively with the Base Rental Payments, the "Revenues"). See "THE LEASED PROPERTY" herein.

Pursuant to a Site and Facility Lease, dated as of January 1, 2018 (the "Site Lease"), by and between the Authority and the City, the City has leased the Leased Property to the Authority. The Authority has subleased the Leased Property back to the City under the Lease Agreement, dated as of January 1, 2018, by and between the City and the Authority (the "Lease"). The Base Rental Payments are to be made pursuant to the Lease.

Under the Lease and, subject to abatement, the City is required to make the Base Rental Payments from legally available funds. The City has covenanted in the Lease to take such actions as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments subject to complete or partial abatement of such Base Rental Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from damage or loss of all or any portion of the Leased Property. All of the Authority's right, title and interest in and to the Lease (apart from certain rights to receive Additional Rental Payments, as defined therein, to the extent payable to the Authority, and other than certain indemnification rights), including the right to receive Base Rental Payments under the Lease, are assigned to the Trustee under the Indenture and under the Assignment Agreement, dated as of January 1, 2018 (the "Assignment Agreement") for the benefit of Bondholders.

For a summary of the Indenture and the Lease, see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in "APPENDIX A."

In general, the City is required under the Lease to pay to the Authority specified amounts for use and possession of the Leased Property which amounts are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the Bonds. The City is also required to pay any taxes and assessments levied on the Leased Property and all costs of maintenance and repair of the Leased Property. Except for the Authority's right, title and interest in and to the Base Rental Payments and otherwise to the Lease which have been assigned to the Trustee, no funds or properties of the Authority or the City are pledged to or otherwise liable for the obligations of the Authority (see "RISK FACTORS" herein).

Limited Obligation

The obligation of the City to pay Base Rental Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has pledged any form of taxation. The obligation of the City to pay Base Rental Payments does not constitute a debt of the State of California (the "State") or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

No Reserve Fund

The Authority will not fund a reserve fund for the Bonds.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading "TAX MATTERS" herein. Certain legal matters will be passed on for the City and the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, and by Aleshire & Wynder, LLP, Irvine, California, as City Attorney and General Counsel to the Authority.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture and by Resolution No. 2017-10-03 of the Authority adopted on October 24, 2017.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Aleshire & Wynder, LLP, Irvine, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about January 31, 2018 through the facilities of The Depository Trust Company. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease, the Assignment Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Municipal Advisor. Copies of these documents may be obtained after delivery of the Bonds at the trust office of the Trustee, U.S. Bank National Association, Los Angeles, California or from the City at 2175 Cherry Avenue, Signal Hill, California 90755.

Scheduled Debt Service on the Bonds

The following is a schedule of Base Rental Payments and therefore the total scheduled debt service on the Bonds.

Period Ending	Principal	Interest	Semi-Annual Total	Fiscal Year Total*
June 1, 2018	$ -	$ 82,380.83	$ 82,380.83	$ 82,380.83
December 1, 2018	100,000.00	122,550.00	222,550.00	
June 1, 2019	-	121,550.00	121,550.00	344,100.00
December 1, 2019	105,000.00	121,550.00	226,550.00	
June 1, 2020	-	120,500.00	120,500.00	347,050.00
December 1, 2020	110,000.00	120,500.00	230,500.00	
June 1, 2021	-	119,400.00	119,400.00	349,900.00
December 1, 2021	120,000.00	119,400.00	239,400.00	
June 1, 2022	-	118,200.00	118,200.00	357,600.00
December 1, 2022	650,000.00	118,200.00	768,200.00	
June 1, 2023	-	110,887.50	110,887.50	879,087.50
December 1, 2023	660,000.00	110,887.50	770,887.50	
June 1, 2024	-	103,462.50	103,462.50	874,350.00
December 1, 2024	680,000.00	103,462.50	783,462.50	
June 1, 2025	-	94,962.50	94,962.50	878,425.00
December 1, 2025	700,000.00	94,962.50	794,962.50	
June 1, 2026	-	86,212.50	86,212.50	881,175.00
December 1, 2026	715,000.00	86,212.50	801,212.50	
June 1, 2027	-	77,275.00	77,275.00	878,487.50
December 1, 2027	740,000.00	77,275.00	817,275.00	
June 1, 2028	-	66,175.00	66,175.00	883,450.00
December 1, 2028	760,000.00	66,175.00	826,175.00	
June 1, 2029	-	54,775.00	54,775.00	880,950.00
December 1, 2029	785,000.00	54,775.00	839,775.00	
June 1, 2030	-	43,000.00	43,000.00	882,775.00
December 1, 2030	810,000.00	43,000.00	853,000.00	
June 1, 2031	-	29,837.50	29,837.50	882,837.50
December 1, 2031	835,000.00	29,837.50	864,837.50	
June 1, 2032	-	15,225.00	15,225.00	880,062.50
December 1, 2032	870,000.00	15,225.00	885,225.00	885,225.00
Total	$8,640,000.00	$2,527,855.83	$11,167,855.83	$11,167,855.83

* Fiscal Years ending June 30.

THE FINANCING PLAN

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds, together with other available funds, and will apply them as follows:

Sources of Funds	
Par Amount of Bonds	$8,640,000.00
Original Issue Premium	345,729.20
Total Sources of Funds	$8,985,729.20
Uses of Funds	
Improvement Fund	$8,800,000.00
Underwriter's Discount	28,521.36
Costs of Issuance Fund [(1)]	157,207.84
Total Uses of Funds	$8,985,729.20

(1) Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee, rating fees, costs of printing the Official Statement, and other costs of issuance of the Bonds.

THE PROJECT

The Bonds are being issued to finance a portion of the costs of acquisition, construction and improvement of a new City-owned Library to be located at 1770 East Hill Street in the City (the "Library"), in replacement for an existing City library, which is now temporarily housed in the City's community center.

The Library to be constructed will contain approximately 16,000 square feet, to be located on a City-owned parcel of approximately 1.3 acres adjacent to the City Hall. It will be a 2-story building with 15,000 square foot of space on the ground floor, with 1,200 square feet of second floor space together with an approximate 4,300 square feet terrace. The Library will include a community room, library reading areas, library stacks, a learning center, history room, study rooms and office area. Based on construction bids received in October 2017, the costs of the construction of the Library and related furniture, fixtures and equipment is expected to be approximately $11.2 million. The total expected costs of the Library are $14,375,000 including construction management, furniture, fixtures and equipment and contingencies. A portion of the proceeds of the Bonds will be used to pay approximately $8,800,000 of the acquisition, construction and improvement costs of the Library, including all or a portion of the design and engineering costs associated therewith. The City will fund the balance of the cost of the Library with approximately $5.3 million of bond proceeds available from the Signal Hill Redevelopment Agency Signal Hill Redevelopment Project No. 1 2011 Tax Allocation Parity Bonds, together with $275,000 of funds on hand. The City presently expects to award the contract for construction of the Library in January 2018. Construction is projected to be completed by March 2019.

THE LEASED PROPERTY

The Leased Property is comprised of the City's Police Department Headquarters located at 2745 Walnut Avenue ("Police Building"). Pursuant to the terms of the Site Lease, the City leases the Leased Property to the Authority. Pursuant to the terms of the Lease, the Authority leases the Leased Property back to the City. The Leased Property consists of the Police Building parcel of land of approximately 4 acres and all improvements situated thereon, consisting primarily of the Police Building described below. Under the Lease, the Authority leases the Leased Property back to the Authority.

The Police Building. The Police Building consists of a single story, tilt up concrete building of approximately 21,500 square feet. The Police Building includes seven jail cells, one sobering cell, a state-of-the-art dispatch center and an Emergency Operations Center. Construction of the building was completed in January 2013.

The Police Building is insured for property damage at replacement cost in the total amount of $10.7 million replacement value. Pursuant to the Lease, the City and the Authority will agree and determine that the Base Rental Payments required to be made under the Lease represents the fair rental value of the Leased Property. The Police Building is included in City properties currently insured for earthquake (see "RISK FACTORS - NATURAL HAZARDS - Seismic Activity"). However, the City is not obligated to maintain earthquake insurance during the term of the Lease at the City's sole discretion. The Police Building is not located in a 100-year Flood Plain.

As described in "RISK FACTORS - Limited Recourse on Default; No Acceleration," the Lease permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the City under the Lease. However, any such re-leasing of the Police Building may be limited by the nature of the facility.

Substitution or Release of Property. Under the terms of the Lease, the City may substitute other property for the Leased Property, or any portion thereof, and may release portions of the Leased Property provided that certain conditions set forth in the Lease are met. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Substitution and Release of Property."

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in the principal amount of $5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on June 1, 2018 and each December 1 and June 1 thereafter (each, an "Interest Payment Date") until maturity. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal on the Bonds is payable on December 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is executed during the period from the day after the fifteenth calendar day of the month immediately preceding such Interest Payment Date (each a "Record Date") to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if, at the time of authentication of any Bond interest with respect to such Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Bond. Interest with respect to any Bond shall be payable in lawful money of the United States of America on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, *provided*, *however,* that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Bonds shall be paid to the registered Owners of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Bonds not less than ten days prior thereto. The principal of the Bonds is payable at maturity or upon redemption thereof in lawful money of the United States of America.

Book-Entry System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see "APPENDIX E - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption

Optional Redemption. The Bonds maturing on or before December 1, 2026 are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after December 1, 2027 shall be subject to optional redemption, in whole or in part, on any date on or after December 1, 2026 from prepayments of Base Rental Payments pursuant to the Lease, from any available source of funds of the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. Any such redemption shall be in such order of maturity as the Authority shall designate.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to redemption prior to their respective maturity dates, as a whole, or in part among maturities as the Authority shall designate, on any date, from prepayments of Base Rental Payments made by the City pursuant to the Lease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Property or any portion thereof, to the extent not used to repair or replace the Leased Property.

Redemption of Bonds pursuant to this provision shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. See "SOURCES OF PAYMENT FOR THE BONDS - Insurance Relating to the Property." There can be no assurance that such proceeds will be adequate to redeem all of the Bonds (see "RISK FACTORS - The Base Rental Payments - Insurance" herein).

Notice of Redemption. If redemption is authorized or required, the Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

So long as DTC is the registered Owner of the Bonds, all such notices will be provided to DTC as the Owner, without respect to the beneficial ownership of the Bonds. See "APPENDIX E - THE BOOK-ENTRY SYSTEM."

Rescission of Notice. In the case of any optional redemption of the Bonds, the notice of redemption may state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default, the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of less than all of the Outstanding Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption, in such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds, which may be separately redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All moneys held by or on behalf of the Trustee for the payment of principal of or interest on the Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

Partial Redemption. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, mean (i) all Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments.

As security for the Bonds, the Authority will assign to the Trustee for the payment of the Bonds the Authority's rights, title and interest in the Lease (with certain exceptions), including the right to receive Base Rental Payments to be made by the City under the Lease.

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Base Rental Payments; Abatement

The City is required to pay to the Authority specified amounts for use of the Leased Property, which are equal to the principal of and interest due with respect to the Bonds. The Lease requires the City to make Base Rental Payments to the Authority at least 5 Business Days preceding each Interest Payment Date. Base Rental Payments to be paid by the City are assigned and are to be transmitted directly to the Trustee. The Indenture provides that the Base Rental Payments will be deposited in the Lease Revenue Fund maintained by the Trustee under the Indenture and applied to pay the principal and interest on the Bonds.

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments in its annual budgets and to make annual appropriations for all such Base Rental Payments. The Lease provides that the several actions required by such covenants are deemed to be and shall be construed to be duties imposed by law and that it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants in the Lease agreed to be carried out and performed by the City.

California law requires, and the Lease provides, that the Base Rental Payments may be abated in whole or in part if portions of the Leased Property are destroyed, damaged or condemned. The amount of Base Rental Payments shall be abated during any period in which, by reason of material damage or destruction of any component of the Leased Property, or all or part of the Leased Property being taken by condemnation or eminent domain, there is substantial interference with the use and occupancy of the Leased Property by the City. The amount of such abatement shall be an amount agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged, destroyed or taken from use by the City as evidenced in a Certificate of the City. In the event of any damage or destruction or taking under power of eminent domain, the Lease shall continue in full force and effect and the City waives any right under law to terminate the Lease by virtue of any such damage or destruction or taking.

Notwithstanding the foregoing, there shall be no abatement of Base Rental Payments under the Lease by reason of damage, destruction, or unavailability of all or a portion of the Leased Property to the extent that: (i) the fair rental value of the portions of the Leased Property not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City, as determined by the City, is equal to or greater than the unpaid principal component of the Base Rental Payments; or (ii) the proceeds of rental interruption insurance and/or amounts on deposit in the Insurance and Condemnation Fund and/or the Lease Revenue Fund are available to pay Base Rental Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Base Rental Payments.

During any period of abatement of Base Rental Payments, the Trustee shall pay principal of and interest on the Bonds allocable to such portions of the Leased Property from proceeds of insurance or condemnation award (if any) on a pro rata basis. The reduced Base Rental Payments may not be sufficient to pay principal of and interest on the Bonds in the amounts and at the rates set forth therein. The City's reduced Base Rental Payments will constitute the total Base Rental Payments. In the event and to the extent the Base Rental Payments and other amounts available to the Trustee under the Indenture are subject to abatement, there could be insufficient amounts to pay principal of and interest on the Bonds in full, and such insufficiency would not constitute a default by the City under the Indenture, the Lease or otherwise.

If on December 1, 2032, the Indenture shall not be discharged by its terms, or if the Base Rental Payments shall have been abated at any time and for any reason, then the term of the Lease shall be extended until the Indenture shall be discharged by its terms, but no later than December 1, 2042.

The obligation of the City to pay Base Rental Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental Payments does not constitute a debt of the city, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The City has other obligations payable from its General Fund and may enter into other obligations payable from its General Fund without the consent of the Bond Owners. To the extent the City issues or enters into such obligations, funds available to pay Base Rental Payments may be reduced. See "FINANCIAL INFORMATION - Obligations of the City" and "RISK FACTORS - The Base Rental Payments - Base Rental Payments are Limited Obligations of the City" herein.

No Reserve Fund

The Authority will not fund a reserve fund for the Bonds.

Insurance Relating to the Leased Property

The Lease requires the City to maintain comprehensive general public liability and property damage insurance and fire insurance with extended coverage on the Leased Property. The City is also required to maintain rental interruption insurance covering loss of the use of any part of the Leased Property in an amount equal to the maximum Base Rental Payments due in any 24 month period. The City is not required under the Lease to maintain earthquake insurance with respect to the Police Building. Although the City currently maintains earthquake insurance with respect to the Police Building, no assurances can be given that earthquake insurance will be maintained on the Police Building in future years. Certain insurance coverages may be in the form of self-insurance as provided in the Lease.

See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Insurance" and "RISK FACTORS - The Base Rental Payments - Insurance" herein.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction or condemnation of Leased Property with the Trustee for deposit into the: (a) Insurance and Condemnation Fund if the City elects to repair the Leased Property or (b) the Lease Revenue Fund if the City elects to redeem the Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem Bonds. If the City determines to cause the redemption of less than the full amount of the Bonds Outstanding, such redemption will only be made to the extent the remaining fair market value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds. See "RISK FACTORS - The Base Rental Payments - Abatement" herein.

The Lease also requires the City to insure title to the Leased Property in an amount not less than the initial principal amount of the Bonds. Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth under the caption "THE BONDS - Redemption - Special Mandatory Redemption From Insurance or Condemnation Proceeds."

If there are not sufficient insurance proceeds to complete repair of the Leased Property, the Base Rental Payment schedule will be proportionally reduced in accordance with the Lease. Such reduced Base Rental Payments may not be sufficient to pay principal and interest with respect to the Bonds. Such reduction would not constitute a default under either the Indenture or the Lease.

Remedies on Default

If the City defaults in performance of its obligations under the Lease, the Trustee, as assignee of the Authority, may elect not to terminate the Lease and may re-enter and relet the Leased Property and may enforce the Lease and hold the City liable for all Base Rental Payments on an annual basis while re-entering and reletting the Leased Property. Such re-entry and reletting shall not effect a surrender of the Lease. Alternatively, the Trustee may elect to terminate the Lease and may re-enter and relet the Leased Property and seek to recover all costs, losses or damages caused by the City's default. Notwithstanding the foregoing remedies which are granted under the Lease with respect to the Leased Property, since the Police Building is used for essential governmental services of the City, no assurances can be given that a court would permit the Authority or the Trustee to re-enter and re-let the Leased Property. See "RISK FACTORS - Limited Recourse on Default; No Acceleration" and also "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Default."

CITY OF SIGNAL HILL

General Information

The City of Signal Hill encompasses 2.25 square miles and is located in the southwestern coastal area of Los Angeles County, adjacent to the City of Long Beach, 2.5 miles from the Pacific Ocean. Oil was discovered in Signal Hill on June 25, 1921. By 1945, 20,000 oil wells were operating in Signal Hill and the surrounding communities. Oil production continued to be the City's mainstay until declining oil prices reduced production in the 1970's. This led many oil companies to release the land for residential and commercial land uses. In 1974, the Signal Hill Redevelopment Agency was formed and the City focused on economic development and diversity from oil.

General Organization

The City of Signal Hill was incorporated as a general law city in 1924, and, operates under the council/manager form of government. It became a charter city in 2000. The City is governed by a five-member council consisting of five members each elected at large for four-year alternating terms and a Mayor selected from among the members. Positions of City Manager and City Attorney are filled by appointments of the City Council. The City has 115.4 full-time equivalent budgeted positions in Fiscal Year 2017/18, including sworn police officers.

The current members of the City Council, the expiration dates of their terms and key administrative personnel are set forth below.

CITY COUNCIL

Council Member	**Term Expires**
Edward H.J. Wilson, *Mayor*	March 2021
Tina L. Hansen, *Vice Mayor*	March 2019
Robert D. Copeland, *Council Member*	March 2021
Larry Forester, *Council Member*	March 2019
Lori Y. Woods, *Council Member*	March 2021

CHIEF ADMINISTRATIVE PERSONNEL

Charlie Honeycutt, *City Manager*
Hannah Shin-Heydorn, *Deputy City Manager*
Scott Williams, *Administrative Services Officer/Finance Director*
Kelli Tunnicliff, *Public Works Director*

Governmental Services and Community Facilities

The City of Signal Hill Police Department is currently staffed by 53 sworn police officers and non-sworn personnel providing patrol, investigations and dispatch. The City contracts with Los Angeles County to provide fire protection and flood control services.

Other public services provided by the City include park maintenance, building inspection and water service. The Signal Hill Community Services Department provides a variety of park, recreational, social, and library services. There is an extensive trail and park network developed in the City. Recreation includes after school and off-track recreation programs, year round programs for youth, teen activities, and special seasonal activities. Community Services also includes senior services, community-wide special events, and classes. This Department also manages the Library operation.

Students living in Signal Hill are served by the Long Beach Unified School District. There are several junior and state colleges and universities within commuting distance from the City.

Transportation

Signal Hill's location near the junction of three interstate freeways affords easy access to the extensive Southern California freeway network. The San Diego Freeway (Interstate 405), a major north-south transportation corridor, runs through the northern portion of the City, providing access to Los Angeles to the north and both Orange and San Diego Counties to the south. The Long Beach Freeway (Interstate 710) connects with Interstate 405 five miles north of the City and the San Gabriel Freeway (Interstate 605) connects with Interstate 405 three miles south of the City.

Air cargo and passenger flight services are available at the Los Angeles International Airport, Long Beach Airport and John Wayne Airport. The Long Beach Airport is approximately 5 minutes from the City, while the other airports are approximately 20 miles from the City.

Local bus transportation is provided through the Metropolitan Transit Authority and Long Beach Transit, plus interurban buses and local inter-community services such as Dial-a Ride.

Population

The following table provides population growth for Signal Hill and Los Angeles County between 2013 and 2017.

TABLE NO. 1
CHANGE IN POPULATION
SIGNAL HILL AND LOS ANGELES COUNTY
2013 – 2017

	SIGNAL HILL		LOS ANGELES COUNTY	
January 1 Year	Population	Percentage Change	Population	Percentage Change
2013	11,292		10,021,318	
2014	11,467	1.5%	10,089,847	0.7%
2015	11,617	1.3%	10,150,617	0.6%
2016	11,607	(0.1)%	10,182,961	0.3%
2017	11,609	0.0%	10,241,278	0.6%
% Change Between 2013 - 2017		2.8%		2.2%

Source: State of California, Department of Finance, *"E-4 Population Estimates for Cities, Counties and the State, 2011-2017, with 2010 Census Benchmark"* Sacramento, California, May 2017.

Per Capita Personal Income

The most recent available per capita personal income information for the City of Signal Hill, Los Angeles County, the State of California and the United States are summarized in the following table.

TABLE NO. 2
PER CAPITA PERSONAL INCOME
CITY OF SIGNAL HILL, LOS ANGELES COUNTY, STATE OF CALIFORNIA AND UNITED STATES
2012 – 2016

Year	City of Signal Hill	Los Angeles County (1)	State of California (1)	United States (1)
2012	$33,067	$48,900	$48,369	$44,282
2013	30,868	48,283	48,570	44,493
2014	31,347	51,111	51,344	46,494
2015	29,272	54,298	54,718	48,451
2016	28,713	55,624	56,374	49,246

(1) For Los Angeles County, State of California and United States, per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2012-2016 reflect county population estimates available as of March 2017.

Note: All dollar estimates are in current dollars (not adjusted for inflation).

Last updated: November 16, 2017, new estimates for 2016; revised estimates for 2012-2015.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; and City of Signal Hill Comprehensive Annual Financial Report.

Employment

As of October 2017, the civilian labor force for the City was approximately 6,400 of whom 6,100 were employed. The unadjusted unemployment rate as of October 2017 was 4.8% for the City as compared to 4.4% for the County and 4.3% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2012 through 2016 are shown in the following table:

TABLE NO. 3
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2012				
City of Signal Hill	6,100	5,400	700	11.9%
Los Angeles County	4,915,300	4,378,400	536,900	10.9%
California	18,523,800	16,602,700	1,921,100	10.4%
United States	154,975,000	142,469,000	12,506,000	8.1%
2013				
City of Signal Hill	6,200	5,500	700	10.6%
Los Angeles County	4,967,000	4,482,100	485,000	9.8%
California	18,624,300	16,958,700	1,665,600	8.9%
United States	155,389,000	143,929,000	11,460,000	7.4%
2014				
City of Signal Hill	6,200	5,700	600	9.0%
Los Angeles County	5,006,800	4,593,900	412,900	8.2%
California	18,755,000	17,348,600	1,406,400	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
2015				
City of Signal Hill	6,200	5,800	500	7.3%
Los Angeles County	5,000,600	4,668,200	332,400	6.6%
California	18,893,200	17,723,300	1,169,900	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
2016				
City of Signal Hill	6,200	5,900	400	5.7%
Los Angeles County	5,043,300	4,778,800	264,500	5.2%
California	19,102,700	18,065,000	1,037,700	5.4%
United States	159,187,000	151,436,000	7,751,000	4.9%

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

Industry

The City is located in the Los Angeles-Long Beach-Glendale Metropolitan Division.

TABLE NO. 4
LOS ANGELES-LONG BEACH-GLENDALE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY [(1)]
(in thousands)

Industry	2013	2014	2015	2016	2017
Government	554.5	564.1	576.6	583.9	577.3
Other Services	147.2	152.0	152.6	155.6	161.9
Leisure and Hospitality	450.4	474.7	501.0	521.7	525.0
Educational and Health Services	711.3	733.9	757.8	783.0	807.2
Professional and Business Services	601.1	594.7	609.0	615.0	622.8
Financial Activities	213.0	212.2	218.9	221.0	224.5
Information	201.3	202.8	217.2	235.2	231.6
Transportation, Warehousing and Utilities	159.4	166.5	175.1	181.5	183.6
Service Producing					
Retail Trade	407.0	415.0	421.4	424.4	422.7
Wholesale Trade	220.0	224.3	226.5	228.6	229.4
Manufacturing					
Nondurable Goods	164.6	160.5	157.9	155.8	151.6
Durable Goods	210.6	208.2	207.6	201.5	202.5
Goods Producing					
Construction	117.2	120.6	131.0	134.3	141.8
Mining and Logging	4.4	4.3	3.9	3.5	3.5
Total Nonfarm	4,162.0	4,233.8	4,356.5	4,445.0	4,485.4
Farm	4.9	4.5	4.6	5.0	5.0
Total (all industries)	4,166.9	4,238.3	4,361.1	4,450.0	4,490.4

(1) Annually, as of October.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, "*Industry Employment & Labor Force - by month March 2016 Benchmark.*"

TABLE NO. 5
MAJOR EMPLOYERS

The major employers operating within the City and their respective number of employees as of June 30, 2017 were as follows:

Name of Company	Employment	Type of Business/Service
Office Depot	428	Catalog Office Supplies
Home Depot	343	Retail Home Improvement
Costco Wholesale	301	Wholesale/Retail Merchandise
Target	265	Retail Merchandise
Edge Systems LLC	191	Medical Equipment and Supplies
Warren Distributing	163	Distribution Service
Long Beach BMW Auto	143	Car Dealership
Accountable Healthcare I.P.A.	136	Healthcare Services
Allied Refrigeration	130	Refrigerator store
Mercedes-Benz of Long Beach	127	Car Dealership

Source: City of Signal Hill.

The City is not aware of any significant changes in its largest employers since June 2017.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Signal Hill for 2011 through 2015 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

TABLE NO. 6
TOTAL TAXABLE TRANSACTIONS
(in $ thousands)
2011 – 2015

Year	Retail and Food Services ($000's)	% Change	Total Taxable Transactions ($000's)	% Change
2011	$ 787,705		$ 958,798	
2012	861,000	9.3%	1,040,462	8.5%
2013	1,034,828	20.2%	1,242,321	19.4%
2014	1,334,127	28.9%	1,539,581	23.9%
2015	1,346,410	0.9%	1,573,247	2.2%

Source: State Board of Equalization, *"Taxable Sales in California."*

The following table compares taxable transactions for the City of Signal Hill and surrounding cities for the years 2011 through 2015 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

TABLE NO. 7
CHANGE IN TOTAL TAXABLE TRANSACTIONS
SIGNAL HILL AND SURROUNDING CITIES
(in $ thousands)
2011 – 2015

City	2011	2012	2013	2014	2015	% Change from 2011 - 2015
SIGNAL HILL	$ 958,798	$1,040,462	$1,242,321	$1,539,581	$1,573,247	64.1%
Long Beach	5,145,061	5,234,132	4,975,367	5,142,777	4,999,872	(2.8)%
Lakewood	1,056,213	1,118,400	1,135,134	1,184,037	1,155,882	9.4%
Carson	1,677,560	1,914,741	1,999,477	1,929,459	2,042,860	21.8%
Cypress	1,006,683	1,019,521	1,017,925	1,022,902	1,034,821	2.8%

Source: State Board of Equalization, *"Taxable Sales in California."*

Building Activity

The following table summarizes building activity valuations for the City of Signal Hill for the five fiscal years 2012/13 through 2016/17.

TABLE NO. 8
BUILDING ACTIVITY AND VALUATION
2012/13 - 2016/17

	2012/13	2013/14	2014/15	2015/16	2016/17
Estimated Valuation	$15,986,676	$20,959,602	$15,069,492	$15,135,391	$7,636,198
Building Permits Issued	176	271	247	273	279

Source: Community Development Department, City of Signal Hill.

FINANCIAL INFORMATION

Economic Conditions and Outlook

The City's Fiscal Year 2017/18 Budget is the second budget year of the City's two-year FY 2016-18 Budget. Preparing a two-year budget is an extensive process that involves a collaborative effort throughout the organization. Strategic goals and activities are revisited as part of the process, and departmental objectives are developed with the guidance of the City's 2015-2019 Strategic Plan. In the second year (Fiscal Year 2017/18), the previously approved budget is reviewed and presented with recommended updates as appropriate or as operational needs have changed. This process is similar in concept to a mid-year budget review, and affords the opportunity to adjust the second year as needed, but it is not intended to be a complete re-evaluation of the City's major goals and plans for the balance of the two-year period. The City continues to budget conservatively, preparing itself for unforeseen or uncontrollable economic events that may adversely impact the operating budget.

Factors impacting the City in Fiscal Year 2017/18 include flat oil production related revenues, slowing auto sales and a drop in business-to-business office supply sales. The ongoing need to fund state mandated stormwater quality National Pollutant Discharge Elimination System (NPDES) projects and programs will continue to burden the budget in future years. However, new state and county transportation tax revenues, potential economic development activity and investments being made by auto dealers in the Signal Hill Auto Center may help mitigate these factors in the long-term. Therefore, although a slight increase in revenues is anticipated in Fiscal Year 2017/18, adjustments to planned expenditures have been made because revenues are now expected to be lower than originally estimated in the two-year FY 2016-18 budget. The Fiscal Year 2017/18 budget also includes nearly $1 million to fund environmental programs aimed at meeting state mandated environmental regulations.

Although economic forecasts remain positive in the short-term, the impacts of decreased sales taxes and other revenue sources affected by economic factors could result in decreased available resources to the General Fund. As a prudent measure, the City Council continued using conservative revenue projections and retained the balances in its General Fund Reserve, Economic Uncertainties Reserve, CalPERS Reserve, Capital Improvement Reserve, and Equipment Reserve Funds.

Budgetary Process and Administration

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.

Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level, except as approved in advance by the City Council.

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.

The City Council approves all significant budgetary changes.

General Fund Revenues and Expenditures

The City's General Fund Budget includes programs which are provided on a largely city-wide basis. The programs and services are financed primarily by the City's share of property tax, sales tax, revenues from the State, and charges for services provided.

Revenues

The revenues in Table No. 9 that follows are categorized as:

- Taxes, detailed in "TABLE NO. 14 - TAX REVENUES BY SOURCE," which includes general property tax (and property tax in lieu of vehicle license fees), sales tax, oil production tax, transient occupancy tax, franchise tax (cable, utility, trash), and other taxes such as business license tax;

- Licenses and Permits, which includes business licenses renewals, construction building permits, oil production permits, and dog licenses;

- Intergovernmental Revenue;

- Charges for Services, comprised of towing, charges for special police service, and other charges such as plan checking, building inspection and other municipal services, recreation fees, municipal code violations and library fines, NPDES trash fees and trash hauler fees;

- Fines and Penalties, which includes court fines and parking citations;

- Revenue from Use of Money and Property, which includes interest income and rental income; and

- Miscellaneous Revenue.

The largest components of Fiscal Year 2017/18 General Fund budgeted revenues are sales tax (71.1%) and property tax, including property tax in-lieu of motor vehicle license fees and Successor Agency residual property tax (8.9%).

Expenditures

The expenditures in Table No. 9 that follows are categorized by governmental function. Each function generally includes salaries and benefits, materials and supplies, and capital outlay, if any.

Salaries and Benefits include direct personnel costs, benefits, health insurance costs and workers' compensation and unemployment insurance costs. Materials and supplies include non-personnel operating costs and contract professional services.

The City has a police department. Public safety expenditures represent approximately 43% of the total budgeted General Fund expenditures for Fiscal Year 2017/18.

Budget and Actual Comparisons

A comparison of the actual results for Fiscal Years 2014/15, 2015/16 and 2016/17 and the Fiscal Year 2017/18 Budget is shown in Table No. 9. Historical General Fund activity is shown in Table Nos. 16 and 17.

TABLE NO. 9
CITY OF SIGNAL HILL
GENERAL FUND REVENUES AND EXPENDITURES

	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	$ Change [1]	% Change [1]
Revenues:						
Property taxes	$ 1,797,025	$ 1,916,481	$ 1,802,205	$ 1,894,413	$ 86,979	4.8%
Sales and use tax [2]	11,186,100	16,904,325	14,597,400	15,194,341	596,941	4.1%
Other taxes	2,230,337	2,003,208	1,603,503	1,650,000	46,497	2.9%
Licenses and permits	410,549	369,713	374,207	398,910	24,703	6.6%
Intergovernmental revenues	146,993	85,038	58,295	52,200	1,939	3.9%
Charges for services	737,660	760,458	757,361	731,644	(25,718)	(3.4)%
Fines and penalties	300,971	325,742	288,478	232,200	53	0.0%
Revenue from Use of Property	730,661	687,971	748,403	797,000	49,941	6.7%
Miscellaneous revenues	2,048,216 [3]	45,821	311,493	25,000	(286,493)	(92.0)%
Transfers In/Other Financing Sources	402,944	128,473	-	392,000	16,800	4.5%
Total Revenue	19,991,456	23,227,230	20,541,345	21,367,708	511,642	2.5%
Expenditures:						
General government	4,473,819	3,940,281	4,878,106	4,843,080	230,593	5.0%
Community services	1,256,380	1,474,454	1,575,923	1,520,102	(88,567)	(5.5)%
Police	7,604,732	8,753,988	8,816,553	9,094,730	13,316	0.1%
Community development	755,645	795,092	682,454	932,650	236,192	33.9%
Public works	3,582,788	3,807,881	3,976,304	4,547,275	513,574	12.7%
Capital Outlay	149,959	91,786	90,218	-	-	0.0%
Debt service	-	17,027	17,028	-	-	0.0%
Transfers Out	489,847	494,812	339,478	292,200	(46,062)	(13.6)%
Total Expenditures	18,313,170	19,375,321	20,376,064	21,230,037	859,046	4.2%
Net Change in Fund Balances	1,678,286	3,851,909	165,281	137,671		
Beginning Committed/Unassigned Fund Balance	20,273,256	21,865,721	26,386,745	23,482,117 [4]		
Prior Period Adjustment	-	1,331,535	-	-		
Change in Restricted Fund Balance	(85,821)	(662,420)	(3,069,909)	-		
Ending Committed/Unassigned Fund Balance	$21,865,721	$26,386,745	$23,482,117	$23,619,788		

[1] Change between 2016/17 actual and 2017/18 budget.

[2] Certain sales tax incentive payments are used to offset revenue. In Fiscal Year 2014/15, such incentive amounts were overstated and corrected in a subsequent year. See "Local Taxes" herein.

[3] Includes a one-time insurance settlement.

[4] As adjusted for actual results for 2016/17.

Source: City of Signal Hill.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a $20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of l½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of l½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Taxable Property and Assessed Valuation. Set forth in Table No. 10 are historical assessed valuations for secured and unsecured property within the City. Article XIIIA of the California Constitution prescribes the method for determining the full cash value of real property and the maximum ad valorem tax on real property. The full cash value, once established, is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the California Consumer Price Index. There may also be declines in valuations if the California Consumer Price Index is negative.

Proposition 8 provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The City did not experience any significant Proposition 8 reductions in property values during the recent recession, although assessed value remained level between 2011 and 2013, after a reduction of 4% in 2010. See "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Article XIIIA" and "- Proposition 8 Adjustments" herein.

TABLE NO. 10
CITY OF SIGNAL HILL
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in $ Thousands)

Fiscal Year	Secured	Unsecured	Total	% Change
2008/09	$1,949,480	$129,102	$2,078,582	
2009/10	1,876,751	119,511	1,996,262	(4.0)%
2010/11	1,870,010	123,924	1,993,934	(0.1)%
2011/12	1,883,228	127,728	2,010,956	0.9%
2012/13	1,928,495	120,212	2,048,707	1.9%
2013/14	1,986,289	134,440	2,120,729	3.5%
2014/15	2,143,652	138,597	2,282,249	7.6%
2015/16	2,272,989	128,996	2,401,985	5.2%
2016/17	2,298,278	129,041	2,427,319	1.1%
2017/18	2,364,631	135,981	2,500,612	3.0%

Note: These values are reported by the County of Los Angeles after the tax roll is equalized and may be different than values shown as of June 30 each fiscal year in the statistical section of the City's Comprehensive Annual Financial Report.

Source: County of Los Angeles Auditor-Controller.

Largest Taxpayers. The principal property taxpayers for Fiscal Year 2016/17 are as shown in Table No. 11.

TABLE NO. 11
CITY OF SIGNAL HILL
LARGEST PROPERTY TAXPAYERS
(in $ Thousands)

Taxpayer	Assessed Valuation	Percent of Total
Signal Hill Petroleum, Inc.	$153,791	6.40%
Long Beach Acquisition Corp.	38,504	1.60%
PL Signal Hill LP	35,741	1.49%
LBSH Parcel 1 LLC	28,703	1.19%
Town Center West I LLC Et Al	26,257	1.09%
Costco Wholesale Corporation	23,247	0.97%
Tesoro Logistics Operations LLC	18,590	0.77%
Executive Complex LP	17,783	0.74%
Home Depot USA, Inc.	17,368	0.72%
VNO TRU Cherry Avenue LP	15,334	0.64%
Total	$375,318	15.63%

Source: City of Signal Hill.

Property Tax Collections. Property tax levies and collections for the City are set forth in Table No. 12. The County has not adopted the Teeter Plan.

TABLE NO. 12
CITY OF SIGNAL HILL
TAX LEVIES AND COLLECTIONS [1]

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy: Amount	Collections within the Fiscal Year of the Levy: Percentage of Levy
2012	$13,836,416	$13,644,860	98.62%
2013	14,251,099	14,060,300	98.66%
2014	14,434,912	14,434,912	100.00%
2015	15,725,976	13,453,645	85.55%
2016	16,337,411	13,950,475	85.39%
2017	16,156,292	13,397,825	82.93%

[1] Includes City property taxes and redevelopment agency tax increment, prior to any passthroughs to other agencies. Los Angeles County does not report detail of prior years' collections.

Source: City of Signal Hill and Los Angeles County Auditor-Controller.

Redevelopment - Related Property Tax Considerations. The California Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area was formed. In effect, local taxing authorities, such as the City, realized tax revenues only on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project. Although Assembly Bill No. 26 ("AB X1 26"), enacted on June 29, 2011 as Chapter 5 of Statutes of 2011, statutorily dissolved redevelopment agencies as of February 1, 2012, the enforceable obligations of dissolved redevelopment agencies continue to be paid from property taxes derived from such incremental value until the enforceable obligations are paid in full in accordance with Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as such statutory provisions may be amended from time to time the "Dissolution Act").

There was 1 redevelopment project formed in the City. Table No. 13 sets forth total assessed valuations and redevelopment agency incremental values.

TABLE NO. 13
CITY OF SIGNAL HILL
TOTAL AND NET PROPERTY TAX VALUATIONS
(in $ Thousands)

Fiscal Year	Total Assessed Valuation	Redevelopment Agency Incremental Value	Net Value	Percent Change
2013/14	$2,120,729	$1,390,640	$730,089	
2014/15	2,282,249	1,523,212	759,037	4.0%
2015/16	2,401,985	1,574,837	827,148	9.0%
2016/17	2,427,319	1,556,441	870,878	5.3%
2017/18	2,500,612	1,595,568	905,044	3.9%

Source: County of Los Angeles Auditor-Controller.

In the first year after redevelopment agencies were statutorily dissolved, the Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controller for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process is commonly known as the "due diligence review process" and was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Generally, redevelopment agencies were required to remit to their respective county auditor-controller the amount of unobligated balances determined by the State Department of Finance. In turn, such remitted unobligated balances were distributed to taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment project) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

The Dissolution Act also provides for proceeds of the sale of land owned by redevelopment agencies at the time of their statutory dissolution to be remitted to the applicable county auditor-controller for distribution to the affected taxing entities within the applicable redevelopment project area (including the City with respect to its redevelopment project) in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year.

Further, under the Dissolution Act, taxing entities within the City's redevelopment project, such as the City, are to receive distributions (in proportion to such taxing entity's share of property tax revenues in the tax rate area for the applicable fiscal year) of residual amounts of property taxes attributable to incremental value of such redevelopment project on each June 1 and January 2, after payment of: (i) tax sharing obligations established previously pursuant to the Community Redevelopment Law, (ii) enforceable obligations of the successor agency to the former redevelopment agency, and (iii) an administrative cost allowance to such successor agency. As enforceable obligations of the former redevelopment agency and its successor agency are paid and retired, residual amounts of property tax revenues attributable to redevelopment project area incremental value are expected to increase over time.

The City does not receive a significant amount of residual property tax revenue on an annual basis. In future years, the City may receive a larger one-time payment as property owned by the Successor Agency is sold. Currently such revenues are combined with all other property taxes.

Property Taxes in Lieu of Motor Vehicle License Fees. The motor vehicle license fee ("VLF") is an annual fee on the ownership of a registered vehicle in California. The City received a portion of VLF collected state-wide, until State budget changes altered the payment from a distribution of VLF to a payment of property taxes in lieu of VLF. The total amount budgeted for Fiscal Year 2017/18 is approximately $1.1 million and is shown in Table No. 14 as "Property Tax In Lieu of VLF."

Local Taxes

In addition to ad valorem taxes on real property, the City receives the following non-real estate local taxes (see "RISK FACTORS - Constitutional Limitation on Taxes and Expenditures - Proposition 218" and "-Voter-Approved Taxes" herein):

Sales and Use Taxes. Sales tax is collected and distributed by the State Board of Equalization. Each local jurisdiction receives an amount equal to 1% of taxable sales within their jurisdiction.

The figures shown in Table No. 14 for sales tax revenues include property tax that the City received in lieu of sales tax because of the "Triple Flip." On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the Fiscal Year 2002/03 and Fiscal Year 2003/04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through a process dubbed the "Triple Flip."

Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction was redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for property taxes in the Educational Revenue Augmentation Fund ("ERAF") to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. The swap of sales taxes for property taxes terminated once the deficit financing bonds were repaid in September 2015. The City treated the Triple Flip property tax revenue as sales tax in its financial statements. There was a final one-time Triple Flip adjustment payment in 2015/16, of which the City received approximately $818,000.

The City has an agreement to make certain sales tax incentive payments. The payments commenced in Fiscal Year 2013/14, and such amounts are netted against gross sales tax receipts. In Fiscal Year 2014/15, the City overstated the incentive amount by $3,157,516 in its General Fund audited financial statements. The incentive payment amount shown in Table No. 14 is the incentive amount that was due to be paid. The sales tax revenue shown in Table No. 9 reflects the additional incentive payment, as recorded in the audited financial statements and corrected in a subsequent year.

The City also receives a portion of a permanent statewide ½ cent sales tax increase approved by voters in 1993 by Proposition 172. Sales tax generated by this increase is used to offset certain expenses for public safety.

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection and utility franchises.

Transient Occupancy Tax. The City levies a transient occupancy tax on hotel and motel bills. The City's current transient occupancy tax ordinance was adopted in 1985 and provides for a rate of 9%. There is no time limit established for the collection of the transient occupancy tax.

Oil Production Taxes. The City levies a tax per barrel on oil production. The rate is adjusted annually based on changes in the Producer Price Index for Crude Oil Production. The Fiscal Year 2016/17 per barrel levy was 0.667 cents. The Fiscal Year 2017/18 budget assumes 900,000 barrels will be produced. The City's current oil production tax ordinance was adopted in 1983.

Business License Taxes. The City levies a business license tax based on number of employees. The City's current business license tax ordinance was adopted in 1978.

There is no time limit established for the collection of the franchise tax, transient occupancy tax, oil production tax or business license tax. See "RISK FACTORS - The Base Rental Payments" and "Constitutional Limitation on Taxes and Expenditures - Proposition 218" herein.

A history of actual tax revenue by source are shown, together with estimates for Fiscal Year 2016/17 and the budget for Fiscal Year 2017/18 in the following table.

TABLE NO. 14
CITY OF SIGNAL HILL
TAX REVENUES BY SOURCE

	2013/14	2014/15	2015/16	2016/17	Budget 2017/18	% of 2017/18 General Fund Revenues
Property Tax including Successor Agency Residual	$ 784,724	$ 758,466	$ 823,436	$ 692,403	$ 774,503	3.6%
Property Tax In Lieu of VLF	965,058	1,038,559	1,093,045	1,109,802	1,119,910	5.2%
Total Property Tax	1,749,782	1,797,025	1,916,481	1,802,205	1,894,413	8.9%
Sales and Use Tax	16,139,127	17,777,433	20,134,911 [4]	17,600,928	18,194,341	85.1%
Sales Tax Incentive Payments [1]	(1,851,681) [2]	(3,433,817) [3]	(3,230,586)	(3,003,528)	(3,000,000)	(14.0)%
Net Sales Tax	14,287,446	14,343,616	16,904,325	14,597,400	15,194,341	71.1%
Franchise Tax	732,158	772,819	548,655	734,738	700,000	3.3%
Transient Occupancy Tax	169,427	176,211	200,941	220,086	190,000	0.9%
Oil Production Tax	1,142,855	1,132,511	1,092,517	525,727	600,000	2.8%
Business License Tax	162,278	148,796	161,095	122,952	160,000	0.7%
Total General Fund Tax Revenues	$18,243,946	$18,370,978	$20,824,014	$18,003,108	$18,738,754	87.7%

(1) The City's payments under the sales tax incentive program are used to offset revenues in the financial statements beginning in Fiscal Year 2014/15.

(2) Not used to offset sales tax revenues in the Fiscal Year 2013/14 audited financial statements, but included here for comparison purposes.

(3) In Fiscal Year 2014/15, the City overstated the incentive amount by $3,157,516 in its audited financial statements. The amount shown in Table No. 14 is the incentive amount that would have been paid, however, the sales tax revenue shown in Table No. 9 reflects the additional incentive payment, as recorded in the audited financial statements and corrected in a subsequent year.

(4) Includes one-time final Triple Flip adjustment.

Source: City of Signal Hill.

Employee Relations and Collective Bargaining

City employees are represented by 2 labor unions and associations. Currently 85% of all City employees are covered by negotiated agreements. The current agreement with the Signal Hill Police Officers' Association covers the period July 1, 2017 through June 30, 2020. This agreement provides for salary increases of 2.5% in Fiscal Year 2017/18, 1.5% in Fiscal Year 2018/19 and Fiscal Year 2019/20. However, if the CPI is greater than such percentages, salaries will increase by the CPI up to a maximum of 3% annually. The agreement with the Signal Hill Employees' Association also covers the period July 1, 2017 through June 30, 2020. This agreement provides for 1% annual increases in salary in future fiscal years. If CPI is greater than such percentages, salaries will increase by the CPI up to a maximum of 2.5% annually.

Retirement Plans

Defined Benefit Plan

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Plan Description. The City provides retirement benefits, disability benefits, periodic cost-of-living adjustments, and death benefits to plan members and beneficiaries (the "Plans"). The Plans are part of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. Benefit provisions are established by State statute and by City contracts with employee bargaining groups. The Plans as described herein cover two separate employee groups - Miscellaneous and Public Safety.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which made changes to CalPERS Plans, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired after the Implementation Date, PEPRA changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increased the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary to a maximum of 8% of salary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in Social Security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Benefit Tiers. In 2010 the City established two tiers of benefits for employees in each of the employee plans, based on date of hire ("Tier 1" and "Tier 2"). Benefits were reduced for Tier 2 employees hired on or after June 10, 2010.

Due to PEPRA, the City added a benefit tier in each employee group for employees hired after January 1, 2013 and subject to PEPRA ("PEPRA Tier"). Ultimately, PEPRA is expected to reduce the City's long-term pension obligation as existing employees retire and new employees are hired to replace them.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Tier 1	**Tier 2**	**PEPRA Tier**
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 years	5 years	5 years
Retirement Age	50 - 63	50 - 63	53 - 67
Maximum Benefit Factor	1.43% to 2.42%	1.09% to 2.42%	1.0% to 2.5%
Final Compensation	12 months	36 months	36 months
Required Employee Contribution Rates	7.0%	7.0%	6.25%
Required Employer Contribution Rates	8.88%	7.61%	6.56%

	Safety Plan		
	Tier 1	**Tier 2**	**PEPRA Tier**
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Retirement Age	50 - 55	50 - 55	50 - 57
Maximum Benefit Factor	3.0%	2.4% - 3.0%	2.0% to 2.7%
Required Employee Contribution Rates	9.0%	9.0%	12.25%
Required Employer Contribution Rates	21.23%	19.33%	12.82%

Funding Policy. Active members in the Plans are required to contribute a percent of their annual covered salary as shown in the charts above. All employees pay their own employee contributions towards retirement.

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

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follow:

Contributions – employer	$2,321,377

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 11,009,993
Safety	14,257,433
Total Net Pension Liability	$25,267,426

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Combined
Proportion - June 30, 2015	0.294832%
Proportion - June 30, 2016	0.292004%
Change - Increase (Decrease)	-0.002828%

For the fiscal year ended June 30, 2017, the City recognized pension expense of $2,156,945. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (85,821)
Changes of assumptions	-	(792,424)
Changes in employer's proportions	212,902	(376,328)
Net difference between projected and actual earnings on pension plan investments	3,983,164	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(370,973)
City contributions subsequent to the measurement date	2,532,103	-
	$6,728,169	$(1,625,546)

The $2,532,103 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2018	$ (210,065)
2019	(78,190)
2020	1,823,958
2021	1,034,817
Total	$(2,570,520)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The total pension liabilities in the June 30, 2015 actuarial valuations, rolled forward to June 30, 2016, using standard update procedures, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service(1)
Payroll Growth	3.00%
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by entry age and service.

(2) Net of pension plan investment and administrative expenses, including inflation.

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of mortality improvement using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 Experience Study.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study ("Experience Study") for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Recent Changes in Actuarial Assumptions. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.50%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3% to 2.75%

On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the City about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' Fiscal Year 2009 market losses) of the City's plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes are reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

On February 19, 2014, the CalPERS Board approved changes to actuarial assumptions and methods based upon a recently completed experience study. These changes include: moving from using smoothing of the market value of assets to obtain the actuarial value of assets to direct smoothing of employer contribution rates; increased life expectancy; changes to retirement ages (earlier for some groups and later for others); lower rates of disability retirement; and other changes.

On December 21, 2016, the CalPERS Board of Administration approved an incremental lowering of the discount rate from 7.5% to 7.0% over the next three Fiscal Years. For Fiscal Years 2017/18, 2018/19 and 2019/20, the Board of Administration approved discount rates of 7.375%, 7.25% and 7.0%, respectively. While the full impact of the discount rate changes on the City is not yet clear, CalPERS expects such changes to increase average employer rates by approximately 1% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans and by approximately 2% to 5% for most safety plans. CalPERS also expects the discount rate changes to result in increased unfunded accrued liability payments for employers, and estimates that many employers will see such payments increase by 30% to 40%. Based on the revised discount rates, over the next seven years the City expects its annual payments to increase by 80% compared to the amount paid in Fiscal Year 2017/18.

Pension Liabilities. The City's proportional share net pension liability for the Plans is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2016, using the annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's changes in net pension liability for the Plans between June 30, 2015 and 2016 was as follows:

	Measurement Date June 30, 2015 Fiscal Year 2015-16 **Combined**	Measurement Date June 30, 2016 Fiscal Year 2016-17 **Combined**
Proportion of the net pension liability	0.294832%	0.292004%
Proportionate share of the net pension liability	$ 20,237,038	$ 25,267,426
Covered-employee payroll (1)	7,098,450	7,710,519
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	285.09%	327.70%
Plan's fiduciary net position	24,907,305,871	24,705,532,291
Plan's total pension liability	31,771,217,402	33,358,627,624
Plan fiduciary net position as a percentage of total pension liability	78.40%	74.06%

(1) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Note: Since June 30, 2015, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expense.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liability, calculated using the discount rate of 7.65%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.65%) or 1% higher (8.65%) than the current rate:

	Miscellaneous	Safety
Net Pension Liability 1% Decrease in Discount Rate to 6.65%	$16,952,145	$21,078,453
Net Pension Liability at June 30, 2016 Discount Rate of 7.65%	11,009,993	14,257,433
Net Pension Liability 1% Increase in Discount Rate to 8.65%	6,099,100	8,658,075

See Note 9 of the City's Comprehensive Annual Financial Report included in "APPENDIX B" for further information about the Plan.

Defined Contribution Plans

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under CalPERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.3% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of the plan or date of employment, whichever is later, and all contributions are fully vested.

On May 15, 2001, the City Council authorized establishment of a 401(a) Defined Contribution Plan (the Defined Contribution Plan) for its management and middle management employees. The Defined Contribution Plan is administered by a third-party administrator independent of the City. The Defined Contribution Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Management and middle management employees will place their City-paid contributions which total 4% and 3%, respectively, of salary into the Plan. Management employees are required to match the 4% City contribution with an 8% employee contribution, and middle management employees are required to match the 3% City contribution with a 6% employee contribution.

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

Other Post Employment Benefits

Plan Description. The City provides retiree medical benefits. Employees are eligible for retiree health benefits if they retire from the City and meet certain parameters with respect to date of hire retirement age, and years of service. Membership of the plan consisted of 102 eligible active employees and 98 enrolled eligible retirees at June 30, 2017.

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, 2017, the City contributed $718,446. 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 $718,446.

The City's net other post employment benefit ("OPEB") liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016	$11,385,540	$1,711,448	$9,674,092
Changes in the fiscal year:			
Service Cost	86,566	-	86,566
Interest on the Total OPEB Liability	719,524	-	719,524
Contribution from the Employer	-	718,446	(718,446)
Contribution from the Employees	-	-	-
Net Investment Income	-	154,005	(154,005)
Benefit Payments	(718,446)	(718,446)	-
Administrative Expenses	-	(11,107)	11,107
Net Changes	87,644	142,898	(55,524)
Balance at June 30, 2017	$11,473,184	$1,854,346	$9,618,838

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

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (Asset)	$10,889,088	$9,618,838	$8,556,194

Actuarial Methods and Assumptions. The total OPEB liability in the July 1, 2017 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 do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

The mortality assumptions are based on tables created by CalPERS. 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic and International Equities	45.0%	7.652%
Corporate Bonds	45.0%	5.125%
Real Estate	10.0%	8.000%
Total	100.0%	

Deferred Compensation Plan

The City offers all of its employees a deferred compensation plan (the Deferred Compensation Plan) created in accordance with Section 457 of the Internal Revenue Code. The Deferred Compensation Plan permits employees to defer a portion of their salary until future years. The deferred compensation may be withdrawn upon termination or retirement. The City makes some limited matching contributions to the Plan. Employees direct the investment of plan assets into certificates of deposits and various mutual funds. As of June 30, 2017, the Deferred Compensation Plan's assets were on deposit with a third-party administrator independent of the City. For the Fiscal Year ended June 30, 2017, the employees contributed $382,673 and the City contributed $89,761 to the Deferred Compensation Plan.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (the "CJPIA"). CJPIA is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

General Liability. The overall CJPIA coverage limit for each member is $50 million per occurrence. Losses are pooled among members to $2 million (i.e., self-insured retention) per occurrence, with reinsurance to $20 million and excess insurance to $50 million. The reinsurance contracts have additional pooled retentions.

Workers Compensation. The City also participates in the workers compensation pool administered by the CJPIA. Employer's liability losses are pooled among members to $2 million (i.e., self-insured retention). Coverage from $2 million to $5 million is purchased as part of a reinsurance policy. Further losses from $5 million to $10 million are also pooled among members.

Environmental Insurance. The City participates in the pollution legal liability insurance program, which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has a limit of $50 million for the three-year period from July 1, 2017 through July 1, 2020. Each member of the CJPIA has a $10 million limit during the three-year term of policy.

Property Insurance. The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is $47,500,761. There is a $5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City currently participates in the earthquake property protection program of the CJPIA for some of its property. Total property insurance coverage is $23,740,615, with a deductible of 5% per unit of value with a minimum deductible of $100,000.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. Under the City's investment policy dated July 25, 2017, and in accordance with the Government Code, the City may invest in the following types of investments subject to certain limitations on maturity and amount:

> U.S. Treasury issues, Federal Agency issues, Bankers Acceptances, Certificates of Deposit, Negotiable Certificates of Deposit, Local Agency Investment Fund (LAIF), Passbook Savings Account, Money Market Account, County Pooled Funds, Repurchase Agreements, Commercial Paper, Medium Term Corporate Notes and Mutual Funds.

As of September 30, 2017, the market value of the City Treasurer's investment portfolio (excluding funds deposited in checking accounts and held under bond indentures) was $38,559,574. The diversification of the City Treasurer's investment portfolio assets as of such date is shown in the following table.

Type of Investment	% of Combined Portfolio
LAIF	86.4%
Federal Agencies	2.6
Negotiable Certificates of Deposit	11.0
	100.0%

The weighted average maturity of the investment portfolio was 105 days.

Obligations of the City

In addition to the Bonds, the City has entered into equipment leases. Currently, the total payments remaining are $38,000, payable over the next 24 months. The City's net pension liability, net OPEB liability, and compensated absences total $29.6 million and have no fixed term. There is no additional indebtedness as of June 30, 2017 payable from the City's General Fund, exclusive of obligations to be paid from specifically pledged revenues, such as water revenue bonds and tax allocation bonds.

Financial Statements

The City's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by the National Council of Government Accounting and the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The City retained the firm of Moss, Levy & Hartzheim LLP, Certified Public Accountants, Culver City, California, to examine the general purpose financial statements of the City as of and for the year ended June 30, 2017. The following tables summarize the audited Balance Sheet and audited Statement of Revenues, Expenditures and Changes in Fund Balance of the City's General Fund for Fiscal Years 2012/13 through 2016/17.

See "APPENDIX B" hereto for the audited financial statements for the fiscal year ended June 30, 2017. The City has not requested, and the auditor has not provided, any review or update of such statements in connection with the inclusion in this Official Statement.

GASB Statement No. 54. The City was required to implement GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, for the Fiscal Year ending June 30, 2011. GASB No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, which are amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. GASB No. 54 also provides for additional classification as "restricted," "committed," "assigned," and "unassigned" based on the relative strength of the constraints that control how specific amounts can be spent.

The following table shows General Fund “committed” and “unassigned” fund balances as of June 30, 2016 and 2017:

	June 30, 2016	June 30, 2017
Committed:		
Economic Uncertainty	$ 5,081,972	$ 5,081,972
Capital Improvements	1,514,182	1,430,882
CalPERS Rate Increases	1,487,225	1,987,225
Library Expansion	23,122	3,728,122
Building and Land Acquisition	3,612,995	1,879,448
OPEB Future Cost	1,121,444	1,121,444
Insurance Premium Increases	435,972	435,972
Other	883,015	1,297,174
Total Committed	14,159,927	16,962,239
Unassigned	12,226,818	6,519,878
Total Committed/Unassigned	$26,386,745	$23,482,117

GASB Statements No. 68 and 71. Reporting obligations under GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (“GASB No. 68”), and GASB Statement No. 71 - Pension Transitions for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68, commenced with financial statements for Fiscal Year 2014/15. Under GASB No. 68, an employer reports the net pension liability, pension expense and deferred outflows/deferred inflows related to pensions in its financial statements as part of its financial position. The result of the implementation of these standards was to decrease the governmental activities net position at July 1, 2014 by $21.8 million and to decrease the business-type activities net position at July 1, 2014 by $1.2 million. The audited financial statements of the City for the Fiscal Year ended June 30, 2016 included in “APPENDIX B” contain additional information about the retirement liability and the application of GASB No. 68.

See Notes 1 in the City’s audited financial statements attached in “APPENDIX B” for a discussion of additional accounting changes.

TABLE NO. 16
CITY OF SIGNAL HILL
GENERAL FUND BALANCE SHEET
As of June 30

	2013	2014	2015	2016	2017
ASSETS:					
Cash and investments	$17,489,000	$19,348,181	$19,581,804	$21,181,973	$22,527,676
Accounts receivable	2,308,006	2,220,500	2,621,966	313,931	466,627
Accrued interest receivable	20,689	14,465	35,386	65,927	134,111
Due from other funds	778,845	2,391,692	2,813,985	2,894,795	849,729
Due from other governments	1,651,170	1,935,742	2,132,830	5,525,020	3,371,450
Receivable from Successor Agency	7,762,272	7,762,272	7,762,272	7,762,272	7,762,272
Prepaid items	292	5,292	5,292	72,973	980,133
Advances to other funds	-	-	-	594,739	2,757,488
Restricted Assets:					
Cash and Investments	-	-	13,305	13,305	13,305
Total assets	$30,010,274	$33,678,144	$34,966,840	$38,424,935	$38,860,791
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 530,306	$ 775,681	$ 640,153	$ 482,975	$ 607,820
Accrued liabilities	1,089,201	2,082,716	875,501	1,679,072	1,874,117
Deposits payable	-	-	839,409	659,663	599,215
Unearned Revenue	1,023,679	843,185	-	355,870	128,937
Total liabilities	2,643,186	3,701,582	2,355,063	3,177,580	3,210,089
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues	1,771,293	2,008,258	2,965,187	417,321	655,387
FUND BALANCES:					
Nonspendable	7,690,048	7,695,048	7,767,564	8,429,984	11,499,893
Restricted	-	-	13,305	13,305	13,305
Committed	10,820,340	12,662,293	20,587,931	14,159,927	16,962,239
Unassigned	7,085,407	7,610,963	1,277,790	12,226,818	6,519,878
Total fund balances (deficit)	25,595,795	27,968,304	29,646,590	34,830,034	34,995,315
Total liabilities, deferred inflows of resources and fund balances	$30,010,274	$33,678,144	$34,966,840	$38,424,935	$38,860,791

Source: City of Signal Hill Comprehensive Annual Financial Report.

TABLE NO. 17
CITY OF SIGNAL HILL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30

	2013	2014	2015	2016	2017
Revenues:					
Property taxes	$ 2,507,600	$ 1,749,782	$ 1,797,025 [(1)]	$ 1,916,481	$ 1,802,205
Sales and use tax	12,156,967	14,287,446	11,186,100	16,904,325	14,597,400
Other taxes	2,073,783	2,206,718	2,230,337	2,003,208	1,603,503
Licenses and permits	327,461	359,988	410,549	369,713	374,207
Intergovernmental revenues	111,995	96,611	146,993	85,038	58,295
Charges for services	513,057	826,628	737,660	760,458	757,361
Fines and forfeitures	366,712	297,675	300,971	325,742	288,478
Investment income	40,995	843,979	730,661	687,971	748,403
Other revenues	665,697	67,304	2,048,216 [(2)]	45,821 [(3)]	311,493
Total revenues	18,764,267	20,736,131	19,588,512	23,098,757	20,541,345
Expenditures:					
Current:					
General government	3,766,714	5,450,810	4,473,819	3,940,281	4,878,106
Community services	1,218,702	1,319,616	1,256,380	1,474,454	1,575,923
Police	7,081,952	7,614,878	7,604,732	8,753,988	8,816,553
Community development	768,396	815,210	755,645	795,092	682,454
Public works	3,670,583	3,850,962	3,582,788	3,807,881	3,976,304
Capital Outlay	5,602	201,888	149,959	91,786	90,218
Debt service	-	-	-	17,027	17,028
Total expenditures	16,511,949	19,253,364	17,823,323	18,880,509	20,036,586
Excess (deficiency) of revenues over (under) expenditures	2,252,318	1,482,767	1,765,189	4,218,248	504,759
Other financing sources (uses):					
Transfers in	324,383	1,166,970	327,387	128,473	-
Transfers out	(775,036)	(277,228)	(489,847)	(494,812)	(339,478)
Increase in obligation under capital lease	-	-	75,557	-	-
Total other financing sources (uses)	(450,653)	889,742	(86,903)	(366,339)	(339,478)
Net change in fund balances before extraordinary item	1,801,665	2,372,509	1,678,286	3,851,909	165,281

Continued on next page.

(1) Sales tax incentive payments were overstated in Fiscal Year 2014/15. See "Other Local Taxes."

(2) Includes insurance settlement of $1.2 million.

(3) The Successor Agency administrative reimbursement for Fiscal Year 2015/16 is recorded in a subsequent year.

TABLE NO. 17
CITY OF SIGNAL HILL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30

Continued from previous page.

	2013	2014	2015	2016	2017
Extraordinary item:					
Gain (loss) on asset transfer to Successor Agency	(3,810,244)	-	-	-	-
Net change in fund balances:	(2,008,579)	2,372,509	1,678,286	3,851,909	165,281
Fund balances at beginning of fiscal year	27,604,374	25,595,795	27,968,304	29,646,590	34,830,034
Prior period adjustments	-	-	-	1,331,535 [(1)]	-
Fund balances at beginning of fiscal year as restated	27,604,374	25,595,795	27,968,304	30,978,125	34,830,034
Fund balances at end of year	$25,595,795	$27,968,304	$29,646,590	$34,830,034	$34,995,315

(1) Relates to the sales tax incentive restatement in Fiscal Year 2015/16.

Source: City of Signal Hill Comprehensive Annual Financial Report.

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

The Base Rental Payments

Base Rental Payments are Limited Obligations of the City. The Base Rental Payments and other payments due under the Lease (including all utility services supplied to the Leased Property, the cost of operation of the Leased Property, and the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City) are not secured by any pledge of taxes or other revenues of the City but are payable from yearly appropriations of any funds lawfully available to the City. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other services before paying Base Rental Payments and other payments due under the Lease. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues (see "Constitutional Limitation on Taxes and Expenditures" below). To the extent these types of events or other events adversely affecting the funds available to the City occur in any year, the funds available to pay Base Rental Payments may be decreased.

The City has entered into other obligations which constitute additional charges against its revenues and may enter into additional obligations in the future. To the extent that additional obligations are incurred by the City, the funds available to the City to pay Base Rental Payments may be decreased (see "FINANCIAL INFORMATION - Obligations of the City" herein).

Abatement. Except to the extent that amounts are available (i) in the Lease Revenue Fund under the Indenture, (ii) from proceeds of rental interruption insurance, or (iii) as payments due from third parties due to a delay in reconstructing the Leased Property, the amount of Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation of the Leased Property or defects in the title with respect to the Leased Property there is substantial interference with the use and possession of all or a portion of the Leased Property by the City. The amount of such abatement shall be such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged, destroyed or taken in condemnation proceedings, as evidenced by a Certificate of the City. Such abatement shall continue for the period commencing with the date of such interference and ending with the restoration of the Leased Property to tenantable condition.. The Lease shall continue in full force and effect following an event of abatement and the City waives any right under law to terminate the Lease by virtue of an abatement event.

In the event that such funds are insufficient to make all payments due on the Bonds during the period that the Leased Property, or any portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. Failure to pay principal or interest with respect to the Bonds as a result of abatement of the City's obligation to make Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely - since the Lease does not require earthquake or flood insurance and although the City currently maintains earthquake insurance with respect to the Police Building, damage from earthquakes may not be covered in future years - and the City cannot be compelled to repair or replace the damaged Leased Property or to redeem the Bonds but has covenanted in the Lease to use its best efforts to repair or replace the Leased Property from other lawfully available funds to the extent that the Net Proceeds are insufficient. See "APPENDIX A -

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Abatement of Base Rental Payments in Event of Loss of Use."

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental Payments and the application of other funds in the event of the City's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the City may not be sufficient to pay all of the remaining principal of and interest on the Bonds.

Insurance. The Lease obligates the City to obtain and keep in force various forms of insurance to assure repair or replacement of the Leased Property in the event of damage or destruction to the Leased Property and to maintain rental interruption insurance in an amount equal to maximum annual Base Rental Payments in any 24 months (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE - Insurance" herein). The Lease does not require earthquake insurance. See "Natural Hazards" below. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease. In addition, certain risks may not be covered by such property insurance (see "SOURCES OF PAYMENT FOR THE BONDS - Insurance Relating to the Property" herein).

In the event the Leased Property is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Base Rental Payments will be partially or completely abated. If any Leased Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could prevent the City from timely paying Base Rental Payments.

Discovery of a Hazardous Substance That Would Limit the Beneficial Use of the Leased Property. In general, the owners and lessees of a parcel may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 sometimes referred to as CERCLA or the Superfund Act, is the most well-known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or lessee) is obligated to remedy a hazardous substance condition of property whether or not the owner (or lessee) had any involvement in creating or handling the hazardous substance. The effect, therefore, should the Leased Property be affected by a hazardous substance, might be to limit the beneficial use of the Leased Property upon discovery and during remediation. The City is not aware of any such condition on the Leased Property.

Natural Hazards

Seismic Activity. According to the Safety Element of the City's General Plan, there are several significant regional faults and fault zones that do not pass through the City, but that could have significant groundshaking effects. The most prominent fault feature in this category is the San Andreas, a major strike-slip feature that passes about 44 miles northeast of the general study area, and is recognized as being capable of Richter-Magnitude 8.0+ earthquakes. The San Fernando Fault located 30 miles to the northwest was the source of a 6.6 magnitude earthquake in 1971, which was felt throughout the Los Angeles basin. Other major faults and associated Richter Magnitudes of historic earthquakes with the faults in the vicinity include the Whittier-Elsinore Zone, 15 miles to the northeast, 5.0; the Sierra Madre Zone, 21 miles to the north, 6.4; and the Norwalk fault, 4 miles to the northeast, 5.0.

Further, according to the Safety Element, major active faults represent the most likely location for future fault rupture. The Newport-Inglewood Fault System cuts diagonally across the marine terrace in Signal Hill. It is the most significant seismic feature in the Signal Hill area and is considered seismically active. The 1933 Long Beach earthquake (5.4 magnitude) resulted from activity along this fault. Several other faults are traceable in the subsurface within the City and vary in potential activity. Earthquakes associated with this fault system will not necessarily cause surface rupture; however, if fault movement were to occur, such movement would be expected to cause severe damage to overlying structures.

The City makes no representation regarding the impact that a future seismic event may have on the Leased Property. The City is not required to maintain earthquake insurance with respect to the Police Building. Therefore, although the City currently maintains earthquake insurance with respect to the Police Building, damage from earthquakes may not be covered in future years. The City's current insurance policy limit for property damage of all City facilities from earthquake is $26 million per occurrence. It is possible that if there were damage to numerous City facilities from an earthquake or flood and the damage was greater than $26 million, the City might choose to apply available insurance proceeds to other City facilities before repairing the Leased Property.

A major earthquake could cause widespread destruction and significant loss of life in a populated area such as the City. If an earthquake were to substantially damage or destroy taxable property within the City, a reduction in taxable values of property in the City and a reduction in revenues available to the General Fund to make Base Rental Payments would be likely to occur. Seismic activity may also reduce or eliminate the use and occupancy of the Leased Property by the City. There is no assurance that, in the event of a natural disaster, sufficient City reserves or Federal Emergency Management Agency assistance would be available for the repair or replacement of any Leased Property.

Fire Hazards. Oil storage represents a major industry in the City, and the numerous oil wells and storage tank farms in the City are a potential threat to existing structures. Close proximity of industrial, commercial and residential land uses to oil field facilities increases the possible danger. According to the Safety Element of the City's General Plan, storage of flammable and combustible materials increases the potential for fire and explosion. At present, there are in the City approximately 349 producing oil wells, storage facilities capable of holding approximately 2 million barrels of flammable liquid ranging from raw crude oil to highly flammable gasoline and liquids and an estimated 1,000 miles of underground piping used for transference of these liquids. Adjacent to the northeastern City boundary, south of the San Diego Freeway, are the Long Beach Gas Department's natural gas storage tanks with a capacity of 10,000,000 cubic feet.

The greatest potential hazard is represented by large natural gas mains owned by Long Beach Gas Company and Southern California Gas Company that traverse the City beneath major roadways. If major pipeline ruptures occur, automatic shut-off devices fail, and weather conditions are correct, an entire block could be engulfed with natural gas before igniting.

In addition to the fire hazard imposed by oil wells and storage, properties in the City could be subject to fire danger to due drought or other natural conditions. In recent months, fires caused by natural conditions have occurred throughout Southern California and have caused extensive property damage.

The City has adopted its Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk and is required to comply with FEMA requirements for disaster relief funding.

If such events described above occur, the City's emergency response to such an event may add unanticipated expenditures to the General Fund budget, some or all of which may not be reimbursed by federal or state disaster funding, and, if reimbursed, may not be received by the City in a timely manner. This could lead to reduced ability by the City to make Base Rental Payments. Such event could also result in substantial damage to properties in the City, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their property taxes or of businesses to operate and generate sales tax.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the City and the Municipal Advisor believe to be reliable; however, neither the City nor the Municipal Advisor guarantees the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable by or the responsibility of the State of California.

State Budget. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget to the State Legislature (the "Legislature") by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2010/11, the State budget had to be adopted by a two-thirds vote of each house of the Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

Potential Impact of State of California Financial Condition on the City. During the most recent recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the State there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and unfunded long-term liabilities of more than $200 billion related to pensions and other post-retirement benefits. These risks and financial pressures could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources.

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

State Legislative Shifts of Property Tax Allocation. From time to time, the State has realigned certain property tax revenue to deal with its budget problems. Since 1992/93, the State has required that local agencies including cities remit a portion of property taxes received to augment school funding. These funds are deposited in each county's Education Revenue Augmentation Fund ("ERAF"). These property taxes (approximately 17.5%) are permanently excluded from the City's property tax revenues.

On July 24, 2009, the Legislature approved amendments to the 2009/10 Budget to close its anticipated $26.3 billion budget shortfall. The approved amendments included borrowing from local governments by withholding of the equivalent of 8% of Fiscal Year 2008/09 property related tax revenues from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State was required to repay with interest within three years. The first (and to date, only) shift occurred in Fiscal Year 2009/10. The City's share of the withholding was $355,977. Fiscal Year 2012/13 was the first year that another shift was allowable, but the State has not implemented another borrowing yet.

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the Fiscal Year 2002/03 and Fiscal Year 2003/04 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction were redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provided for property taxes in the ERAF to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provided for schools to receive other state general fund revenues. The swap of sales taxes for property taxes terminated once the deficit financing bonds were repaid in September 2015. The City treated the Triple Flip property tax revenue as sales tax in its financial statements.

The City also received a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." The State VLF backfill was phased out and as of 2011/12 all of the VLF is now received through an in lieu payment from State property tax revenues.

Limited Recourse on Default; No Acceleration

If an event of default occurs and is continuing under the Lease, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. The City will continue to be liable for Base Rental Payments as they become due and payable in accordance with the Lease if the Trustee does not terminate the Lease, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest. In addition, the enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time-consuming.

The Lease permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the City under the Lease. Even if the Trustee could readily re-lease the Leased Property, the rents may not be sufficient to enable it to pay principal of and interest on the Bonds in full when due. Any such re-leasing of the Leased Property would be subject to existing encumbrances thereon. In addition, since the Police Building is used for essential governmental services of the City, no assurances can be given that a court would permit the Authority or the Trustee to exercise the remedies which are granted under the Lease to re-enter and re-let the Leased Property. See "THE LEASED PROPERTY" herein.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against cities, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy of the City" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the Bonds, the Indenture, the Site Lease, the Lease, the Assignment Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities and counties in the State. See "Bankruptcy of the City" below.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the City, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the City. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the City could thus limit remedies under the Lease Agreement. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease Agreement. However, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Indenture. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Base Rental Payments, for the benefit of the Owners of the Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the City. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of the Owners of the Bonds. In the event of a bankruptcy filed by the City and the subsequent rejection of the Lease by the City, the Trustee is entitled to recover possession of the Leased Property, although as discussed above no assurances can be given that a Court would permit such action to be taken by the Trustee due to the essential governmental purposes served by the Leased Property. In addition, the Trustee would have a claim for damages against the City, although such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan (the "Plan of Adjustment") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Bonds, which Plan of Adjustment may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Bonds if the Bankruptcy Court finds that the Plan of Adjustment is fair and equitable and in the best interests of creditors.

In a bankruptcy of the City, if a material unpaid liability is owed to CalPERS or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the City's ability to make Base Rental Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a City bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled as issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including the Cities of Stockton and San Bernardino.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Bonds if the Bankruptcy Court finds that the Plan is fair and equitable. In a bankruptcy the Authority could challenge the assignment of the Site Lease and the Lease, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues to protect their interests.

Constitutional Limitation on Taxes and Expenditures

State Initiative Measures Generally. Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Voters have exercised this power through the adoption of Proposition 13 ("Article XIIIA") and similar measures, such as Propositions 22 and 26 approved in the general election held on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease.

Article XIIIA. Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances. There may also be declines in valuations if the California Consumer Price Index is negative.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and prepayment charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, to not include the purchase or transfer of (1) real property between spouses, and (2) the principal residence and the first $1,000,000 of other property between parents and children. Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same city, to transfer the old residence's assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIIIA so that grandparents may transfer to their grandchildren whose parents are deceased, their principal residences, and the first $1,000,000 of other property without a reappraisal of assessed value.

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 – applied to the 2010/11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIIIA has become effective (the 1978/79 Fiscal Year), the annual increase for inflation has been at least 2% except in ten fiscal years as shown below:

Tax Roll	Percentage	Tax Roll	Percentage
1981/82	1.000%	2010/11	(0.237)%
1995/96	1.190%	2011/12	0.753%
1996/97	1.110%	2014/15	0.454%
1998/99	1.853%	2015/16	1.998%
2004/05	1.867%	2016/17	1.525%

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the

inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. The City experienced Proposition 8 reductions in property values between 2009 and 2013. See "FINANCIAL INFORMATION - Ad Valorem Property Taxes - Taxable Property and Assessed Valuation" herein.

Article XIIIB. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB limits the annual appropriations of the State and any city, county, city and county, school district, authority or other political subdivision of the State. The "base year" for establishing such appropriations limit is the 1978/79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIIIB include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIIIB. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986/87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for "qualified capital outlay for fiscal 1990/91 as defined by the legislature" from proceeds of taxes.

Section 7910 of the Government Code requires the City to adopt a formal appropriations limit for each fiscal year. The City's appropriations limit for 2017/18 is $71,220,209. The City's appropriations subject to the limit for 2017/18 are $21,768,507. Based on this, the appropriations limit is not expected to have any impact on the ability of the City to continue to budget and appropriate the Base Rental Payments as required by the Lease.

Proposition 62. Proposition 62 was a statutory initiative adopted in the November 1986 general election. Proposition 62 added Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior written approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Proposition 218. On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIIIA the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIIID. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged "as an incident of property ownership" may not "exceed the funds required to provide the property related services" and may only be charged for services that are "immediately available to the owner of the property."

The City levies (1) a franchise tax on its cable television, trash collection and utility franchises, (2) a transient occupancy tax on hotel and motel bills, (3) a tax per barrel on oil production and (4) a business license tax. None of such taxes were approved by voters. See "FINANCIAL INFORMATION - Local Taxes" herein for a discussion of the implementing ordinances for these taxes.

The City does not expect the application of Proposition 218 will have a material adverse impact on its ability to pay Base Rental Payments.

Proposition 1A. Proposition 1A ("Proposition 1A"), proposed by the Legislature in connection with the 2004/05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004/05 and 2005/06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008/09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any 10-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

For Fiscal Year 2009/10, 8% of the City's property tax revenues were diverted to the State as a result of a Proposition 1A suspension.

Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not expect the provisions of Proposition 26 to materially impede its ability to pay Base Rental Payments when due.

Future Initiatives. From time to time other initiative measures could be adopted, limiting or otherwise affecting the ability of the City to increase revenues and appropriations.

Early Redemption Risk

Early payment of the Base Rental Payments and early redemption of the Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance (see "THE BONDS - Redemption - Special Mandatory Redemption From Insurance or Condemnation Proceeds").

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were executed and delivered as a result of future acts or omissions of the Authority or the City in violation of its covenants contained in the Indenture and the Lease. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity.

In addition, Congress has recently adopted and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Authority and the City can provide no assurance that federal tax law will not change while the Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

TAX MATTERS

Tax Exemption

At closing, Bond Counsel expects to render an opinion to the Authority that, based on existing statutes, regulations, rulings, and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in Appendix D hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Original issue premium is amortized for federal income tax purposes and State of California personal income taxes over the term of such Bond based on the purchaser's yield to maturity in such Bond, except that in the case of such Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such Bond and with respect to the state and local tax consequences of owning and disposing of such Bond.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by the applicable percentage of the sum of certain items, including interest with respect to the Bonds, (ii) interest, with respect to the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds. This list is not meant to be an exhaustive list of tax treatment that may apply to the Bonds and Owners should contact their own tax advisors regarding whether the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability.

Certain agreements, requirements, and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income and is exempt from current State of California personal income taxes, the ownership or disposition of the Bonds and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State, local, or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Bond Counsel's opinion is rendered as of its date and Bond Counsel assumes no obligation to update its opinion.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code. Unless separately engaged, Bond Counsel is not obligated to defend the Authority, the City or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the City and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the City or the beneficial owners to incur significant expense.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes and provides the payer with a Form W-9, "Request for Taxpayer Identification Number and Certification," unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payer" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Lease, the Site Lease, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Lease, the Site Lease and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Lease, and as to the validity of the Bonds. See "APPENDIX D" hereto for the proposed form of Bond Counsel's opinion.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture, the Lease, the Site Lease or the Bonds are not enforceable against the Authority and the City, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the City and the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and by the City Attorney. Fees payable to Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Absence of Litigation

The Authority and the City will each furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Lease or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture, the Site Lease and the Lease are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof.

There exists lawsuits and claims against the City that are incidental to the ordinary course of the City's operations. In the view of the City, there is no litigation, present or pending against the City, that will individually or in the aggregate impair the City's ability to make Base Rental Payments when due.

CONCLUDING INFORMATION

Rating on the Bonds

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" to the Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating may be obtained from such rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, the Agency undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The Bonds were purchased by Samco Capital Markets, Inc. (the "Underwriter") at a competitive sale. The Underwriter has agreed to purchase the Bonds at a price equal to $8,957,207.84, which amount represents the principal amount of the Bonds plus an original issue premium of $345,729.20, less an Underwriter's discount of $28,521.36. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter's discount.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The City will provide annually certain financial information and data relating to the City by not later than February 15 in each year commencing February 15, 2018 (the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule"). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the City's Disclosure Certificate attached in "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has previous undertakings under the Rule with respect to its water revenue bonds ("Water Bonds") and the former Signal Hill Redevelopment Agency and Successor Agency to the Signal Hill Redevelopment Agency tax allocation bonds ("Tax Allocation Bonds"). The City believes that in the last five years it has not failed to comply with any previous undertakings with regard to the Rule. However, notices of three upgrades to the ratings of the bond insurer of the Water Bonds, as well notices of three upgrades to the ratings of the bond insurer of six series of Tax Allocation Bonds, which rating upgrades occurred on May 8, 2013, May 10, 2013 and May 21, 2013, were not posted on the EMMA website until June 21, 2013. The notices were posted 44 days, 42 days and 31 days, respectively, after the bond insurer's rating upgrade occurred.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture, the Site Lease and the Lease may be obtained after delivery of the Bonds from the City at 2175 Cherry Avenue, Signal Hill, California 90755.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement by the Executive Director of the Authority and the City Manager has been duly authorized by the Authority and by the City, respectively.

SIGNAL HILL MUNICIPAL FINANCING AUTHORITY

By: /s/ Charlie Honeycutt
Executive Director

CITY OF SIGNAL HILL

By: /s/ Charlie Honeycutt
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Lease, the Site and Facility Lease and the Assignment Agreement. This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Additional Rental Payments" means the additional rental payable by the City under and pursuant to of the Lease.

"Assignment Agreement" means that certain Assignment Agreement, dated as of January 1, 2018, by and between the Authority and the Trustee.

"Authority" means the Signal Hill Municipal Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement and the laws of the State.

"Authority Board" means the governing body of the Authority.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental Payments" means the Base Rental Payments under the Lease.

"Bond Counsel" means (a) Aleshire & Wynder L.L.P., or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on December 1, 2018.

"Bonds" or "Series 2018 Bonds" means the Authority's Lease Revenue Bonds (Library Project), Series 2018.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Certificate of the Authority" means a certificate in writing signed by the Chairperson, Executive Director or Controller of the Authority or by any other officer of the Authority duly authorized by the

Chairperson, Executive Director or Controller or any other officer of the Authority duly authorized for that purpose, as evidenced in writing to the Trustee.

"Certificate of the City" means a certificate in writing signed by the City Manager or Finance Director of the City or by any other officer of the City duly authorized for that purpose, as evidenced in writing to the Trustee.

"City" means the City of Signal Hill, California.

"Closing Date" means the date of delivery of the Bonds to the Original Purchaser thereof.

"Code" means the Internal Revenue Code of 1986 and any regulations promulgated thereunder.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses (including fees and expenses of Bond Counsel and Disclosure Counsel), filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, costs of printing and fees and costs for any guaranty, surety bond, letter of credit or other credit facility.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Securities" means: (i) cash, (ii) non-callable direct obligations of the United States of America ("Treasuries"), (iii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iv) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (v) securities eligible for "AAA" defeasance under then-existing criteria of S&P or any combination thereof, will be used to effect defeasance of the Bonds.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Expiration Date" means the date on which the Indenture for the Bonds is discharged pursuant to the terms of the Indenture, but under any circumstances not later than December 1, 2032, unless an extension occurs pursuant to the terms of the Lease.

"Event of Default" means any of the events of default described in the Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit the value of which is determined in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) the value of which is determined in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Improvement Fund" means the fund by that name established pursuant to the Indenture.

"Indenture" means that certain Indenture, dated as of January 1, 2018, as originally executed or as it may from time to time be amended or supplemented in accordance therewith.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at http://emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Insurance Consultant" means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Component" means the interest component of any Base Rental Payments as set forth in the exhibit to the Lease relating to such Base Rental Payments.

"Interest Payment Date" means June 1 and December 1 of each year, commencing June 1, 2018.

"Joint Exercise of Powers Agreement" means that certain Joint Exercise of Powers Agreement, dated as of August 22, 2017, entered into under the Act by the City of Signal Hill and the Signal Hill Housing Authority, together with any amendments thereof and supplements thereto.

"Lease" or "Lease Agreement" means that certain Lease Agreement, dated as of January 1, 2018, by and between the Authority as lessor and the City as lessee, as it may be further amended or modified.

"Leased Property" means, collectively, those certain parcels of real property, together with the improvements thereon, leased by the Authority to the City pursuant to the Lease, as more fully described in Exhibit A to the Lease, as such Exhibit A may be revised and amended from time to time pursuant to the terms of the Indenture and of the Lease.

"Lease Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"Net Proceeds" means any insurance or condemnation proceeds, paid with respect to the Leased Property remaining after payment therefrom of all expenses in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Original Purchaser" means the first purchaser of the Bonds, or its successor in interest.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid and retired or deemed to have been paid within the meaning of defeasance provisions of the Indenture; and

(c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Permitted Encumbrances" means, with respect to the Leased Property, as of any particular time, (i) the Site and Facility Lease; (ii) the Lease, (iii) the Indenture, the Assignment Agreement and the Trustee's and the Authority's interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the City will not interfere with or impair the use intended to be made of the Leased Property; (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in the Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions and improvements; (vii) any sublease or use permitted by the Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date; (xiv) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Property which are certified not to materially impair the use intended to be made of property affected thereby; and (xv) any encumbrances, exceptions or exclusions listed in the title policy relating to the Leased Property.

"Permitted Investments" means, subject to the Indenture, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

(i) Defeasance Securities, Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest rating category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(ii) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest rating category by S&P and Moody's.

(iii) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under the Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(iv) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P and P-1 by Moody's including those of the Trustee and its affiliates.

(v) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-l" or "A" or better by S&P (including the Trustee).

(vi) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(vii) Taxable government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(viii) Tax-exempt government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(ix) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAm-G or AAAm and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates.

(x) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Principal Component" means the principal component of any Base Rental Payments as set forth in the exhibit to the Lease relating to such Base Rental Payments.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee for the registration and transfer of ownership of the Bonds.

"Rental Payments" means collectively the Base Rental Payments and the Additional Rental Payments.

"Request of the Authority" means a request in writing signed by the Chairperson or Responsible Officer of the Authority or by any other officer of the Authority duly authorized by the Chairperson or Responsible Officer by the Authority for that purpose, as evidenced in writing to the Trustee.

"Request of the City" means a request in writing signed by the City Manager or Finance Director or by any other officer of the City duly authorized for that purpose.

"Responsible Officer" means any member of the Board of Directors of the Authority, the Executive Director and Controller or any other person authorized by resolution of the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Lease or the Indenture.

"Revenues" means (i) all Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments.

"S&P" means S&P Global Ratings, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the

Bonds or (ii) the Authority discontinues use of the then Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Site and Facility Lease" means that certain Site and Facility Lease, dated as of January 1, 2018, by and between the City and the Authority, pursuant to which the Authority leases the Leased Property from the City.

"State" means the State of California.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

"Tax Certificate" means the Tax Certificate dated the date of the original delivery of the Bonds relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Trust Office" means the corporate trust office of the Trustee in Los Angeles, California or such other offices as may be specified to the Authority by the Trustee in writing.

"Trustee" means U.S. Bank National Association, and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in the Indenture.

THE INDENTURE

Transfer, Exchange and Registration of Bonds

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Authority will and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, interest rate, maturity and aggregate principal amount in Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer will be paid by the Authority, except that the Trustee will require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee will not be required to transfer (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Exchange. Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same tenor, interest rate and maturity and of other Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange will be paid by the Authority, except that the Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee will not be required to exchange (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor, maturity and aggregate principal amount in an Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it. If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to it and indemnity satisfactory to it has been given, the Authority, at the expense of the Bond Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen will be at any time enforceable by anyone, and will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

Funds

Costs of Issuance Fund. There is established a fund to be held by the Trustee known as the "Costs of Issuance Fund," into which will be deposited a portion of the proceeds of the sale of the Bonds. The moneys in the Costs of Issuance Fund will be used to pay Costs of Issuance related to the Bonds from time to time and will be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer of the Authority. On the date that is 180 days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the Bonds have been paid or provided for, the Trustee will transfer any remaining amounts in the Costs of Issuance Fund to the Lease Revenue Fund and the Trustee will then close the Costs of Issuance Fund.

Improvement Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Improvement Fund," into which shall be deposited a portion of the proceeds of the Bonds. All moneys in the Improvement Fund will be applied by the Trustee to the payment of the costs of the acquisition, construction and installation of certain public facilities.

Before any payment is made from the Improvement Fund by the Trustee, the Authority will file a Request of the Authority showing with respect to each payment to be made: (a) the item number of the payment; (b) the name and address of the person to whom payment is made; (c) the amount to be paid; (d) the purpose for which the obligation was incurred; (e) a statement that obligations in the statement amounts have been incurred by the Authority and have not previously been the subject of a Request of the Authority for payment; and (f) a statement that each item thereof is a proper charge against the Improvement Fund.

Upon receiving such a request, the Trustee will pay the amount set forth in the request as directed by the terms of the request, and the Trustee may conclusively rely on the request as complete authorization for any payment from the Improvement Fund. When the public facilities have been acquired, constructed, installed and accepted, a statement of the Authority stating the fact and date of completion and that all such costs of acquisition, construction, and installation, and incidental expenses, have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Improvement Fund is to be maintained in the full amount of such claims until the dispute is resolved), will be delivered to the Trustee by the Authority. Upon delivery, any remaining balance in the Improvement Fund will be transferred to the Trustee for deposit in the Lease Revenue Fund, and the Trustee will close the Improvement Fund.

Insurance and Condemnation Fund. The Trustee will establish and maintain a separate fund to be known as the "Insurance and Condemnation Fund," into which will be deposited Net Proceeds required to be deposited therein pursuant to the Lease. The Trustee will or transfer all amounts in the Insurance and Condemnation Fund, as stated in a Request of the City for the payment of the cost of the reconstruction of the Leased Property (including reimbursement to the City for any such costs paid by it). Before any payment of money is made from the Insurance and Condemnation Fund, the Authority must file or cause to be filed with the Trustee a requisition in substantially the form set forth in the Indenture.

Lease Revenue Fund; Receipt, Deposit and Application of Revenues. All Revenues will be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee will establish, maintain and hold in trust.

On or before each Interest Payment Date, the Trustee shall deposit from funds from the Lease Revenue Fund into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. The Trustee will establish and maintain a separate account to be known as the "Interest Account." On or before each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective Outstanding Bonds. No deposit will be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all respective Outstanding Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

Principal Account. The Trustee will establish and maintain a separate account to be known as the "Principal Account." On or before each Interest Payment Date, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds maturing on such Interest Payment Date pursuant to the Indenture. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds.

Surplus. On or before June 1 and December 1 of each year the Trustee will determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits required by the Indenture and the transfers of investment earnings, and shall apply such amount as a credit against the next following Base Rental Payment. Notwithstanding the foregoing, if directed in a Request of the City, the Trustee will, with respect to all or any portion of such amount, pay, or set aside an amount for the payment of, any Rebate Requirement (as defined in the Tax Certificate) in accordance with a computation made by the City or transfer any excess amounts back to the City.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Authority given to the Trustee two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee will invest any such moneys in money market funds described in subsection (ix) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account.

The Trustee will transfer all investment earnings on amounts in the Principal Account and the Interest Account to the Lease Revenue Fund. All investment earnings on amounts in the Insurance and Condemnation Fund will be retained therein. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it. The Trustee may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee as they occur. The Authority specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which will include detail for the investment transactions effected by the Trustee; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority.

No Additional Bonds

No additional bonds are permitted under the Lease and the Indenture.

Covenants of the Authority

Punctual Payment. The Authority covenants to punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority covenants to not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority and the Trustee (subject to the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Lease. The Trustee, as assignee of the Authority's rights under the Lease with respect to the Revenues pursuant to the Indenture and the Assignment Agreement, shall receive amounts due from the City pursuant to the Lease with respect to the Revenues.

The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Lease against the City in accordance with its terms.

So long as any Bond remains Outstanding, the Authority will not alter, amend or modify the Lease without the prior written consent of the Trustee, which consent shall be given only (i) if the Trustee receives an opinion of counsel selected by the Authority that such alteration, amendment or modification will not result in any material impairment of the covenants made or the security given or intended to be given for the payment of the Base Rental Payments, or (ii) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding.

Prior to any amendment or modification of the Lease, the Authority shall deliver to the Trustee an opinion of nationally recognized bond counsel to the effect that such amendment or modification has been adopted in accordance with the requirements of the Indenture.

Tax Covenants

The Authority covenants to take all actions to maintain the tax-exemption of interest on the Bonds.

Amendments to the Indenture

The Indenture and the rights and obligations of the Authority and of the Owners may be modified or amended at any time by a Supplemental Indenture, which will become binding upon adoption, without consent of any Owner, to the extent permitted by law, but only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers therein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers will not materially adversely affect the Owners; (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners in the reasonable judgment of the Authority; (c) to provide for a substitution or release of the Leased Property in connection with an amendment to the Lease or (d) for any other purpose that does not materially adversely affect the interests of the Owners.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners may only be modified or amended at any time by a Supplemental Indenture, which will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

From and after the time any Supplemental Indenture becomes effective, the Indenture will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Outstanding Bonds, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Prior to entering into any Supplemental Indenture, the Authority will deliver to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture has been adopted in accordance with the requirements of the Indenture.

Copies of any modification or amendment to the Indenture, the Site and Facility Lease, or the Lease shall be sent to S&P at least 10 days prior to the effective date thereof.

Events of Default and Remedies of Owners

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, or by proceedings for redemption or a payment default of Base Rental Payments under the Lease.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment becomes due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, including default under the Lease or the Site and Facility Lease, other than a payment default thereunder, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 50% in aggregate principal amount of the Outstanding Bonds; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Owners will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies; No Acceleration. Upon the occurrence of an Event of Default the Trustee will have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained in the Indenture; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or (c) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default has occurred and is continuing and if requested so to do by the Owners of at least 50% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and in addition to any other remedy given to the Trustee or the Owners thereunder or now or thereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Trustee will have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture will be applied by the Trustee in the following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

> First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and
>
> Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the rate then in effect on the Bonds, *provided, however*, that in the event such amounts will be insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner will have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners issued thereunder by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment will confer.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners, as the case may be.

Rights of Owners. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are to be conditions precedent to the exercise by any Owner of any remedy; it being understood and intended that no one or more Owners has any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners. The right of any Owner to receive payment of the principal of and interest and premium (if any) on such Bond as therein provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings has been discontinued or abandoned for any reason, or has been determined adversely, then and in every such case, the Authority, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Limited Liability of Authority. Notwithstanding anything in the Indenture, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or otherwise from amounts payable under the Lease). The Authority may, however advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premiums (if any) on or principal of the Bonds. The Owners shall never have the right to compel the forfeiture of any property of the Authority except the Revenues and other funds pledged to the payment of the Bonds as provided in this Indenture. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds (other than amounts on deposit in the Rebate Fund created under the Indenture) pledged to the payment thereof as provided in the Indenture.

Defeasance of Bonds

If the Authority will pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums (if any); or

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust pursuant to an escrow deposit agreement, Defeasance Securities in such amount as an Independent Certified Public Accountant will determine in a written report acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee, filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and

(d) delivering an opinion of Bond Counsel acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee to the effect that the Bonds are no longer Outstanding under the Indenture, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption will have been mailed pursuant to the Indenture or provision satisfactory to the Trustee will have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds, which are not required for said purposes, will after payment of amounts due the Trustee be paid over to the Authority.

THE LEASE

Lease of Leased Property

Pursuant to the Lease, the Authority leases the Leased Property to the City, and the City leases the Leased Property from the Authority, upon the terms and conditions set forth in the Lease.

Term of Lease

The term of the Lease will expire on the earlier of (i) the Expiration date; (ii) the date the last Base Rental Payment is made under the provisions of the Lease; or (iii) the date of discharge of the Indenture. Notwithstanding the foregoing, the term of the Lease automatically will be extended for a period of ten (10) years, if, on the Expiration Date, the Indenture has not been fully discharged, and will terminate on the date when the Indenture has been fully discharged. Throughout the term of the Lease, title to the Leased Property shall remain in the City.

Base Rental Payments

Time and Amount. Subject to the provisions of the Lease regarding loss of use of the Leased Property and prepayment of Base Rental Payments, the City agrees to pay to the Trustee, as assignee of the Authority pursuant to the Assignment Agreement, as provided for in the Lease, the Base Rental Payments, each comprising a Principal Component and an Interest Component in the amounts specified in the Lease, less any amounts credited against the Base Rental Payments pursuant to the Indenture, to be due and payable 5 Business Days prior to each June 1 and December 1 (for the payments coming due June 1 and December 1), and such payments shall constitute payment in arrears in consideration for the City's use and possession of the Leased Property for the six-month period preceding the due date of such Base Rental Payments.

Additional Rental Payments. The City agrees to pay, as Additional Rental Payments, in addition to the Base Rental Payments, to the Authority or to the Trustee, such amounts in each year as is required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Budget and Appropriations. The City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental, subject only to abatement. The covenants on the part of the City contained in the Lease are to be deemed and construed to be duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City. The obligation of the City to make Base Rental Payments or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Maintenance, Utilities, Taxes and Assessments

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property will be the responsibility of the City, and the City will pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City. The City will at the City's sole cost and expense keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority will have no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof, and the parties affirm that the Authority has made no representations or warranties to the City respecting the condition of the Leased Property.

The City will comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Property. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Property. In the Lease, the City waives the right to make repairs at the Authority's expense under Subsection 1 and 2 of Section 1932 and waives Subsection 1933(4), Sections 1941 and 1942 of the California Civil Code, or any other such law, statute, or ordinance now or later in effect. Such waivers do not limit the City's rights under the Lease.

The parties contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the Authority or the City of the Leased Property is found to be subject to taxation in any form, the City will pay during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City will be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

Changes to the Leased Property

The City, at its own expense, has the right during the term of the Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City; *provided, however*, that no such acquisition or construction will result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property. All such additions, modifications and improvements shall thereafter comprise part of the Leased Premises and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way damage the Leased Premises or cause them to be used for purposes other than those authorized under the provisions of state and federal law or in any way which would impair the tax-exempt status of interest on the Bonds.

Upon termination of this Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

Substitution and Release of Property

The parties to the Lease specifically acknowledge that the annual fair market rental value of the Leased Property is considered to be at least equal to the maximum annual Base Rental Payments. So long as the Lease is in effect, the City has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property means the Former Property less any portion released pursuant to the Lease);

provided, that the City satisfies all of the following requirements, which are conditions precedent to such substitution:

(i) No default under the Lease or Event of Default has occurred and is continuing;

(ii) The City has filed with the Authority and the Trustee, and cause to be recorded in the office of the Los Angeles County Recorder, sufficient memorialization of an amendment of the Lease which replaces Exhibit A to the Lease with description of such Substitute Property and deletes therefrom the description of the Former Property;

(iii) The City has obtained an extended CLTA policy (or ALTA, as applicable) of title insurance insuring the City's leasehold estate under the Lease (and the Authority's leasehold estate under the Site and Facility Lease) in such Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated fair market value thereof or the then principal amount of the Bonds outstanding;

(iv) The City has provided a Certificate of the City to the Authority and to the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California;

(v) The substitution of the Substitute Property has not caused the City to violate any of its covenants, representations and warranties made in the Lease;

(vi) The City has filed with the Authority and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments relating to the Bonds becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the remaining term of the Lease;

(vii) The City has furnished to the Trustee an opinion of Bond Counsel addressed to the Trustee, the City and the Authority to the effect that the substitution or release is permitted under the Lease and will not in and of itself impair the validity and enforceability of the Lease or impair the exclusion of interest on any Bonds payable from Base Rental Payments from the gross income of the owners thereof for federal income tax purposes;

(viii) The substitution or release will not result in the withdrawal or downgrade of the City's credit rating then assigned to the Bonds; and

(ix) The City has provided written notice to each rating agency then rating the Bonds following such substitution or release.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority and the Trustee a Certificate of the City certifying that certain of the conditions set forth in the Lease have been satisfied, the Term of the Lease will end as to the Former Property and will commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City will not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal.

Insurance

Comprehensive General Liability, Property Damage, Fire and Extended Coverage and Theft Insurance. The City will maintain or cause to be maintained at all times comprehensive general liability insurance coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Property. Such insurance will afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose and may be subject to a deductible clause. The City will maintain or cause to be maintained, throughout the term of the Lease, insurance against loss or damage to any or all of the Leased Property by flood, fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and against loss of Leased Property by theft. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The insurance required by this paragraph shall be in an amount equal to the replacement cost of improvements located or to be located on the Leased Property but will be not less than the principal amount of the Outstanding Bonds and may be subject to a deductible clause. The City's obligations under this paragraph may be satisfied by self-insurance.

Workers' Compensation Insurance. The City will maintain or cause to be maintained workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this paragraph may be satisfied by self-insurance.

Rental Interruption Insurance. The City will maintain or cause to be maintained rental interruption insurance in an amount not less than the maximum remaining scheduled Base Rental Payments in any twenty-four-month period, by an insurance provider rated at least "A" by A.M. Best & Company, to insure against loss of use of the Leased Property. Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City and must list the Authority and the Trustee as additional insured parties. Such insurance will be in place as of the Closing Date. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Revenue Fund, and shall be credited toward the payment of the Base Rental Payments in the order in which such Base Rental Payments come due and payable. Rental interruption insurance shall not be in the form of self insurance provided by the City.

Title Insurance. On or before the Closing Date, the City will deliver a CLTA (or ALTA, as appropriate) title insurance policy insuring the respective leasehold interest in the Leased Property of the City and the Authority, in an amount acceptable to the Authority but not less than the outstanding principal amount of the Bonds. The Trustee shall be listed as an additional insured.

The City will endeavor that all policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, will provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Authority and the Trustee. Evidence of such policies in the form of a Certificate of the City will be deposited with the Trustee by the City by July 15 each year for the current fiscal year. Certificates of comprehensive general liability and workers' compensation insurance will be furnished by applicable insurers to the City, and, at least ten days prior to the expiration dates of such policies, if any, evidence of renewals shall be deposited with the Trustee. If the City elects to provide self insurance, the City will annually cause to be delivered to the Trustee a certificate of an Insurance Consultant certifying to the adequacy of the City's reserves for such insurance.

All policies or certificates of insurance provided for in the Lease shall name the City as a named insured and the Authority and the Trustee as additional insureds. All proceeds of insurance maintained under clauses (1) and (2) shall be deposited with the City.

Notwithstanding the generality of the foregoing, the City will not be required to maintain or cause to be maintained more insurance than is specifically referred to in the Lease or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

All policies of insurance and any statements of self insurance shall be in a form satisfactory to the Authority. The Trustee and the Authority shall not be responsible for the sufficiency of any insurance required or the payment of premium and shall be fully protected in accepting payment on account or such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

Damage, Destruction and Condemnation; Application of Net Proceeds

If prior to the termination of the term of the Lease, the Leased Property is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the City in the Leased Property or any portion is taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Leased Property or portion thereof, in accordance with the provisions of the Lease. In the event that Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the City will, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments as a result of such casualty or event, and the City elects to apply such insurance proceeds and such other sums as are deposited by the City to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then the Lease will terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the City or the date the amount required by the Lease is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may later be in force during the term of the Lease which authorizes the termination of the Lease upon the partial or complete destruction of the Leased Property, have been waived by the City.

The City agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain Outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the appraised value of the Leased Property will not be less than the greater of (i) if such Bonds are then subject to redemption, the principal and interest due on the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction or condemnation of Leased Property with the Trustee for deposit into the: (a) Insurance and Condemnation Fund if the City elects to repair the Leased Property or (b) the Lease Revenue Fund if the City elects to redeem the Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem Bonds. If the City determines to repair the Leased Property, disbursements by the Trustee shall only be made upon presentation of a requisition in a form as provided in the Indenture. If the City determines to cause the redemption of less than the full amount of the

Bonds Outstanding, such redemption will only be made to the extent the remaining fair market value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds.

Default

Events of Default. Any one or more of the following events shall constitute an Event of Default under the Lease:

(i) Failure by the City to pay any Base Rental Payment or Additional Rental Payment due under the Lease when the same becomes due and payable, time being expressly agreed to be of the essence in the Lease.

(ii) Failure to keep, observe or perform any other term, covenant or condition contained in the Lease to be kept or performed by the City, other than as referred to in the Lease, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; provided, however, that if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if the City shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(iii) The City's interest in the Lease or any part thereof is assigned or transferred, either voluntarily or by operation of law, except as provided in the Lease.

(iv) The City files any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors.

(v) The City abandons the Leased Property or any portion thereof, then in each and every such case the City shall be deemed to be in default under the Lease.

Remedies. Upon any Event of Default, the Authority, in addition to all other rights and remedies it may have at law, has the option to do any of the following; provided, however, there is be no right under any circumstance to accelerate the Base Rental Payments or otherwise declare any Base Rental Payment not then in default to be immediately due and payable:

(i) To terminate the Lease with respect to that portion or portions of the Leased Property to which the default relates in the manner provided under the Lease on account of default by the City and may relet all or a portion of the Leased Property. If the Authority terminates the Lease at its option and in the manner provided in the Lease (and notwithstanding any re-entry or re-letting of the Leased Property as provided in the Lease), the City agrees to pay to the Authority all costs, loss, or damages howsoever arising or occurring payable at the same time and in the same manner provided in the Lease in the case of the payment of Lease Payments and Additional Rental Payments. If the Authority elects to terminate the Lease, notwithstanding any reentry or re-letting of the Leased Property, the City agrees to allow the Authority to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place in the City or the County of Los Angeles. In the event of such termination, the City agrees to immediately surrender possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law (other than as specifically waived in the Lease) that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the Lease. Neither notice to pay Base Rental Payments or to deliver up possession of the Leased Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Lease. The City covenants and agrees that no surrender of the Leased Property or of the remainder of the term or any termination of the Lease shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(ii) Without terminating the Lease, (a) to collect each Base Rental Payment as it becomes due and enforce any other terms or provision of the Lease to be kept or performed by the City, and/or (b) to exercise a right of entry or re-entry, and to re-let the Leased Property. In the event the Authority does not elect to terminate the Lease in the manner provided for in the Lease, the City will remain liable under the Lease and agrees to keep or perform all covenants and conditions of the Lease to be kept or performed by the City; notwithstanding any entry or re-entry by the Authority or any suit in unlawful detainer or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. If the Leased Property is not re-let, the City will pay the full amount of the Base Rental Payments to the end of the term of the Lease as they become due, or, in the event that the Leased Property is re-let, to pay any resulting deficiency in the Base Rental Payments as they become due; and further agrees to pay said Base Rental Payments and/or deficiency punctually at the same time and in the same manner as provided for in the Lease the payment of Base Rental Payments under the Lease, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments specified in the Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property. Should the Authority elect to re-enter as provided in the Lease, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period (not to exceed one year, unless approved in writing by the City) as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place in the City, or the County, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Lease. The City further agrees to pay the Authority the cost of any alterations or additions to the Leased Property necessary to place the Leased Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations, to the extent such liability does not constitute a debt or an indebtedness within the meaning of Section 18 of Article XVI of the California Constitution.

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

Neither the Authority nor the City shall be in default in the performance of any of its obligations under the Lease (except for the obligation of the City to pay Base Rental Payments when due) unless and until it has failed to perform such obligation within thirty (30) days after notice by the Authority or the City, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

Prepayment and Credits

Prepayment From Net Proceeds. The City may prepay on any date permitted by the Indenture, from Net Proceeds of insurance or a condemnation award received by it, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part, pursuant to the provisions of the Lease, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

Optional Prepayment. The City may, on any date the Bonds are subject to optional redemption under the Indenture, prepay from any source of available moneys for redemption of Bonds pursuant to the Indenture, all or any part (in an integral multiple of $5,000) of the Principal Component of Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of Base Rental Payments which shall be payable after such prepayment will each be an integral multiple of $5,000, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium. Such a prepayment will not cause a defeasance of any Bonds unless the requirements of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that the Lease will be terminated by its terms as provided in the Lease, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make Base Rental Payments will be credited towards the amounts then required to be so prepaid.

Quiet Enjoyment

The parties mutually agree that the City, so long as it keeps and performs the covenants and agreements contained in the Lease, will at all times during the term of the Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Indemnification

The City will, to the full extent then permitted by law, indemnify, defend, protect and hold harmless the Authority, the Trustee and their members, officers, directors and employees from and against any and all liabilities, obligations, losses, claims and damages whatsoever, regardless of the cause thereof (except for claims arising out of willful misconduct or negligence on the part of the Authority or the Trustee or their respective members, officers, directors or employees), and expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Lease and the Indenture, the payment of the costs of acquiring the Leased Property or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person. The indemnification arising under the Lease will continue in full force and effect notwithstanding the full payment of all rent obligations under the Lease or the termination of the Lease for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant to the Lease by reason of any defects, malfunctions, breakdowns or infirmities of the Leased Property. The Authority and the City mutually agree to promptly give notice to each other of any claim or liability indemnified against following either party's learning thereof.

Assignment

The parties understand that the Lease and the rights of the Authority thereunder, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the City consents.

Neither the Lease nor any interest of the City thereunder shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided that, subject to the provisions of the Lease, the City may sublease all or any portion of the Leased Property, and may grant concessions to others involving the use of any portion of the Leased Property, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. The City will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing in the Lease will be construed to relieve the City from its obligation to pay Base Rental Payments and Additional Rental Payments as provided in the Lease or to relieve the City from any other obligations contained therein.

Abatement of Base Rental Payments in Event of Loss of Use

The obligation of the City to pay Base Rental Payments and Additional Rental Payments will be abated during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the use by the City of the Leased Property or any portion thereof. Such abatement will be in an amount such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged, destroyed or taken in condemnation proceedings, as evidenced by a Certificate of the City. Such abatement will continue for the period commencing with the date of such interference and ending with the restoration of the Leased Property to tenantable condition.

Notwithstanding the foregoing, there shall be no abatement of Base Rental Payments under the Lease by reason of damage or destruction or unavailability of all or a portion of the leased premises to the extent that: (a) the fair rental value of the portions of the Leased Property not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the City, as determined by the City, is equal to or greater than the unpaid principal component of the Base Rental Payments, or (b) the proceeds of rental interruption insurance and/or amounts on deposit in the Insurance and Condemnation Fund and/or the Lease Revenue Fund are available to pay Base Rental Payments which otherwise would be abated, it being declared that such proceeds and amounts constitute special funds for the payment of Base Rental Payments.

During any period of the abatement of Base Rental Payments, the Trustee shall pay the principal and interest on the Bonds allocable to the portions of the Leased Property from the proceeds of any insurance and condemnation award (if any) on a pro rata basis. The City's reduced Base Rental Payments will constitute the total Base Rental Payments.

If on December 1, 2032, the Indenture shall not be discharged by its terms or the Base Rental Payments shall have been abated at any time and for any reason, then the term of the Lease shall be extended until the Indenture shall be discharged by its terms, but in no event later than December 1, 2042.

Tax Covenants

The City covenants to not cause the interest on the Bonds to become taxable as furthered provided in the Lease.

Continuing Disclosure

The City will comply with the continuing disclosure requirements promulgated under Securities and Exchange Commission Rule 15c2-12(b)(5) and will also comply with its obligations under the Continuing Disclosure Certificate; provided, however, that the sole remedy under the Lease in the event of any failure of the City to comply with this covenant shall be an action to compel performance.

Net Lease

Subject to the abatement provisions of the Lease, the Lease will be deemed and construed to be a "triple-net-lease" and the City agrees that rental provided for will be an absolute net return to the Authority, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, Leased Property costs, reserve deposits, charges or setoffs whatsoever.

Amendments

The Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written consent of Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners will be effective unless it will have been consented to by the Owners of more than majority in aggregate principal amount of the Bonds then Outstanding, and *provided further*, that no such amendment will extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or reduce the percentage of the Bonds the consent of the Owners of which is required for the execution of any amendment thereof.

The Lease and the rights and obligations of the Authority and the City thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which will become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed therein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners; (b) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which will not materially adversely affect the interests of the Owners; (c) to effect a substitution or release of property pursuant to the Lease; or (d) for any other purpose which will not materially adversely affect the interests of the Owners.

THE SITE AND FACILITY LEASE

Pursuant to the Site and Facilities Lease, the City leases the Leased Property to the Authority, and the Authority leases the Leased Property from the City, upon the terms and conditions of the Site and Facilities Lease. Certain of the Authority's rights under the Site and Facilities Lease will be assigned to the Trustee pursuant to the Assignment Agreement.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority assigns all of its right, title and interest in and to the Lease and Site and Facilities Lease (other than with respect to certain specified rights of indemnification and rights relating to certain Additional Rental Payments and lease payments other than Base Rental Payments) to the Trustee, including its right to receive and collect Base Rental Payments, as well as its rights to enforce payment of such Base Rental Payments when due or otherwise to protect its interests in the event of a default by the City under the Lease, in accordance with the terms thereof, in trust for the benefit of the Owners of the Bonds.

APPENDIX B
CITY AUDITED FINANCIAL STATEMENTS

CITY OF SIGNAL HILL

YEAR ENDED JUNE 30, 2017
COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SIGNAL HILL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SIGNAL HILL, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2017

Prepared by
Department of Finance

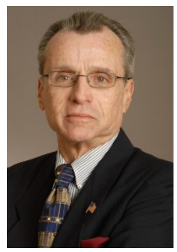
Scott Williams
Director of Finance

ELECTED OFFICIALS

Edward H.J. Wilson
Mayor

Tina L. Hansen
Vice Mayor

Robert D. Copeland
Council Member



Larry Forester
Council Member

Lori Y. Woods
Council Member

Larry Blunden
City Treasurer

Keir Jones
City Clerk

EXECUTIVE MANAGEMENT

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

CITY OF SIGNAL HILL

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2017

CITY OF SIGNAL HILL

TABLE OF CONTENTS
(Continued)

For the Fiscal Year Ended June 30, 2017

Page

TABLE OF CONTENTS
(Continued)

For the Fiscal Year Ended June 30, 2017

CITY OF SIGNAL HILL

2175 Cherry Avenue ⬩ Signal Hill, CA 90755-3799

December 21, 2017

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, 2017. The purpose of this report is to provide the City Council, residents, general public, and interested parties with a broad financial outlook of the City, as well as to comply with state law.

The City's independent auditors, Moss, Levy Hartzheim LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Signal Hill's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

This report consists of management's representations concerning the finances of the City. It was prepared by the Finance Department with the assistance of the City's independent auditors, Moss, Levy & Hartzheim LLP, in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board. Management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data presented conforms to governmental accounting and financial reporting standards and is accurate in all material aspects; it is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain a good understanding of the City's financial affairs have been included.

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

Profile of the Government

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

The City of Signal Hill, encompassing 2.25 square miles, is located in the southwestern coastal area of Los Angeles County and has a population of 11,411. It is 25 miles south of downtown Los Angeles, 8 miles northeast of the Port of Los Angeles and 5 miles northeast of the seaport terminal of Long Beach. The neighboring communities include Long Beach, Lakewood, Los Alamitos, and Carson.

Signal Hill, completely surrounded by the City of Long Beach, had been located in unincorporated territory. In 1924, in order to avoid Long Beach's per-barrel tax on oil, Signal Hill's founding 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, moderate growth is expected through FY 2017-18, with low unemployment and a shift to rising wages, which could drive inflation. Forecasts show risks to the California economy that could take the form of a stock market correction, an eventual recession or geopolitical events affecting exports and housing constraints due to inventory, all of which could lead to various levels of disruption in the economy.

The Los Angeles County economy will continue to move forward though slightly behind other leading regions. Southern California is anticipated to have continued employment gains and a decline in local unemployment rates though there are possible wage pressures due to nearing full employment, driven by job gains in the education, healthcare, leisure and hospitality industries. Housing values continue to move upward due to low inventory.

In June 2017, the unemployment rate for the City was 4.4%, which is lower than the national unemployment rate of 4.7%. The retail sector is highly dependent on the financial health of consumers and their perception of the direction of the local and national economy, and most economists predict that the national economy will continue to slowly improve through 2018.

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

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 service to its residents and business 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 55% of FY 2017-18 General Fund budgeted operating expenditures, which falls within policy guidelines set by the City Council for budgetary and planning purposes. The City's Financial Policy recommends maintaining a combined General Fund and Economic Uncertainties Fund reserve equivalent to a minimum of six months operating expenditures. These reserves would be utilized to mitigate the adverse impact of a recession, economic slowdown, or 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 2016-17, 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 meets 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 XIIIB 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 Moss, Levy Hartzheim LLP, Certified Public Accountants, was selected to audit the City's accounting records. The auditor's report on the basic financial statements, 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, 2016. This was the 21st consecutive year that the City of Signal Hill has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this comprehensive annual financial report was made possible by the staff of the Finance Department, Governmental Financial Service, the City Manager's Office, and the expertise and assistance of the City's auditors, Moss, Levy, and Hartzheim, LLC - Certified Public Accountants. Each member of this team has our sincere appreciation. We also extend our thanks and appreciation to the members of the Signal Hill City Council for their encouragement and support in conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

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, 2016

Executive Director/CEO

Members of the City Council

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

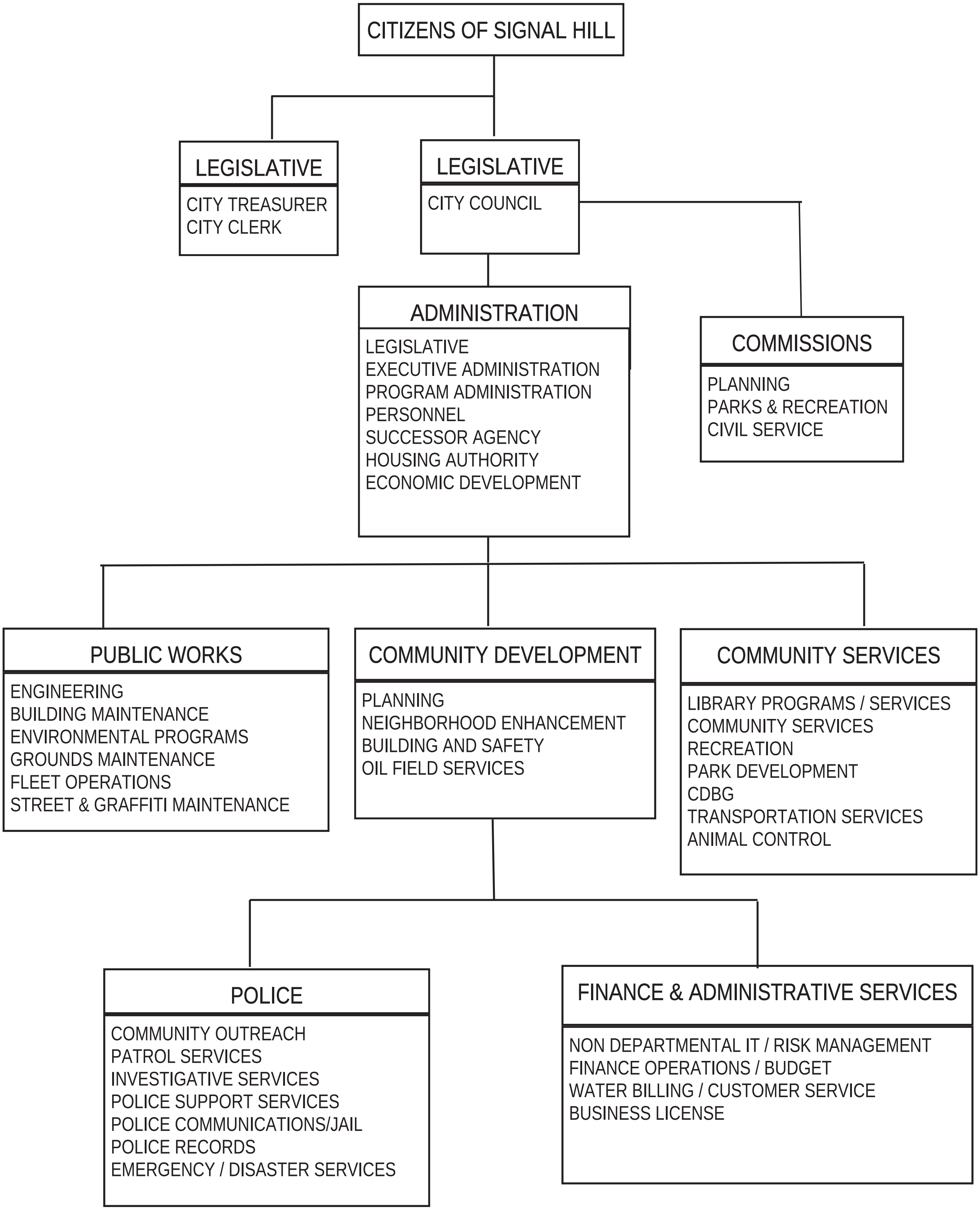
Other Elected Officials

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



MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California (City), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Signal Hill, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in note 1d in the notes to the basic financial statements, effective July 1, 2016, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-18, the Budgetary Comparison Schedule – General Fund, the Budgetary Comparison Schedule - Housing Authority Special Revenue Fund, the Note to the Required Supplementary Information, the Schedules of the City's Proportionate Share of the Net Pension Liability, and the Schedules of Pension Contributions on pages 98-99, and the Schedule of Changes in the City's Net OPEB Liability and Related Ratios on page 100, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Major Capital Projects Fund, combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules, and agency fund financial statements, listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 21, 2017

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2017 (FY 2016-17). 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 2015-16 and FY 2016-17. All increases and decreases are expressed relative to FY 2015-16 amounts. Financial highlights of the City for the fiscal year ending June 30, 2017 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 $125.1 million. This total net position is comprised of $103.8 million from governmental activities and $21.3 million from business-type activities.
- The City's total net position of $125.1 million is classified as net investment in capital assets of $97.1 million, restricted of $19.8 million, and unrestricted of $8.3 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 $5.7 million over the prior fiscal year. As explained throughout the remainder of this report, $9.2 million of this increase is due to operating activities ($8.8 million from governmental activities and $0.4 million from business-type activities) while $3.4 million is the net decrease to net position due to a restatement of land held for resale in the Housing Authority.

Fund Level

- Governmental funds report fiscal year-end combined fund balances of $54.2 million. Assets of $65.3 million exceed liabilities and deferred inflows of resources of $11 million.
- The total governmental fund balance is $54.2 million, and consists of nonspendable fund balance in the amount of $12.5 million, restricted balances of $19.8 million, committed balances of $17 million, and unassigned balances of $5 million.
- For FY 2016-17, General Fund unassigned fund balance totaled $6.5 million, which represents 32.5% of General Fund expenditures of $20 million.
- At June 30, 2017, cash and investments of the General Fund are $22.5 million, which represent 64.4% of the General Fund's total fund balance of $35 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four required parts: The management discussion and analysis (this portion), the basic financial statements, notes to the basic financial statements, and required supplementary information. In addition to the required parts, we have included supplementary information on major funds, combining 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The information in the governmental fund statements can be used to evaluate the City's near-term financial requirements. Comparing the governmental fund statements with the government-wide financial statements can help the reader understand the long-term impact of the City's near-term financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The basic governmental fund financial statements can be found beginning on page 22.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses one internal service fund to account for vehicle maintenance and repair services. The basic proprietary fund financial statements can be found beginning on page 29 of this report.

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

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

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	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Assets:						
Current and other assets	$ 64,306,880	$ 64,012,982	$ 2,197,438	$ 5,112,087	$ 66,504,318	$ 69,125,069
Capital assets, net	73,464,363	67,965,023	28,225,572	23,795,695	101,689,935	91,760,718
Total Assets	137,771,243	131,978,005	30,423,010	28,907,782	168,194,253	160,885,787
Deferred outflows of resources:						
Deferred amount on refunding	-	-	145,172	136,273	145,172	136,273
Deferred amounts from pension	6,152,873	2,263,821	575,296	135,482	6,728,169	2,399,303
Total Deferred Outflows	6,152,873	2,263,821	720,468	271,755	6,873,341	2,535,576
Liabilities:						
Current liabilities	5,253,555	3,626,015	2,365,173	1,179,481	7,618,728	4,805,496
Long-term liabilities	33,454,484	29,595,930	7,181,444	6,897,383	40,635,928	36,493,313
Total Liabilities	38,708,039	33,221,945	9,546,617	8,076,864	48,254,656	41,298,809
Deferred inflows of resources:						
De Deferred amount from OPEB	40,966	-	2,156		43,122	-
Deferred amounts from pension	1,350,460	2,509,599	275,086	192,627	1,625,546	2,702,226
	1,391,426	2,509,599	277,242	192,627	1,668,668	2,702,226
Net position:						
Net investment in capital assets	73,428,115	67,913,878	23,635,607	18,951,590	97,063,722	86,865,468
Restricted	19,780,788	23,480,896	-	-	19,780,788	23,480,896
Unrestricted	10,615,748	7,115,508	(2,315,988)	1,958,456	8,299,760	9,073,964
Total Net Position	$ 103,824,651	$ 98,510,282	$ 21,319,619	$ 20,910,046	$ 125,144,270	$ 119,420,328

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, 2017, net position is $125.1 million while a year earlier at June 30, 2016, net position was $119.4 million. This is a total increase in net position of $5.7 million. This change in net position includes the following:

- A restatement at July 1, 2016 to decrease total net position by $3.5 million as a result of a parcel of land that was transferred as part of a disposition and development agreement entered into in Fiscal Year 2015-16. Refer to Notes to Basic Financial Statements No. 5(C) and No. 17 for additional information.
- A net increase in capital assets of $9.9 million due to the continuing construction of three major capital projects – Well #9, the Los Cerritos Channel Stormwater and the Civic Center Phase II – Library project.

The largest portion of the City's net position ($97 million or 76.04%) 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 $19.8 million (15.8%) 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 $10.6 million (8.3%) 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 2016-17, current assets decreased by 3.79% or $2.6 million over the prior year while current liabilities increased by 58.5% or $2.8 million; these changes are largely due to the timing of yearend expense payments.

The City's long-term debt increased by $4.1 million during FY 2016-17, due entirely to the current year change in net pension liability.

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	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Revenues:						
Program revenues:						
Charges for services	$ 1,632,584	$ 1,663,173	$ 3,784,588	$ 3,399,600	$ 5,417,172	$ 5,062,773
Grants and contributions:						
Operating	849,654	1,734,857	-	-	849,654	1,734,857
Capital	9,188,333	9,597,764	1,927,308	999,373	11,115,641	10,597,137
General revenues:						
Property taxes	1,802,205	1,916,481	-	-	1,802,205	1,916,481
Sales and use taxes	14,597,400	14,587,559	-	-	14,597,400	14,587,559
Other taxes	1,608,732	2,007,882	-	-	1,608,732	2,007,882
Use of money and property	455,679	954,701	9,989	20,888	465,668	975,589
Unrestricted grants and contributions	311,493	45,821	-	-	311,493	45,821
Total revenues	30,446,080	32,508,238	5,721,885	4,419,861	36,167,965	36,928,099
Expenses:						
General government	$4,632,749	$3,842,549	-	-	4,632,749	3,842,549
Community services	1,362,213	1,504,570	-	-	1,362,213	1,504,570
Police	9,576,174	9,350,169	-	-	9,576,174	9,350,169
Community development	857,883	868,314	-	-	857,883	868,314
Public works	4,605,059	4,256,486	-	-	4,605,059	4,256,486
Unallocated infrastructure depreciation	645,168	550,513	-	-	645,168	550,513
Water	-	-	5,312,312	4,145,337	5,312,312	4,145,337
Total Expenses	21,679,246	20,372,601	5,312,312	4,145,337	26,991,558	24,517,938
Change in net position before transfers	8,766,743	12,135,637	409,573	274,524	9,176,316	12,410,161
Transfers	-	(1,678,921)	-	1,678,921	-	-
Change in net position	8,766,743	10,456,716	409,573	1,953,445	9,176,316	12,410,161
Net position - beginning	98,510,282	78,587,575	20,910,046	19,113,019	119,420,328	97,700,594
Restatement of net position	(3,452,374)	9,465,991	-	(156,418)	(3,452,374)	9,309,573
Net position - beginning, restated	95,057,908	88,053,566	20,910,046	18,956,601	115,967,954	107,010,167
Net position - ending	$ 103,824,651	$ 98,510,282	$ 21,319,619	$ 20,910,046	$ 125,144,270	$ 119,420,328

See independent auditor's report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The previous table illustrates the City's overall $5.7 million increase in net position. This overall increase is separated into a $9.2 million increase resulting from its program and general revenues exceeding total program expenses and a $3.5 million net increase resulting from restatements, as previously explained.

Government-wide revenues decreased by $0.7 million (2%) to $36.2 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 40% of total revenues. Additionally, 33% was received from grants and contributions, 15% for charges for services, 1.3% from use of money and property, 5% from property taxes and 4.5% from other taxes. The remainder coming from operating, franchise fees, and unrestricted grants and contributions.

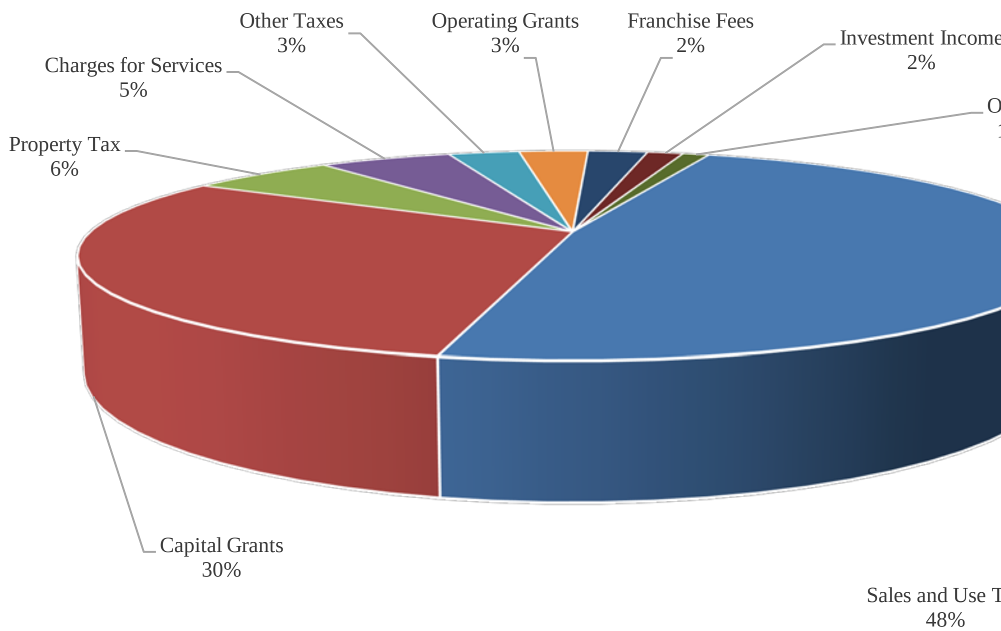
Government-wide expenses of all City programs and services increased by $2.5 million (10%) to $27 million during fiscal year ended June 30, 2017. This increase in costs is due in part by a $0.5 million increase to the current year pension contributions, as well as an increase in pension expense of $1.3 million resulting from the latest CalPERS (California Public Employer's Retirement System) valuation. Additionally, an increase of $0.4 million is attributed to an increase to the City's insurance costs. The remaining $0.2 million increase stemmed from increases to contractual services related to the City's capital project management.

Police costs accounted for 36% of the total costs, 17% of expenses was for public works, 20% was for water, 17% was for general government, with community services and community development accounting for the remaining expenses.

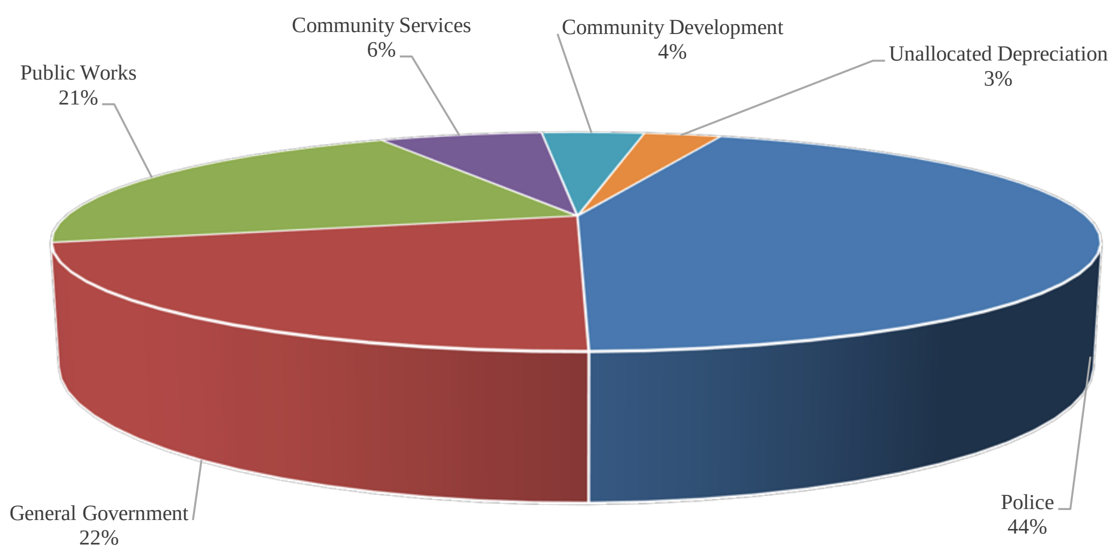
The following two charts show the source and use of funds for **Governmental Activities** with explanations following:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenues by Source – Governmental Activities
Fiscal Year 2016-17



Expenses – Governmental Activities
Fiscal Year 2016-17



See independent auditor's report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

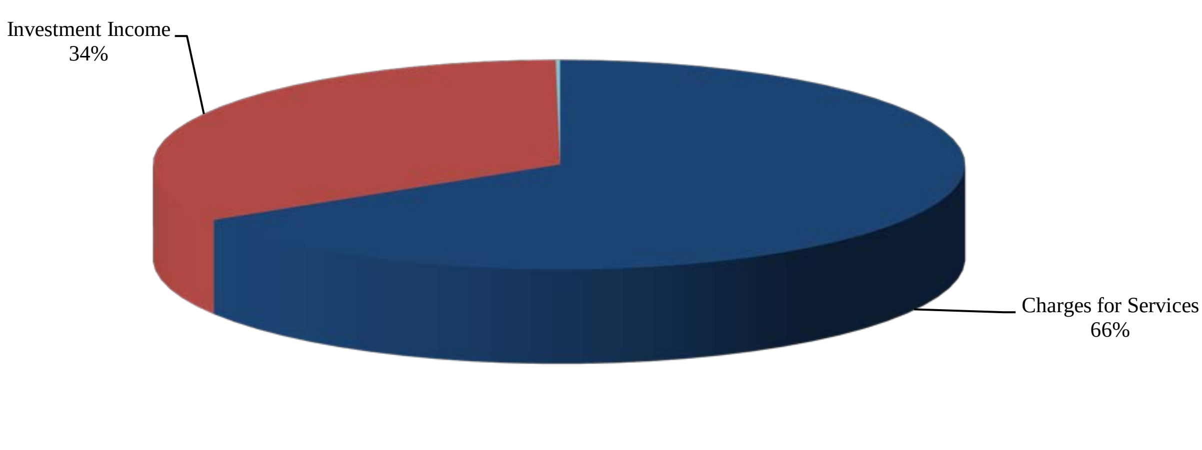
Governmental activities contributed $8.7 million to the increase in net position resulting from revenues of $30.4 million, and a restatement of prior year net position of $3.5 million (refer to Notes to Basic Financial Statements No. 17 for information on the restatement). Because governmental activities comprise the majority of the government-wide data, explanations for changes in government-wide and governmental activities are often similar.

Revenues of governmental activities report a net decrease from the prior year of about $2.1 million (6.3%), to $30.4 million. The majority of this decrease is the result of a decrease in property, grant, and contribution revenue. There were no significant variances from the prior year in the other revenue categories.

Expenses of governmental activities increased by $1.3 million (6.4%). General government expenses increased by $0.8 million, or 21%, primarily due to an increase in insurance costs ($0.4 million) and rental expenses reallocated from the successor agency now recognized by the general fund. Public works increased by $349,000 or 8.2% as a result of increased activity in the City's capital projects. Community services expenses decreased by $142,000 or 9.4%, leveling off after experiencing an increase in the prior year due to increased capital project activity in this category. Police expenses increased by $226,000 or 2.4%, primarily due to an increase in overtime costs and pension contributions.

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

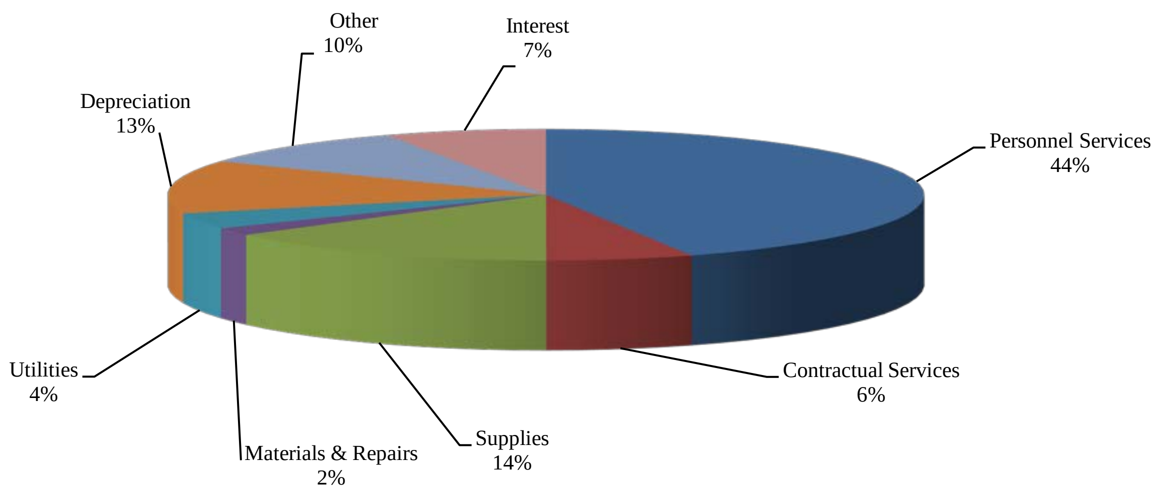
Revenues by Sources – Business-type Activities
Fiscal Year 2016-17



See independent auditor's report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses – Business-type Activities
Fiscal Year 2016-17



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 $21.3 million as compared to $20.9 million at the end of the prior year. This represents an increase in net position of $0.4 million or 2%. The increase in net position is a result of revenues of $5.7 million exceeding expenses of $5.3 million.

Revenues of $5.7 million consist of charges for services, grant revenue and investment income. This is an increase of $1.3 million or 29.5% over the prior year's total revenue of $4.4 million. Charges for services increased by $0.4 million in the current year as a result of the change in water rates. In FY 2016-17, the City recognized grant revenue of $1.9 million for design and construction of Well No. 9. Expenses totaled $5.3 million in the current year, an increase of $1.2 million from the prior year's total expense of $4.1 million. Operating expenses increased mainly as a result of an increase to pension expense, personnel costs and costs of issuance on refunding of water bonds. (refer to Notes to Basic Financial Statements No. 6(D) for information on the refunding).

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 decreased by $0.3 million in fiscal year 2016-17. This decrease was a result of expenditures of $20 million and net transfers out of $0.3 million exceeding revenues of $20.5 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 decreased by a net of $2.6 million compared to fiscal year 2015-16. This net decrease is explained by a $2.3 million decrease in sales tax revenues, due largely to the final payment received in FY 2015-16 from the state of California for prior year borrowings of property tax (commonly known as the "Triple Flip"). Other taxes decreased by $0.4 million or 20%, primarily due to a decline in oil production taxes and decreased revenues from gas sales. Other revenues increased by $0.3 million due to reimbursement of costs from the Successor Agency.

The General Fund's operating expenditures increased by $1.1 million, mainly the result of an increase in insurance costs ($0.4 million), an increase to contracted services for Public Works ($0.2 million) and rental expenses reallocated from the Successor Agency now recognized by the General Fund ($0.4 million).

Housing Authority Special Revenue Fund

The Housing Authority Fund's fund balance decreased by $3.5 million to $2.6 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). Other income decreased from FY 2015-16 by $0.4 million due to a payment received in the prior year for building in-lieu fee for the construction of a new housing complex.

Capital Improvement Capital Projects Fund

Capital expenditures within the Capital Improvement Capital Projects Fund totaled $7.5 million for the fiscal year. The major projects worked on in FY 16-17 were the widening of Cherry Avenue (completed in FY 2016-17), Los Cerritos Channel Stormwater project, and various park improvement projects. This fund has a deficit fund balance of $0.5 million which is equal to the unavailable revenue within the deferred inflows of resources category. The deficit fund balance will be eliminated when grant monies are available to be collected.

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 $20.5 million were lower than the adjusted budget amount of $20.7 million by $0.2 million. In FY 2016-17, the City experienced a decrease in sales tax revenues by $212,000 due to slower overall sales activity and a drop in business-to-business sales. Other taxes decreased by $101,000 primarily due to the decrease in the price per barrel, which is indexed on change in crude oil prices.

Total General Fund expenditures were projected at $20.8 million. The actual expenditures came in below budgeted amounts by $735,000. In FY 2016-17, the general government and police 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, 2017, totaled $101.7 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	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Land	$ 30,903,450	$ 30,903,450	$ 4,427,416	$ 4,427,416	$ 35,330,866	$ 35,330,866
Water rights	-	-	426,213	456,593	426,213	456,593
Construction in progress	7,612,787	897,092	8,945,749	3,821,208	16,558,536	4,718,300
Buildings & equipment	22,785,308	23,356,495	14,426,194	15,090,478	37,211,502	38,446,973
Infrastructure	12,162,818	12,807,986	-	-	12,162,818	12,807,986
Total assets	$ 73,464,363	$ 67,965,023	$ 28,225,572	$ 23,795,695	$ 101,689,935	$ 91,760,718

A net increase in capital assets of $9.9 million due to the continuing construction of three major capital projects – Well #9, 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.

Debt Administration

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

	Governmental Activities		Business-type Activities		Totals	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Water revenue bonds	$ -	$ -	$ 4,740,961	$ 5,649,638	$ 4,740,961	$ 5,649,638
Capital lease obligations	36,248	51,145	-	-	36,248	51,145
Net pension liability	23,063,226	19,185,086	2,204,200	1,051,952	25,267,426	20,237,038
OPEB liability	9,465,108	9,517,599	153,730	156,493	9,618,838	9,674,092
Compensated absences	889,902	842,100	82,553	39,300	972,455	881,400
Total assets	$ 33,454,484	$ 29,595,930	$ 7,181,444	$ 6,897,383	$ 40,635,928	$ 36,493,313

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.

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 $6.5 million is 55% 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, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Cash and investments	$ 37,815,305	$ 2,631,205	$ 40,446,510
Receivables:			
Accounts	473,690	545,469	1,019,159
Accrued interest	134,711	-	134,711
Loans	1,840,772	-	1,840,772
Due from other governments	5,082,939	960,526	6,043,465
From Successor Agency	7,762,272	-	7,762,272
Internal balances	1,945,586	(1,945,586)	-
Inventory	26,164	-	26,164
Prepaid items	985,777	-	985,777
Land and improvements held for resale, net	615,641	-	615,641
Restricted assets:			
Cash and investments	7,624,023	5,824	7,629,847
Capital assets, not depreciated	38,516,237	13,373,165	51,889,402
Capital assets, depreciated, net of accumulated depreciation	34,948,126	14,852,407	49,800,533
Total assets	137,771,243	30,423,010	168,194,253
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss amount on debt refunding	-	145,172	145,172
Pension related	6,152,873	575,296	6,728,169
Total deferred outflow of resources	6,152,873	720,468	6,873,341
LIABILITIES:			
Accounts payable	1,683,390	1,156,680	2,840,070
Accrued liabilities	1,874,117	-	1,874,117
Deposits payable	599,215	-	599,215
Accrued interest payable	-	54,759	54,759
Refundable deposits	-	349,638	349,638
Unearned revenue	1,096,833	804,096	1,900,929
Noncurrent liabilities			
Due within one year	460,579	472,055	932,634
Due in more than one year	32,993,905	6,709,389	39,703,294
Total liabilities	38,708,039	9,546,617	48,254,656
DEFERRED INFLOWS OF RESOURCES:			
OPEB related	40,966	2,156	43,122
Pension related	1,350,460	275,086	1,625,546
Total deferred inflow of resources	1,391,426	277,242	1,668,668
NET POSITION:			
Net investment in capital assets	73,428,115	23,635,607	97,063,722
Restricted for:			
Capital improvements	9,194,203	-	9,194,203
Development impact	4,131,961	-	4,131,961
Transportation	3,634,916	-	3,634,916
Public protection	181,776	-	181,776
Housing	2,637,932	-	2,637,932
Unrestricted	10,615,748	(2,315,988)	8,299,760
TOTAL NET POSITION	$ 103,824,651	$ 21,319,619	$ 125,144,270

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 4,632,840	$ 178,241	$ 227,798	$ -
Community services	1,362,213	191,446	-	-
Police	9,576,174	287,905	209,351	-
Community development	857,883	513,696	264,184	-
Public works	4,605,059	461,296	148,321	9,188,333
Unallocated infrastructure depreciation	645,168	-	-	-
Total governmental activities	21,679,337	1,632,584	849,654	9,188,333
Business-type activities:				
Water	5,312,312	3,784,588	-	1,927,308
Total business-type activities	5,312,312	3,784,588	-	1,927,308
Total	$ 26,991,649	$ 5,417,172	$ 849,654	$ 11,115,641

General revenues:
Taxes:
Property tax
Sales and use tax
Franchise tax
Other taxes
Investment income
Unrestricted grants and contributions
Gain on disposal of assets

Total general revenues and transfers

Change in net position

Net position at beginning of fiscal year
Prior period adjustments
Net position at beginning of fiscal year, as restated

Net position at end of fiscal year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (4,226,801)	$ -	$ (4,226,801)
(1,170,767)	-	(1,170,767)
(9,078,918)	-	(9,078,918)
(80,003)	-	(80,003)
5,192,891	-	5,192,891
(645,168)	-	(645,168)
(10,008,766)	-	(10,008,766)
-	399,584	399,584
-	399,584	399,584
(10,008,766)	399,584	(9,609,182)
1,802,205	-	1,802,205
14,597,400	-	14,597,400
734,738	-	734,738
873,994	-	873,994
442,005	9,989	451,994
311,493	-	311,493
13,674	-	13,674
18,775,509	9,989	18,785,498
8,766,743	409,573	9,176,316
98,510,282	20,910,046	119,420,328
(3,452,374)	-	(3,452,374)
95,057,908	20,910,046	115,967,954
$ 103,824,651	$ 21,319,619	$ 125,144,270

CITY OF SIGNAL HILL

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General	Housing Authority Special Revenue Fund
ASSETS:		
Cash and investments	$ 22,525,676	$ 1,964,819
Accounts receivable	466,627	-
Accrued interest receivable	134,111	-
Due from other funds	849,729	-
Due from other governments	3,371,450	-
Receivable from Successor Agency	7,762,272	-
Prepaid items	980,133	-
Loans receivable, net	-	1,834,734
Advances to other funds	2,757,488	-
Land and improvements held for resale, net	-	615,641
Restricted assets:		
Cash and investments	13,305	-
Total assets	$ 38,860,791	$ 4,415,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ 607,820	$ -
Accrued liabilities	1,874,117	-
Deposits Payable	599,215	-
Unearned revenue	128,937	-
Due to other funds	-	-
Advances from other funds	-	1,779,480
Total liabilities	3,210,089	1,779,480
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	655,387	-
FUND BALANCES:		
Nonspendable	11,499,893	-
Restricted	13,305	2,635,714
Committed	16,962,239	-
Unassigned	6,519,878	-
Total fund balances (deficit)	34,995,315	2,635,714
Total liabilities, deferred inflows of resources, and fund balances	$ 38,860,791	$ 4,415,194

See accompanying notes to the basic financial statements

Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ 1,398,079	$ 10,289,423	$ 36,177,997
-	-	466,627
-	600	134,711
-	-	849,729
1,607,835	103,654	5,082,939
-	-	7,762,272
-	5,644	985,777
-	6,038	1,840,772
-	967,896	3,725,384
-	-	615,641
-	7,610,718	7,624,023
$ 3,005,914	$ 18,983,973	$ 65,265,872
$ 980,399	$ 22,659	$ 1,610,878
-	-	1,874,117
-	-	599,215
-	967,896	1,096,833
-	849,729	849,729
-	-	1,779,480
980,399	1,840,284	7,810,252
2,555,765	31,003	3,242,155
-	5,644	11,505,537
-	17,126,125	19,775,144
-	-	16,962,239
(530,250)	(19,083)	5,970,545
(530,250)	17,112,686	54,213,465
$ 3,005,914	$ 18,983,973	$ 65,265,872

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF SIGNAL HILL

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

June 30, 2017

Fund balances - total governmental funds		$ 54,213,465
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 30,903,450	
Construction in progress	7,612,787	
Infrastructure, net of accumulated depreciation	12,162,818	
Structures and improvements, net of accumulated depreciation	21,119,809	
Vehicles, equipment and furniture, net of accumulated depreciation	1,022,085	
Total capital assets used in governmental activities		72,820,949
Certain receivables will be collected after fiscal year-end, but are not available soon enough to pay for current-period expenditures, and, therefore, are offset by unavailable revenues in the funds. Those receivables at June 30, 2017 totaled:		3,242,155
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.		1,793,318
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.		
Deferred outflow of resources - pension		6,063,217
Deferred inflow of resources - pension		(1,307,589)
Deferred inflow of resources - OPEB		(39,672)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. The balance at June 30, 2017 is:		
Capital lease obligation		(36,248)
OPEB		(9,324,500)
Net pension liability		(22,719,714)
Compensated absences		(880,730)
Net position of governmental activities		$ 103,824,651

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

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

For the Fiscal Year Ended June 30, 2017

	General	Housing Authority Special Revenue Fund	Capital Improvement Capital Projects Fund
Revenues:			
Property taxes	$ 1,802,205	$ -	$ -
Sales and use tax	14,597,400	-	-
Other taxes	1,603,503	-	-
Licenses and permits	374,207	-	-
Intergovernmental revenues	58,295	-	8,059,957
Charges for services	757,361	-	-
Fines and forfeitures	288,478	-	-
Investment income	748,403	8,331	-
Developer fees	-	-	-
Other revenues	311,493	-	-
Total revenues	20,541,345	8,331	8,059,957
Expenditures:			
Current:			
General government	4,878,106	-	-
Community services	1,575,923	-	-
Police	8,816,553	-	-
Community development	682,454	4,523	-
Public works	3,976,304	-	-
Capital outlay	90,218	-	7,533,850
Debt service			
Principal	14,897	-	-
Interest	2,131	-	-
Total expenditures	20,036,586	4,523	7,533,850
Excess (deficiency) of revenues over (under) expenditures	504,759	3,808	526,107
Other financing sources (uses):			
Transfers in	-	-	1,498,572
Transfers out	(339,478)	-	-
Total other financing sources (uses)	(339,478)	-	1,498,572
Net change in fund balances	165,281	3,808	2,024,679
Fund balances (deficit) at beginning of fiscal year	34,830,034	6,084,280	(2,554,929)
Prior period adjustments	-	(3,452,374)	-
Fund balances (deficit) at beginning of fiscal year, as restated	34,830,034	2,631,906	(2,554,929)
Fund balances (deficits) at end of fiscal year	$ 34,995,315	$ 2,635,714	$ (530,250)

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
$ -	$ 1,802,205
-	14,597,400
699,226	2,302,729
-	374,207
690,659	8,808,911
1,142	758,503
-	288,478
73,308	830,042
99,115	99,115
-	311,493
1,563,450	30,173,083
1,000	4,879,106
-	1,575,923
334,828	9,151,381
167,398	854,375
69,773	4,046,077
101,982	7,726,050
-	14,897
-	2,131
674,981	28,249,940
888,469	1,923,143
188,497	1,687,069
(1,347,591)	(1,687,069)
(1,159,094)	-
(270,625)	1,923,143
17,383,311	55,742,696
-	(3,452,374)
17,383,311	52,290,322
$ 17,112,686	$ 54,213,465

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

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

For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$ 1,923,143
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	$ 7,015,695	
Depreciation expense	(1,653,001)	5,362,694
Repayment of capital lease obligation is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.		14,897
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		(39,798)
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.		253,111
Increase in net OPEB liability is not included in the governmental funds.		11,161
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		1,280,468
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.		(38,933)
Change in net position of governmental activities		$ 8,766,743

CITY OF SIGNAL HILL

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

	Business-type Activity: Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
Assets:		
Current assets:		
Cash and investments	$ 2,631,205	$ 1,637,308
Restricted cash and investments	5,824	-
Accounts receivable	545,469	7,063
Advances to other funds	804,096	-
Due from other governments	960,526	-
Inventory	-	26,164
Total current assets	4,947,120	1,670,535
Noncurrent assets:		
Capital assets:		
Land	4,427,416	-
Construction in progress	8,945,749	-
Depreciable assets, net of accumulated depreciation	14,852,407	643,414
Total noncurrent assets	28,225,572	643,414
Total assets	33,172,692	2,313,949
Deferred outflows of resources:		
Deferred amount on debt refunding	145,172	-
Deferred outflows - Pension related	575,296	89,656
Total deferred outflows of resources	720,468	89,656
Liabilities		
Current Liabilities:		
Accounts payable	1,156,680	72,512
Accrued interest payable	54,759	-
Refundable deposits	349,638	-
Advances from other funds	2,750,000	-
Unearned revenue	804,096	-
Current portion of long-term liabilities		
Water revenue refunding bonds	472,055	-
Total current liabilities	5,587,228	72,512
Long-term liabilities:		
Water revenue refunding bonds	4,268,906	-
Compensated absences	82,553	9,172
OPEB	153,730	140,608
Net pension liability	2,204,200	343,512
Total long-term liabilities	6,709,389	493,292
Total liabilities	12,296,617	565,804
Deferred inflows of resources:		
Deferred inflows - OPEB related	2,156	1,294
Deferred inflows - Pensions related	275,086	42,871
Total deferred inflows of resources	277,242	44,165
Net position:		
Net investment in capital assets	23,635,607	643,414
Unrestricted	(2,316,306)	1,150,222
Total net position	21,319,301	$ 1,793,636
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	318	
Net position of business-type activity	$ 21,319,619	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

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

For the Fiscal Year Ended June 30, 2017

	Business-type Activity	
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
Operating revenues:		
Charges for services	$ 3,719,849	$ 595,560
Other operating revenues	64,739	-
Total operating revenues	3,784,588	595,560
Operating expenses:		
Personnel service	2,318,770	300,681
Contractual services	332,095	34,463
Supplies	771,489	61,033
Materials and repairs	100,418	95,116
Utilities	210,285	-
Depreciation/amortization	694,664	147,327
Other	508,017	24,579
Total operating expenses	4,935,738	663,199
Operating income (loss)	(1,151,150)	(67,639)
Nonoperating revenues (expenses):		
Investment income	9,989	6,212
Interest expense	(367,754)	-
Gain on sale of capital assets	-	13,674
Total nonoperating revenues (expenses)	(357,765)	19,886
Income (loss) before transfers and capital contributions	(1,508,915)	(47,753)
Capital contributions:		
Capital grants	1,927,308	-
Total capital contributions	1,927,308	-
Change in net position	418,393	(47,753)
Net position at beginning of fiscal year	20,900,908	1,841,389
Net position at end of fiscal year	$ 21,319,301	$ 1,793,636
Change in net position	$ 418,393	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(8,820)	
Change in net position of business-type activity	$ 409,573	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Business-type Activity	
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and other governments	$ 4,524,134	$ -
Receipts from interfund services provided	-	598,168
Payments to suppliers	(1,540,288)	(168,976)
Payments to employees	(1,502,157)	(185,362)
Net cash provided by operating activities	1,481,689	243,830
Cash flows from non-capital and related financing activities:		
Due to/from other funds	1,351,165	-
Net cash provided by non-capital and related financing activities	1,351,165	-
Cash flows from capital and related financing activities:		
Proceeds from disposition of capital assets	-	13,674
Capital grants	1,927,308	-
Acquisition of property, plant, and equipment	(5,124,541)	(283,973)
Proceeds from bond issuance	4,305,000	
Principal paid on debt	(5,214,196)	-
Interest paid on debt	(363,881)	-
Net cash (used) by capital and related financing activities	(4,470,310)	(270,299)
Cash flows from investing activities:		
Investment income	9,989	6,212
Net cash provided by investing activities	9,989	6,212
Net increase (decrease) in cash and cash equivalents	(1,627,467)	(20,257)
Cash and cash equivalents at beginning of fiscal year	4,264,496	1,657,565
Cash and cash equivalents at end of fiscal year	$ 2,637,029	$ 1,637,308
Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:		
Cash and investments	$ 2,631,205	$ 1,637,308
Restricted cash and investments	5,824	-
Cash and cash equivalents at end of fiscal year	$ 2,637,029	$ 1,637,308
Non-cash activities:		
Amortization	$ 27,172	$ -

(Continued)

CITY OF SIGNAL HILL

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)
For the Fiscal Year Ended June 30, 2017

	Business-type Activity	
	Water Enterprise Fund	Vehicle and Equipment Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (1,151,150)	$ (67,639)
Depreciation	694,664	147,327
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(111,650)	2,608
(Increase) decrease in due from other governments	38,847	-
(Increase) decrease in inventory	-	(7,610)
(Increase) decrease in deferred outflows of resources - pensions	(439,814)	(67,901)
Increase (decrease) in accounts payable	382,016	72,512
Increase (decrease) in accrued liabilities	(20,926)	(21,425)
Increase (decrease) in refundable deposits	8,253	-
Increase (decrease) in unearned revenue	804,096	-
Increase (decrease) in compensated absences	43,253	8,004
Increase (decrease) in deferred inflows of resources - OPEB	2,156	1,294
Increase (decrease) in deferred inflows of resources - pensions	82,459	8,982
Increase (decrease) in OPEB	(2,763)	(1,658)
Increase (decrease) in net pension liability	1,152,248	169,336
Total adjustments	2,632,839	311,469
Net cash provided by operating activities	$ 1,481,689	$ 243,830

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund	Agency Fund
Assets:		
Cash and investments	$ 12,804,168	$ -
Restricted cash and investments	2,978,527	-
Due from other governments	-	1,836
Capital assets:		
Land	23,646,365	-
Total assets	39,429,060	$ 1,836
Deferred outflows of resources:		
Deferred loss amount on debt refunding	512,015	$ -
Liabilities:		
Accounts payable	5,121	-
Accrued liabilities	4,182,555	-
Accrued interest payable	795,490	-
Refundable deposits	6,045,000	-
Due to other governments	-	1,836
Long-term liabilities:		
Due within one year	5,546,798	-
Due in more than one year	68,949,653	-
Total liabilities	85,524,617	$ 1,836
Net position (deficit):		
Unrestricted	$ (45,583,542)	

See accompanying notes to the basic financial statements

CITY OF SIGNAL HILL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2017

	Successor Agency to the Signal Hill Redevelopment Agency Private-Purpose Trust Fund
Additions:	
Distributions from County-administered redevelopment property tax trust fund	$ 12,786,710
Investment income	139,655
Other	125,013
Total additions	13,051,378
Deductions:	
Personnel services	495,965
Contractual services	22,475
Project costs	3,358,405
Interest	3,042,892
Total deductions	6,919,737
Change in net position	6,131,641
Net (deficit) at beginning of fiscal year	(51,715,183)
Net (deficit) at end of fiscal year	$ (45,583,542)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity:

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

The City 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 was adopted by a vote of the people. As a result, the City enjoys all rights and privileges pertaining to "Charter Law" cities.

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

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

The City 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

- The City, Financing Authority, and Housing Authority are financially interdependent.
- These component units do not issue separate component unit financial statements.

B. Government-Wide and Fund Financial Statements:

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the private-purpose trust fund statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (current and long-term) are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, generally only current assets and current liabilities are reported in the governmental funds. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities. Claims and judgments and compensated absences are recognized as expenditures only when payment is due.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The City reports the following major governmental funds:

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

The Housing Authority Special Revenue Fund is used to account for the use of property tax increment legally restricted for increasing or improving housing for low and moderate income households effective February 1, 2012.

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

Proprietary Funds:

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

Fiduciary Funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fiduciary Funds (Continued):

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

D. New Accounting Pronouncements:

Implemented:

Governmental Accounting Standards Board Statement No. 77

For the fiscal year ended June 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This Statement is effective for periods beginning after December 15, 2015. The objective of this Statement is to provide essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. Implementation of GASB Statement No. 77 did have an impact on the City's financial statements for the fiscal year ended June 30, 2017, see Note 16 – Tax Abatement.

Pending Accounting Standards:

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

Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

Statement No. 85	"Omnibus 2017"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

E. Cash and Cash Equivalents:

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

F. Investments:

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

G. Restricted Assets:

Cash and investments totaling $13,305 are restricted in the General Fund for future development projects. Cash and investments totaling $7,610,718 are restricted in the Civic Center Phase II for the Civic Center improvements projects.

H. Capital Assets:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Capital Assets (Continued):

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

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

I. Inventory:

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

J. Deferred Outflows/Inflows of Resources:

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The first item is for unavailable revenue reported only on the governmental funds balance sheet. Governmental funds report unavailable revenues from various sources if they are not available for use within 60 days of the fiscal year

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Deferred Outflows/Inflows of Resources (Continued):

end. This amount is deferred and not recognized as revenue until the period that the amount becomes available. The second item is the deferred liabilities of the City's pension plans investments as determined by CalPERS in accordance with GASB 68, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The third item is the deferred liabilities of the City's OPEB investments as determined by CalPERS in accordance with GASB 75, which is reported in the government-wide statement of net position and the proprietary fund statement of net position.

K. Employee Compensated Absences:

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Fund Balances:

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

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

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

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

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council assigns fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent fiscal year's appropriated budget through the fund balance policy. There were no assigned fund balances at fiscal year end.

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

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

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

N. Property Taxes:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Claims and Judgments:

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

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

P. Net Position:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Net Position: (Continued)

At June 30, 2017, net investment in capital assets, was calculated as follows:

	Governmental Activities	Business-Type Activity
Capital assets, net of accumulated depreciation	$73,464,363	$ 28,225,572
Less:		
Bonds, net	-	(4,740,961)
Capital leases	(36,248)	-
Add back:		
Deferred amount on refunding	-	145,172
Unspent bonds proceeds - reserve funds	-	5,824
Total	$73,428,115	$ 23,635,607

- Restricted net position - This component of net position consists of external constraints placed on net position by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Q. Net Position Flow Assumptions:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

R. Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2017 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	$ 40,446,510	$ 12,804,168	$ 53,250,678
Restricted cash and investments	7,629,847	2,978,527	10,608,374
Total cash and investments	$ 48,076,357	$ 15,782,695	$ 63,859,052

Cash and investments at June 30, 2017 consisted of the following:

Cash on hand	$ 3,770
Deposits with financial institutions	2,579,410
Investments	61,275,872
	$ 63,859,052

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	15%
Time Certificated Deposits	1 year	30%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	$65,000,000
Repurchase Agreements	N/A	20%	10%
Money Market Funds	N/A	None	None

(N/A - Not Applicable)

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

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

Disclosures Relating to Interest Rate Risk:

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

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

		Remaining Maturity (in Months)			
Investment Type	Totals	12 Months Or Less	13 - 24 Months	25-60 Months	More Than 60 Months
Local Agency Investment Fund	$ 45,209,266	$ 45,209,266	$ -	$ -	$ -
US Government Agency Securities	995,135	498,695	-	496,440	-
Negotiable Certificates of Deposits	4,226,579	496,273	1,294,411	2,435,895	-
Medium Term Corporate Note	249,823	-	249,823	-	-
Held by bond trustees:					
Municipal Mutual Funds	7,610,718	7,610,718	-	-	-
Bank Money Market Funds	2,984,351	2,984,351	-	-	-
	$ 61,275,872	$ 56,799,303	$ 1,544,234	$ 2,932,335	$ -

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk:

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

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	AAA	Other Ratings	Not Rated	Not Required to be Rated
Local Agency Investment Fund	$ 45,209,266	N/A	$ -	$ -	$ 45,209,266	$ -
US Government Agency Securities	995,135	AA	-	995,135	-	-
Negotiable Certificates of Deposits	4,226,579	N/A	-	-	4,226,579	-
Medium Term Corporate Note	249,823	N/A	-	-	249,823	-
Held by bond trustees:						
Money Market Mutual Funds	885,526	AAA	885,526	-	-	-
Municipal Mutual Funds	7,610,718	N/A	-	-	-	7,610,718
Bank Money Market Funds	2,098,825	A	-	2,098,825	-	-
Total	$ 61,275,872		$ 885,526	$ 3,093,960	$ 49,685,668	$7,610,718

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

Investment Type	Total as of June 30, 2017	AA-	A-
US Government Agency Securities	$ 995,135	$ 995,135	$ -
Held by bond trustees:			
Bank Money Market Funds	2,098,825	-	2,098,825
Total	$ 3,093,960	$ 995,135	$ 2,098,825

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond those stipulated by the California Government Code. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total City investments.

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of a 3rd party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of a third party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool, held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California Government Code also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2017, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation and the remaining balances were collateralized under California Law. The local agency bonds held by bond trustee are uninsured, unregistered and not held in the City's name.

Investment in State Investment Pool:

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

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements:

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

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

The City pool investment has the following recurring fair value measurements as of June 30, 2017:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificates of deposits	$ 4,226,579	$ 4,226,579	$ -	$ -
US Government Agency Securities	995,135	995,135	-	-
Medium Term Corporate Note	249,823	249,823		
Total Investments Measured at Fair Value	5,471,537	$ 5,471,537	$ -	$ -
Investments Measured at Amortized Cost				
LAIF	45,209,266			
Total Pooled Investments	$ 50,680,803			

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

3. CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities:

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	$ 30,903,450	$ -	$ -	$ -	$ 30,903,450
Construction in progress	897,092	7,015,695	-	(300,000)	7,612,787
Total	31,800,542	7,015,695	-	(300,000)	38,516,237
Capital assets, being depreciated:					
Infrastructure	28,520,419	-	-	-	28,520,419
Structures and improvements	29,266,076	-	-	300,000	29,566,076
Equipment and furniture	3,166,987	-	(45,490)	-	3,121,497
Vehicles and major equipment	2,378,065	283,973	(106,829)	-	2,555,209
Total	63,331,547	283,973	(152,319)	300,000	63,763,201
Less accumulated depreciation for:					
Infrastructure	(15,712,433)	(645,168)	-	-	(16,357,601)
Structures and improvements	(7,752,644)	(651,890)	-	-	(8,404,534)
Equipment and furniture	(1,778,160)	(365,881)	45,490	-	(2,098,551)
Vehicles and major equipment	(1,923,829)	(137,389)	106,829	-	(1,954,389)
Total	(27,167,066)	(1,800,328)	152,319	-	(28,815,075)
Total capital assets, being depreciated, net	36,164,481	(1,516,355)	-	300,000	34,948,126
Total Governmental activities capital assets, net	$ 67,965,023	$ 5,499,340	$ -	$ -	$ 73,464,363

3. CAPITAL ASSETS (CONTINUED):

Capital Asset Activity (Continued):

Business-type Activity:

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	$ 4,427,416	$ -	$ -	$ -	$ 4,427,416
Construction in progress	3,821,208	5,124,541	-		8,945,749
Total	8,248,624	5,124,541	-	-	13,373,165
Capital assets, being depreciated					
Water rights	1,215,186	-	-	-	1,215,186
Reservoirs and tanks	12,154,473	-	-	-	12,154,473
Wells	1,931,239	-	-	-	1,931,239
Mains	9,893,973	-	-	-	9,893,973
Pumps	1,384,407	-	-	-	1,384,407
Fire hydrants	564,667	-	-	-	564,667
Meters	429,048	-	-	-	429,048
Services	1,443,630	-	-	-	1,443,630
Structures	1,243,976	-	-	-	1,243,976
Equipment and furniture	1,108,511	-	-	-	1,108,511
Total	31,369,110	-	-	-	31,369,110
Less accumulated depreciation for:					
Water rights	(758,593)	(30,380)	-	-	(788,973)
Reservoirs and tanks	(4,338,516)	(271,587)	-	-	(4,610,103)
Wells	(932,953)	(45,959)	-	-	(978,912)
Mains	(5,645,770)	(195,408)	-	-	(5,841,178)
Pumps	(1,018,350)	(37,465)	-	-	(1,055,815)
Fire hydrants	(550,987)	(3,730)	-	-	(554,717)
Meters	(429,048)	-	-	-	(429,048)
Services	(799,904)	(27,579)	-	-	(827,483)
Structures	(549,921)	(28,673)	-	-	(578,594)
Equipment and furniture	(797,997)	(53,883)	-	-	(851,880)
Total	(15,822,039)	(694,664)	-	-	(16,516,703)
Total capital assets, being depreciated, net	15,547,071	(694,664)	-	-	14,852,407
Total Business-type activity capital assets, net	$ 23,795,695	$ 4,429,877	$ -	$ -	$ 28,225,572

3. CAPITAL ASSETS (CONTINUED):

Depreciation/Amortization Expense:

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

Governmental activities:	
General government	$ 45,494
Community services	29,749
Police	799,853
Public works	132,737
Internal service fund depreciation charged to programs	147,327
Allocated depreciation	1,155,160
Unallocated depreciation	645,168
Total depreciation expense - governmental activities	$ 1,800,328
Business-type activity:	
Water	$ 694,664

4. DEFERRED INFLOWS OF RESOURCES:

At June 30, 2017, deferred inflows of resources, reported in the governmental fund financial statements, consisted of the following:

	General Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Unavailable grant revenue	$ -	$ 2,555,765	$ 26,583	$ 2,582,348
Unavailable other revenues	582,871	-	-	582,871
Unavailable interest from long-term receivables	72,516	-	4,420	76,936
	$ 655,387	$ 2,555,765	$ 31,003	$ 3,242,155

5. LONG-TERM RECEIVABLES:

A. Receivables from Successor Agency:

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

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

B. Loans Receivables:

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

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

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, 2017 was $7,729,480. The City also set up the allowance-doubtful accounts on the available revenue, $5,950,000.

6. LONG-TERM LIABILITIES:

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Capital lease obligation	$ 51,145	$ -	$ (14,897)	$ 36,248	$ 15,628
Net pension liability	19,185,086	5,824,879	(1,946,739)	23,063,226	-
OPEB	9,517,599	939,016	(991,507)	9,465,108	-
Compensated absences	842,100	317,488	(269,686)	889,902	444,951
Total	$ 29,595,930	$ 7,081,383	$ (3,222,829)	$ 33,454,484	$ 460,579

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Business-Type Activities:					
2006 Water revenue refunding bonds	$ 5,655,000	$ -	$ (5,655,000)	$ -	$ -
Less original issue discount	(5,362)		5,362	-	-
2016 Water revenue refunding bonds	-	4,305,000	-	4,305,000	420,000
Plus 2016 original issue premium	-	468,495	(32,534)	435,961	52,055
Total refunding bonds payable	5,649,638	4,773,495	(5,682,172)	4,740,961	472,055
Net pension liability	1,051,952	1,362,454	(210,206)	2,204,200	-
OPEB	156,493	297,130	(299,893)	153,730	-
Compensated absences	39,300	54,328	(11,075)	82,553	-
Total	$ 6,897,383	$ 6,487,407	$ (6,203,346)	$ 7,181,444	$ 472,055

6. LONG-TERM LIABILITIES (CONTINUED):

A. Capital Leases:

Copiers: A five year noncancelable lease was entered into for the purchase of eight copiers for various departments of the City. The value of the copiers at lease inception was $75,557. Annual payments of principal and interest are $17,028. The balance at June 30, 2017 on these leases was $36,248.

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

Future minimum lease payments for the fiscal year ending June 30,		
2018	$	17,028
2019		17,028
2020		4,252
Subtotal		38,308
Less amount representing interest		(2,060)
Present value of future lease payments	$	36,248

B. Compensated Absences:

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

C. 2006 Water Revenue Refunding Bonds:

On June 1, 2006, the City issued $8,985,000 2006 Water Revenue Refunding Bonds to advance refund the Signal Hill Public Financing Authority's outstanding 1996 Certificates of Participation Bonds. As a result of the advance refunding, the 2006 Refunding Bonds are considered to be defeased and the liability has been removed from the accounting records of the City. The defeased 2006 Refunding Bonds were retired on December 19, 2016. The bonds were paid off by the 2016 Water Revenue Refunding Bonds.

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. As a result of the advance refunding, the 2006 Certificates are considered to be defeased

6. LONG-TERM LIABILITIES (CONTINUED):

D. 2016 Water Revenue Refunding Bonds (Continued):

and the liability has been removed from the accounting records of the City. The defeased 2006 Refunding Bonds were retired on December 19, 2016.

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, 2017, this ratio was not met. The Water Fund is in the second 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.

As a result of the refunding the City realized a net savings in the amount of $846,102 and an economic gain (difference between present value of new debt versus old debt) of $690,922.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 420,000	$ 147,800	$ 567,800
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
2023-2027	2,075,000	198,562	2,273,562
	$4,305,000	$ 812,800	$ 5,117,800

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of June 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 849,729

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

Interfund Transfers:

Transfers In To	Transfers Out From	Amount
Capital Improvement Capital Projects Fund	General Fund	$ 164,461
	Other Governmental Funds	1,258,911
Other Governmental Funds	General Fund	175,017
	Other Governmental Funds	13,480
General Fund	Other Governmental Funds	75,200
		$ 1,687,069

The purposes for significant interfund transfers made during the fiscal year ended June 30, 2017 were as follows:

- Transfers into the Capital Improvement Project Fund from the General Fund and Other Governmental Funds were for the acquisition of equipment as well as providing for several projects including Cherry Avenue Widening, Discovery Well Park ADA improvements, various other park improvements and refurbishment, sidewalk repairs, Library software, and the Pavement Management Program.
- Transfers to the Other Governmental Funds from the General Fund related to transfers to the Public Safety State Resources ($8,705) and COPS Hiring Grant Fund ($5,709) for sworn personnel costs in excess of program reimbursement, non-sworn personnel costs under the Supplemental Law Enforcement Grant in excess of program reimbursement ($134,789), and funding for other law enforcement costs.

8. INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

For the fiscal year ended June 30, 2017, the following funds had deficit fund balances:

Major Governmental Fund:		
Capital Improvement Capital Project Fund	$	530,250
Other Governmental Fund:		
OTS Grant Special Revenue Fund		19,083

The deficit will be eliminated by revenues that were unavailable at fiscal year end since they did not meet the availability criteria required for recognition in the governmental funds.

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

A. General Information about the Pension Plans:

Plan Description:

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

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

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
Hire date	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.09%-2.42%	1.00%-2.50%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.88%	7.61%	6.56%

	Safety		
Hire date	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.75% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.40%-3.00%	2.00% - 2.70%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	21.23%	19.33%	12.82%

Contributions:

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

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

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

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follow:

Contributions – employer	$ 2,321,377

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 11,009,993
Safety	14,257,433
Total Net Pension Liability	$ 25,267,426

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was as follows:

	Combined (PERF C)
Proportion - June 30, 2015	0.294832%
Proportion - June 30, 2016	0.292004%
Change - Increase (Decrease)	-0.002828%

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

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

For the fiscal year ended June 30, 2017, the City recognized pension expense of $2,156,945. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (85,821)
Changes of assumptions	-	(792,424)
Changes in employer's proportions	212,902	(376,328)
Net difference between projected and actual earnings on pension plan investments	3,983,164	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(370,973)
City contributions subsequent to the measurement date	2,532,103	-
	$ 6,728,169	$ (1,625,546)

The $2,532,103 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2018	$ (210,065)
2019	(78,190)
2020	1,823,958
2021	1,034,817
Total	$ 2,570,520

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

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous		
Hire date	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-63	50-63	53-67
Monthly benefits, as a % of eligible compensation	1.43% - 2.42%	1.09%-2.42%	1.00%-2.50%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.88%	7.61%	6.56%

	Safety		
Hire date	Prior to June 10, 2010	On or after June 10, 2010 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.75% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.00%	2.40%-3.00%	2.00% - 2.70%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates	21.23%	19.33%	12.82%

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

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

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

Change of Assumptions – There were no changes of assumptions during the measurement period of June 30, 2016.

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

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

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

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	336.00%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period.
(b) An expected inflation of 3.00% used for this period.

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

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

	Combined PERF C
1% Decrease	6.65%
Net Pension Liability	$ 38,030,598
Current Discount Rate	7.65%
Net Pension Liability	$ 25,267,426
1% Increase	8.65%
Net Pension Liability	$ 14,757,175

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

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

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

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

A. Plan Description:

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

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

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

- Employees age 50 or over with 5 years of CalPERS service receive up to $885 per month.

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

- Employees with less than 5 years of service with Signal Hill, but who are vested with CalPERS are eligible to receive the minimum monthly premium mandated by CalPERS (currently $115 monthly).
- Employees with 5-10 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee only.
- Employees with 11-15 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee only.

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

A. Plan Description:

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

- Employees with over 16 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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

- Employees with less than 11 years of service with Signal Hill, but who are vested with CalPERS are eligible to receive the minimum monthly premium mandated by CalPERS (currently $115 monthly).
- Employees with 11-15 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 25% of the monthly benefit applicable towards the employee only.
- Employees with 16-19 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.
- Employees with over 20 years of CalPERS service (combined City service plus 50% credit for service with another CalPERS agency) shall be eligible to receive 75% of the monthly benefit applicable towards the employee and one dependent provided that employee plus one dependent coverage was in effect upon the date of retirement.

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

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

B. Eligibility:

Employees of the City are eligible for retiree health benefits if they are between 50-55 years of age as of the last day of work prior to retirement and are a vested member of CalPERS. Membership in the plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

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

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, 2017, the City contributed $718,446. 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 $718,446.

D. Net OPEB Liability:

The City's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

D. Net OPEB Liability (Continued):

Inflation	2.75%
Salary increase	2.75%
Investment rate of return	6.50%
Healthcare cost trend rates	Assumed 4% per year. The long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. The actuary 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic and International Equities	45.0%	7.625%
Corporate Bonds	45.0%	5.125%
Real Estate	10.0%	8.000%
Total	100%	

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

D. Net OPEB Liability (Continued):

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

E. Change in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016	$ 11,385,540	$ 1,711,448	$ 9,674,092
Changes in the fiscal year:			
Service Cost	86,566	-	86,566
Interest on the Total OPEB Liability	719,524	-	719,524
Contribution from the Employer	-	718,446	(718,446)
Contribution from the Employees	-	-	-
Net Investment Income	-	154,005	(154,005)
Benefit Payments	(718,446)	(718,446)	-
Administrative Expenses	-	(11,107)	11,107
Net Changes	87,644	142,898	(55,254)
Balance at June 30, 2017	$ 11,473,184	$ 1,854,346	$ 9,618,838

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 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (Asset)	$ 10,889,088	$ 9,618,838	$ 8,556,194

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, 2017, the City recognized OPEB expense of $697,689. At June 30, 2017, 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
Net differences between projected and actual earnings on plan investments	$ -	$ 43,122
Total	$ -	$ 43,122

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

Fiscal Year Ended June 30	
2018	$ 8,625
2019	8,625
2020	8,625
2021	8,625
2022	8,622
	$ 43,122

11. DEFINED CONTRIBUTION PLANS:

Effective July 3, 1999, the City began providing pension benefits for all of its part-time, seasonal and temporary employees that are not covered under CalPERS through the City of Signal Hill Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.3% by the City. All part-time, seasonal and temporary employees are immediately eligible to participate in the plan from the date of the plan or date of employment, whichever is later, and all contributions are fully vested.

11. DEFINED CONTRIBUTION PLANS (CONTINUED):

On May 15, 2001, the City Council authorized establishment of a 401(a) Defined Contribution Plan (Plan) for its management and middle management employees. The Plan is administered by ICMA. The Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Management and middle management employees placed their City-paid contributions which total 4.0% and 3.0%, respectively, of salary into the Plan. Management employees were required to match the 4% City contribution with an 8% employee contribution, and middle management employees are required to match the 3.0% City contribution with a 6% employee contribution.

These plans were discontinued on April 30, 2016 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. For the fiscal year ended June 30, 2017, the employees contributed $382,673 and the City contributed $89,761 to the plan.

Amounts withheld by the City under this plan are deposited regularly with the International City Managers Association (ICMA) Fund for investment. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the City, and as such, are not subject to the claims of the City's general creditors. The City has minimal involvement in the administration of the 457 plan, and therefore, the trust plan assets and liabilities are not reported in the City's financial statements.

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications as of June 30, 2017 were as follows:

	General Fund	Housing Authority Special Revenue Fund	Capital Improvement Capital Projects Fund	Other Governmental Funds	Totals
Nonspendable:					
Receivables from Successor Agency	$ 7,762,272	$ -	$ -	$ -	$ 7,762,272
Advances to other funds	2,757,488	-	-	-	2,757,488
Prepaid expenditures	980,133	-	-	5,644	985,777
Total Nonspendable	11,499,893	-	-	5,644	11,505,537
Restricted for:					
Low and moderate income housing	-	2,635,714	-	-	2,635,714
Public protection	-	-	-	181,776	181,776
Development	13,305	-	-	4,131,961	4,145,266
Transportation	-	-	-	3,629,272	3,629,272
Capital improvements	-	-	-	9,180,898	9,180,898
Housing	-	-	-	2,218	2,218
Total Restricted	13,305	2,635,714	-	17,126,125	19,775,144
Committed:					
Equipment replacement	535,393	-	-	-	535,393
Insurance premium increases	435,972	-	-	-	435,972
Capital improvements	1,430,882	-	-	-	1,430,882
Economic uncertainty	5,081,972	-	-	-	5,081,972
Police radio reserve	367,749	-	-	-	367,749
Library expansion	3,728,122	-	-	-	3,728,122
Park expansion	57,846	-	-	-	57,846
CalPERS rate increases	1,987,225	-	-	-	1,987,225
Building and land acquisition	1,879,448	-	-	-	1,879,448
OPEB future costs	1,121,444	-	-	-	1,121,444
Trash reduction	1,456	-	-	-	1,456
100th Anniversary	30,019	-	-	-	30,019
General plan	50,000	-	-	-	50,000
Cable television	53,359	-	-	-	53,359
Traffic safety	201,352	-	-	-	201,352
Total Committed	16,962,239	-	-	-	16,962,239
Unassigned	6,519,878	-	(530,250)	(19,083)	5,970,545
Total Fund Balances	$ 34,995,315	$ 2,635,714	$ (530,250)	$ 17,112,686	$ 54,213,465

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

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

The City of Signal Hill is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Authority:

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. 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 general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $750,000 to $50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

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

For Fiscal Year 2016-17, the Authority's pooled retention is $2 million per occurrence, with reinsurance to $20 million, and excess insurance to $50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) $2.5 million annual aggregate deductible in the $3 million in excess of $2 million layer, and (b) $3 million annual aggregate deductible in the $5 million in excess of $10 million layer. There is a third annual aggregate deductible in the amount of $2.5 million in the $5 million in excess of $5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of $30 million per occurrence.

Workers' Compensation:

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

For Fiscal Year 2016-17, 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.

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

C. Purchased Insurance:

Pollution Legal Liability Insurance:

The City of Signal Hill participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Signal Hill. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has an aggregate limit of $50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a $10 million sub-limit during the 3-year policy term.

Property Insurance:

The City of Signal Hill participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Signal Hill property is currently insured according to a schedule of covered property submitted by the City of Signal Hill to the Authority. City of Signal Hill property currently has all-risk property insurance protection in the amount of $47,500,761. There is a $5,000 deductible per occurrence except for non-emergency vehicle insurance which has a $2,500 deductible.

Earthquake and Flood Insurance:

The City of Signal Hill purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Signal Hill property currently has earthquake protection in the amount of $23,740,615. There is a deductible of 5% per unit of value with a minimum deductible of $100,000.

Crime Insurance:

The City of Signal Hill purchases crime insurance coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority.

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 facilitated by the Authority.

14. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

D. Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in Fiscal Year 2016-17.

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 2016-17, the City collected $44,833 in Parks & Recreation fees, $47,787 in Water fees, and $6,495 in Traffic fees, respectively. The fees are deposited into corresponding special revenue funds, and they are used to acquire and upgrade parks, improve water systems related to new development, and to reduce traffic within the City related to new development. The State of California requires fees to be spent within five years of collection. In Fiscal Year 2016-17, the City expended $258,802 in Parks & Recreation fees, and $15,176 in Traffic fees. At June 30, 2017, the fund balances for the Parks & Recreation Impact Fund was $3,163,491, for the Water Impact Fund was $257,569, and for the Traffic Impact Fund was $1,387,109.

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, 2017, the City abated local sales tax totaling $3,003,528.

17. RESTATEMENT OF NET POSITION AND FUND BALANCE:

The City restated the overstatement of land held for resale in the Housing Authority Special Revenue Fund. The cumulative effect of these restatements has resulted in a decrease to the net position and fund balances at July 1, 2016 as follows:

	Governmental Activities
Net position as previously reported as of June 30, 2016	$ 98,510,282
Overstatement of Land held for resale	(3,452,374)
Net position as restated July 1, 2016	$ 95,057,908

	Housing Authority Special Revenue Fund
Fund balances as previously reported as of June 30, 2016	$ 6,084,280
Overstatement of Land held for resale	(3,452,374)
Fund balances as restated July 1, 2016	$ 2,631,906

18. SUCCESSOR AGENCY DISCLOSURES:

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

Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated				
Land	$ 23,646,365	$ -	$ -	$ 23,646,365
Total capital assets, not being depreciated	23,646,365	-	-	23,646,365
Total	$ 23,646,365	$ -	$ -	$ 23,646,365

Long-Term Liabilities:

Long-term liability activity for the fiscal year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
2006 TABs	$ 11,895,000	$ -	$ (235,000)	$ 11,660,000	$ 235,000
2007 Refunding TABs	14,045,000	-	(1,505,000)	12,540,000	1,570,000
2009 Tax Allocation Parity Bonds	16,365,000	-	(830,000)	15,535,000	865,000
2011 Tax Allocation Parity Bonds	7,115,000	-	(500,000)	6,615,000	535,000
2015 Refunding TABs Series A	16,880,000	-	(1,860,000)	15,020,000	1,915,000
2015 Refunding TABs Series B	1,850,000	-	(100,000)	1,750,000	105,000
Less original issuance discounts	(309,745)	-	31,901	(277,844)	(31,901)
Add premium on bonds	2,206,424	-	(304,334)	1,902,090	304,334
Total bonds payable	70,046,679	-	(5,302,433)	64,744,246	5,497,433
Notes payable	191,002	-	(141,637)	49,365	49,365
Advances from the City of Signal Hill	9,702,840	-		9,702,840	
Total long-term liabilities	$ 79,940,521	$ -	$ (5,444,070)	$ 74,496,451	$ 5,546,798

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

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 235,000	$ 673,967	$ 908,967
2019	260,000	659,515	919,515
2020	275,000	643,896	918,896
2021	295,000	627,255	922,255
2022	310,000	609,592	919,592
2023-2027	10,285,000	2,025,402	12,310,402
	$ 11,660,000	$ 5,239,627	$ 16,899,627

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

B. 2007 Refunding Tax Allocation Bonds:

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $15,811. This difference, reported as a deferred outflow of resources, is being amortized on a straight-line basis as interest expense on the statement of changes in fiduciary net position through the year 2024.

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

The reserve requirement for these bonds is covered by a surety bond provided by National Public Finance Guarantee Corp. (National). National's current ratings by Moody's Investors Services and Standard & Poor's are B2 and AA-, respectively.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 1,570,000	$ 487,104	$ 2,057,104
2019	1,640,000	422,904	2,062,904
2020	1,710,000	355,904	2,065,904
2021	1,785,000	284,888	2,069,888
2022	1,860,000	209,012	2,069,012
2023-2024	3,975,000	172,266	4,147,266
	$ 12,540,000	$ 1,932,078	$ 14,472,078

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

C. 2009 Tax Allocation Parity Bonds:

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 865,000	$ 786,488	$ 1,651,488
2019	910,000	742,113	1,652,113
2020	955,000	695,487	1,650,487
2021	1,000,000	646,612	1,646,612
2022	1,055,000	595,238	1,650,238
2023-2027	10,750,000	1,722,151	12,472,151
	$ 15,535,000	$ 5,188,089	$ 20,723,089

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

D. 2011 Tax Allocation Parity Bonds:

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

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 535,000	$ 419,438	$ 954,438
2019	555,000	388,769	943,769
2020	590,000	355,112	945,112
2021	625,000	317,881	942,881
2022	670,000	276,575	946,575
2023-2027	3,640,000	642,951	4,282,951
	$ 6,615,000	$ 2,400,726	$ 9,015,726

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 1,915,000	$ 664,375	$ 2,579,375
2019	1,960,000	596,450	2,556,450
2020	2,040,000	506,250	2,546,250
2021	2,120,000	402,250	2,522,250
2022	2,220,000	293,750	2,513,750
2023-2024	4,765,000	240,875	5,005,875
	$ 15,020,000	$ 2,703,950	$ 17,723,950

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 105,000	$ 46,606	$ 151,606
2019	100,000	45,200	145,200
2020	105,000	43,531	148,531
2021	105,000	41,497	146,497
2022	105,000	39,135	144,135
2023-2024	1,230,000	85,369	1,315,369
	$ 1,750,000	$ 301,338	$ 2,051,338

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

G. Notes Payable:

On December 16, 2010, the Agency issued a promissory note in the amount of $850,000 in connection with the acquisition of land held for resale. The note bears interest at 4.5% per annum. There was a one-time principal only repayment of $250,000 due on January 30, 2011, and quarterly interest and principal payments of $25,100 commenced on March 15, 2011 in order to fully amortize the note by December 15, 2017. At June 30, 2017, the outstanding balance of this note was $49,365.

The annual debt requirements of this note at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 49,365	$ 835	$ 50,200
	$ 49,365	$ 835	$ 50,200

H. Advances from the City of Signal Hill:

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

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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

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

I. Operating Lease Obligations:

(1) The Agency is leasing land (as lessor) used for an Auto Center under an operating lease dated June 30, 1988. The term of the lease expires November 30, 2055. The current period rental payments, which are classified as project costs, were $251,604.

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

Fiscal Year Ending June 30,	
2018	$ 251,604
2019	251,604
2020	251,604
2021	260,466
2022	266,796
2023-2027	1,356,951
2028-2032	1,432,949
2033-2037	1,513,578
2038-2042	1,591,423
2043-2047	1,676,424
2048-2052	1,758,553
2053-2056	1,237,176
Total minimum lease payments	$ 11,849,128

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

I. Operating Lease Obligations (Continued):

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

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

Fiscal Year Ending June 30,	
2018	$ 220,142
2019	220,142
2020	220,142
2021	223,444
2022	226,745
2023-2027	1,143,930
2028-2032	1,178,249
2033-2037	1,213,594
2038-2042	1,250,001
2043-2047	1,287,504
2048-2052	1,326,131
2053-2056	1,087,048
Total minimum lease payments	$ 9,597,072

J. Spring Street Corridor Joint Powers Authority:

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

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

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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

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

K. Owner Participation and Implementation Agreement (OPIA):

Pursuant to an Owner Participation and Implementation Agreement (OPIA) dated September 19, 1996, the Agency is required to pay a developer a formulated amount based on sales tax generated at a site developed within the City of Signal Hill. The 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, 2017, there was $4,182,555 due under this agreement, which is reported as a current liability.

19. CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

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

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

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

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

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

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

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

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF based on the ROPS amount approved by the DOF or the amount of former tax increment revenue available after administrative costs and pass-throughs. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Fiscal Year Ended June 30, 2017

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 1,860,387	$ 1,860,387	$ 1,802,205	$ (58,182)
Sales and use tax	14,809,771	14,809,771	14,597,400	(212,371)
Other taxes	1,705,000	1,705,000	1,603,503	(101,497)
Licenses and permits	421,910	421,910	374,207	(47,703)
Intergovernmental revenues	41,000	41,000	58,295	17,295
Charges for services	765,879	765,879	757,361	(8,518)
Fines and forfeitures	320,200	320,200	288,478	(31,722)
Investment income	757,550	757,550	748,403	(9,147)
Other revenue	25,000	25,000	311,493	286,493
Total revenues	20,706,697	20,706,697	20,541,345	(165,352)
Expenditures:				
Current:				
General government:				
City Council	218,330	218,330	202,873	15,457
City Treasurer	6,110	6,110	6,730	(620)
City Clerk	199,305	199,305	186,225	13,080
Economic development	232,580	232,580	548,943	(316,363)
Executive administration	591,660	591,660	687,145	(95,485)
Program administration	257,780	257,780	237,400	20,380
Personnel services	358,210	358,210	277,249	80,961
Support services	1,410,752	1,410,752	1,741,435	(330,683)
Management information services	172,500	172,500	136,027	36,473
Fiscal services	923,825	923,825	854,079	69,746
Total general government	4,371,052	4,371,052	4,878,106	(507,054)
Community services:				
Library programs and services	432,110	432,110	427,724	4,386
Community support and services	794,445	794,445	660,153	134,292
Recreation	421,990	421,990	488,046	(66,056)
Total community services	1,648,545	1,648,545	1,575,923	72,622
Police:				
Community outreach	77,850	77,850	79,863	(2,013)
Patrol services	4,796,690	4,796,690	4,902,101	(105,411)
Investigative services	1,070,690	1,070,690	1,059,529	11,161
Police support services	1,641,110	1,641,110	1,682,183	(41,073)
Communications	734,650	734,650	717,991	16,659
Records	376,970	376,970	313,257	63,713
Emergency and disaster services	83,250	83,250	61,629	21,621
Total police	8,781,210	8,781,210	8,816,553	(35,343)

(Continued)

CITY OF SIGNAL HILL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
(Continued)

For the Fiscal Year Ended June 30, 2017

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning services	$ 328,890	$ 328,890	$ 302,826	$ 26,064
Neighborhood enhancement	109,650	109,650	86,498	23,152
Building and safety	320,630	320,630	176,180	144,450
Oil field services	138,290	138,290	116,950	21,340
Total community development	897,460	897,460	682,454	215,006
Public works:				
Engineering and project services	719,390	719,390	656,804	62,586
Building maintenance	716,360	716,360	585,370	130,990
Enviromental programs	830,320	830,320	536,785	293,535
Grounds maintenance	969,200	969,200	827,089	142,111
Street maintenance operations	1,627,715	1,627,715	1,370,256	257,459
Total public works	4,862,985	4,862,985	3,976,304	886,681
Capital outlay	193,000	193,000	90,218	102,782
Debt service:				
Principal payments	14,897	14,897	14,897	-
Interest and fiscal charges	2,131	2,131	2,131	-
	17,028	17,028	17,028	-
Total expenditures	20,771,280	20,771,280	20,036,586	734,694
Excess (deficiency) of revenues over (under) expenditures	(64,583)	(64,583)	504,759	569,342
Other financing sources (uses):				
Transfers out	(341,900)	(341,900)	(339,478)	2,422
Total other financing sources (uses)	(341,900)	(341,900)	(339,478)	2,422
Net change in fund balance	(406,483)	(406,483)	165,281	571,764
Fund balance at beginning of fiscal year	34,830,034	34,830,034	34,830,034	-
Fund balance at end of fiscal year	$ 34,423,551	$ 34,423,551	$ 34,995,315	$ 571,764

THIS PAGE INTENTIONALLY LEFT BLANK

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 (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. No budgets were adopted for the Assets Seizure, Public Safety State Resources, Housing Impact, MTA-STPL Grant, Civic Center Phase II and DOJ Grants Special Revenue Funds for the current fiscal year.

3) Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures exceeded appropriations in major funds as follows:

Major Fund:		
General Fund:		
General government - City Treasurer	$	620
General government - Economic Development		316,363
General government - Executive administration		95,485
General government - Support services		330,683
Community services - Recreation		66,056
Police - Community outreach		2,013
Police - Patrol services		105,411
Police - Support services		41,073

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

4) Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level (i.e. City Council, City Treasurer, City Attorney), except as approved in advance by the City Council.

5) Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the Governmental Fund Types. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.

6) The City Council approves all significant budgetary changes.

7) Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, or returned to the taxpayers through revised tax rates or revised fee schedules. Or an excess in one year may be offset against a deficit in following year. For the fiscal year ended June 30, 2017, based on calculations by City management, proceeds of taxes did not exceed appropriations.

CITY OF SIGNAL HILL
Required Supplementary Information
June 30, 2017

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

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

	Measurement Date June 30, 2016[1] Fiscal Year 2016-17 **Combined**	Measurement Date June 30, 2015[1] Fiscal Year 2015-16 **Combined**	Measurement Date June 30, 2014[1] Fiscal Year 2014-15 **Combined**
Proportion of the net pension liability	0.292004%	0.294832%	0.300795%
Proportionate share of the net pension liability	$ 25,267,426	$ 20,237,038	$ 18,716,877
Covered-employee payroll[2]	$ 7,710,519	$ 7,098,450	$ 7,625,485
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	327.70%	285.09%	245.45%
Plan's fiduciary net position	$ 24,705,532,291	$ 24,907,305,871	$ 24,607,502,515
Plan's total pension liability	$ 33,358,627,624	$ 31,771,217,402	$ 30,829,966,631
Plan fiduciary net position as a percentage of total pension liability	74.06%	78.40%	79.82%

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

Note to Schedule:

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

Changes in Assumptions: Since June 30, 2015, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

CITY OF SIGNAL HILL

Required Supplementary Information

June 30, 2017

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

SCHEDULE OF PENSION CONTRIBUTIONS

	Combined Fiscal Year 2016-17 [1]	Combined Fiscal Year 2015-16 [1]	Combined Fiscal Year 2014-15 [1]
Actuarially Determined Contribution[2]	$ 2,532,103	$ 2,321,377	$ 1,871,390
Contributions in Relation to the Actuarially Determined Contribution[2]	(2,532,103)	(2,321,377)	(1,871,390)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll[3]	$ 8,199,788	$ 7,710,519	$ 7,098,450
Contributions as a Percentage of Covered Employee Payroll[3]	30.88%	30.11%	26.36%

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

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

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

Notes to Schedule:

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

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

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

CITY OF SIGNAL HILL

Required Supplementary Information

June 30, 2017

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

LAST 10 FISCAL YEARS*

	2017	2016
Total OPEB Liability		
Service Cost	$ 86,566	$ 84,249
Interest on the Total Pension Liability	719,524	732,333
Benefit Payments	(718,446)	(697,696)
Net Change in Total Pension Liability	87,644	118,886
Total OPEB Liability - Beginning	11,385,540	11,266,654
Total OPEB Liability - Ending (a)	$ 11,473,184	$ 11,385,540
Plan Fiduciary Net Position		
Contribution from the Employer	$ 718,446	$ 847,696
Net investment income	154,005	(31,941)
Benefit Payments	(718,446)	(697,696)
Administrative Expenses	(11,107)	(3,818)
Net Change in Plan Fiduciary Net Position	142,898	114,241
Plan Fiduciary Net Position - Beginning	1,711,448	1,597,207
Plan Fiduciary Net Position - Ending (b)	$ 1,854,346	$ 1,711,448
Net OPEB Liability - Ending (a)-(b)	$ 9,618,838	$ 9,674,092
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	16.16%	15.03%
Covered - Employee Payroll	$ 7,997,352	$ 7,783,311
Net OPEB Liability as Percentage of Covered-Employee Payroll	120.28%	124.29%

* Fiscal year 2016 was the 1st year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER MAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

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

CITY OF SIGNAL HILL

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

CAPITAL IMPROVEMENT CAPITAL PROJECT FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance- with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 7,557	$ 7,557	$ 8,059,957	$ 8,052,400
Total revenues	7,557	7,557	8,059,957	8,052,400
Expenditure:				
Capital outlay	1,295,040	1,295,040	7,533,850	(6,238,810)
Total expenditures	1,295,040	1,295,040	7,533,850	(6,238,810)
(Deficiency) of revenues (under) expenditures	(1,287,483)	(1,287,483)	526,107	1,813,590
Other financing sources:				
Transfers in	1,696,588	1,696,588	1,498,572	(198,016)
Total other financing sources	1,696,588	1,696,588	1,498,572	(198,016)
Net change in fund balances	409,105	409,105	2,024,679	1,615,574
Fund (deficit) at beginning of fiscal year	(2,554,929)	(2,554,929)	(2,554,929)	-
Fund (deficit) at end of fiscal year	$ (2,145,824)	$ (2,145,824)	$ (530,250)	$ 1,615,574

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Transportation Proposition A Fund – As "Proposition A" increased the sales tax in Los Angeles County by one half percent (0.5%), this fund accounts for financial activity relative to the City's share of these monies. "Proposition A" revenues are to be used for public transportation purposes.

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

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

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

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

Transportation Proposition C Fund – As "Proposition C" increased the sales tax in Los Angeles County by one-half percent (0.5%), this fund accounts for financial activity relative to the City's share of these monies. "Proposition C" revenues are to be used for public transportation purposes.

THIS PAGE INTENTIONALLY LEFT BLANK

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

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

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

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
Assets				
Cash and investments	$ 181,776	$ -	$ 3,163,491	$ -
Restricted cash and investments	-	-	-	-
Accrued interest receivable	-	-	-	600
Due from other governments	-	-	-	72,690
Prepaid expenditures	-	-	-	-
Loans receivable	-	-	-	6,038
Advances to other funds	-	-	934,704	-
Total assets	$ 181,776	$ -	$ 4,098,195	$ 79,328
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 4,677
Unearned revenue	-	-	934,704	-
Due to other funds	-	-	-	68,013
Total liabilities	-	-	934,704	72,690
Deferred inflows of resources:				
Unavailable revenue:	-	-	-	4,420
Fund balances:				
Nonspendable	-	-	-	-
Restricted for:				
Public protection	181,776	-	-	-
Development	-	-	3,163,491	-
Transportation	-	-	-	-
Capital improvements	-	-	-	-
Housing	-	-	-	2,218
Unassigned	-	-	-	-
Total fund balances	181,776	-	3,163,491	2,218
Total liabilities, deferred inflows of resources and fund balances	$ 181,776	$ -	$ 4,098,195	$ 79,328

Special Revenue Funds (Continued)

Special Gas Tax	Transportation Proposition A	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Transportation Proposition C	Lighting and Landscape
$ 485,434	$ 663,133	$ 2,231,200	$ 150,312	$ 257,569	$ 1,387,109	$ 355,139	$ 106,413
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,500	-	-	3,789	-	-	-	592
-	5,644	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	33,192	-	-
$ 492,934	$ 668,777	$ 2,231,200	$ 154,101	$ 257,569	$ 1,420,301	$ 355,139	$ 107,005
$ -	$ 12,590	$ -	$ -	$ -	$ -	$ -	$ 5,392
-	-	-	-	-	33,192	-	-
-	-	-	-	-	-	-	-
-	12,590	-	-	-	33,192	-	5,392
7,500	-	-	-	-	-	-	-
-	5,644	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	257,569	-	-	-
485,434	650,543	-	154,101	-	1,387,109	355,139	-
-	-	2,231,200	-	-	-	-	101,613
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
485,434	656,187	2,231,200	154,101	257,569	1,387,109	355,139	101,613
$ 492,934	$ 668,777	$ 2,231,200	$ 154,101	$ 257,569	$ 1,420,301	$ 355,139	$ 107,005

(Continued)

CITY OF SIGNAL HILL

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)
June 30, 2017

	Special Revenue Funds (Continued)			
	Supplemental Law Enforcement	Public Safety State Resources	Housing Impact	MTA-STPL Grant
Assets				
Cash and investments	$ -	$ -	$ 710,901	$ 201,253
Restricted cash and investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	-	19,083	-	-
Prepaid expenditures	-	-	-	-
Loans receivable	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	$ -	$ 19,083	$ 710,901	$ 201,253
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Unearned revenue	-	-	-	-
Due to other funds	-	19,083	-	-
Total liabilities	-	19,083	-	-
Deferred inflows of resources:				
Unavailable revenue:	-	19,083	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted for:				
Public protection	-	-	-	-
Development	-	-	710,901	-
Transportation	-	-	-	201,253
Capital improvements	-	-	-	-
Housing	-	-	-	-
Unassigned	-	(19,083)	-	-
Total fund balances	-	(19,083)	710,901	201,253
Total liabilities, deferred inflows of resources and fund balances	$ -	$ 19,083	$ 710,901	$ 201,253

Special Revenue Funds (Continued)		Total
Civic Center Phase II	Transportation Measure R	Other Governmental Funds
$ -	$ 395,693	$ 10,289,423
7,610,718	-	7,610,718
-	-	600
-	-	103,654
-	-	5,644
-	-	6,038
-	-	967,896
$ 7,610,718	$ 395,693	$ 18,983,973
$ -	$ -	$ 22,659
-	-	967,896
762,633	-	849,729
762,633	-	1,840,284
-	-	31,003
-	-	5,644
-	-	181,776
-	-	4,131,961
-	395,693	3,629,272
6,848,085	-	9,180,898
-	-	2,218
-	-	(19,083)
6,848,085	395,693	17,112,686
$ 7,610,718	$ 395,693	$ 18,983,973

CITY OF SIGNAL HILL

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

For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds			
	Asset Seizure	DOJ Grants	Park Development	HCDA Grant
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental revenues	-	7,000	12,230	77,519
Charges for services	-	-	-	-
Investment income	690	-	12,764	-
Developer fees	-	-	44,833	-
Total revenues	690	7,000	69,827	77,519
Expenditures:				
Current:				
General government	-	-	-	-
Police	945	26,189	-	-
Community development	-	-	-	8,649
Public works	-	-	-	-
Capital outlay	-	-	-	101,982
Total expenditures	945	26,189	-	110,631
Excess (deficiency) of revenues over (under) expenditures	(255)	(19,189)	69,827	(33,112)
Other financing sources (uses):				
Transfers in	-	19,189	-	29,292
Transfers out	(13,480)	-	(258,802)	-
Total other financing sources (uses)	(13,480)	19,189	(258,802)	29,292
Net change in fund balances	(13,735)	-	(188,975)	(3,820)
Fund balances at beginning of fiscal year	195,511	-	3,352,466	6,038
Fund balances (deficits) at end of fiscal year	$ 181,776	$ -	$ 3,163,491	$ 2,218

Special Revenue Funds (Continued)

Special Gas Tax	Transportation Proposition A	Pipeline Removal	Air Quality Improvement	Water Development	Traffic Impact	Transportation Proposition C	Lighting and Landscape
$ -	$ 211,396	$ 126,573	$ -	$ -	$ -	$ 174,186	$ 55,529
225,956	-	-	18,870	-	-	-	-
-	1,142	-	-	-	-	-	-
1,842	2,515	8,467	570	978	5,264	1,633	827
-	-	-	-	47,787	6,495	-	-
227,798	215,053	135,040	19,440	48,765	11,759	175,819	56,356
-	-	-	1,000	-	-	-	-
-	-	-	-	-	-	-	-
-	158,749	-	-	-	-	-	-
-	-	-	-	-	-	-	69,773
-	-	-	-	-	-	-	-
-	158,749	-	1,000	-	-	-	69,773
227,798	56,304	135,040	18,440	48,765	11,759	175,819	(13,417)
-	-	-	-	-	-	-	-
(7,500)	(67)	-	-	-	(15,176)	(275,200)	-
(7,500)	(67)	-	-	-	(15,176)	(275,200)	-
220,298	56,237	135,040	18,440	48,765	(3,417)	(99,381)	(13,417)
265,136	599,950	2,096,160	135,661	208,804	1,390,526	454,520	115,030
$ 485,434	$ 656,187	$ 2,231,200	$ 154,101	$ 257,569	$ 1,387,109	$ 355,139	$ 101,613

(Continued)

CITY OF SIGNAL HILL

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

For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds (Continued)			
	Supplemental Law Enforcement	Public Safety State Resources	Housing Impact	MTA-STPL Grant
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental revenues	129,324	19,271	-	200,489
Charges for services	-	-	-	-
Investment income	-	-	2,698	764
Developer fees	-	-	-	-
Total revenues	129,324	19,271	2,698	201,253
Expenditures:				
Current:				
General government	-	-	-	-
Police	264,113	43,581	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	264,113	43,581	-	-
Excess (deficiency) of revenues over (under) expenditures	(134,789)	(24,310)	2,698	201,253
Other financing sources (uses):				
Transfers in	134,789	5,227	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	134,789	5,227	-	-
Net change in fund balances	-	(19,083)	2,698	201,253
Fund balances at beginning of fiscal year	-	-	708,203	-
Fund balances (deficits) at end of fiscal year	$ -	$ (19,083)	$ 710,901	$ 201,253

Special Revenue Funds (Continued)		Total
Civic Center Phase II	Transportation Measure R	Total Other Governmental Funds
$ -	$ 131,542	$ 699,226
-	-	690,659
-	-	1,142
32,795	1,501	73,308
-	-	99,115
32,795	133,043	1,563,450
-	-	1,000
-	-	334,828
-	-	167,398
-	-	69,773
-	-	101,982
-	-	674,981
32,795	133,043	888,469
-	-	188,497
(762,633)	(14,733)	(1,347,591)
(762,633)	(14,733)	(1,159,094)
(729,838)	118,310	(270,625)
7,577,923	277,383	17,383,311
$ 6,848,085	$ 395,693	$ 17,112,686

CITY OF SIGNAL HILL

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

PARK DEVELOPMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental revenues	$ -	$ -	$ 12,230	$ 12,230
Investment income	10,000	10,000	12,764	2,764
Developer fees	358,000	358,000	44,833	(313,167)
Total revenues	368,000	368,000	69,827	(298,173)
Expenditures:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	368,000	368,000	69,827	(298,173)
Other financing sources (uses):				
Transfers out	(533,500)	(533,500)	(258,802)	274,698
Total other financing sources (uses)	(533,500)	(533,500)	(258,802)	274,698
Net change in fund balance	(165,500)	(165,500)	(188,975)	(23,475)
Fund balance at beginning of fiscal year	3,352,466	3,352,466	3,352,466	-
Fund balance at end of fiscal year	$ 3,186,966	$ 3,186,966	$ 3,163,491	$ (23,475)

CITY OF SIGNAL HILL

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

HCDA GRANT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental revenues	$ 56,513	$ 56,513	$ 77,519	$ 21,006
Expenditures:				
Current:				
Community development	8,476	8,476	8,649	(173)
Capital outlay	48,037	48,037	101,982	(53,945)
Total expenditures	56,513	56,513	110,631	(54,118)
Excess of revenues over expenditures	-	-	(33,112)	(33,112)
Other financing sources (uses):				
Transfers in	-	-	29,292	29,292
Total other financing sources (uses)	-	-	29,292	29,292
Net change in fund balance	-	-	(3,820)	(3,820)
Fund at beginning of fiscal year	6,038	6,038	6,038	-
Fund balance at end of fiscal year	$ 6,038	$ 6,038	$ 2,218	$ (3,820)

CITY OF SIGNAL HILL

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

SPECIAL GAS TAX SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovenmental revenues	$ 244,048	$ 244,048	$ 225,956	$ (18,092)
Investment income	-	-	1,842	1,842
Total revenues	244,048	244,048	227,798	(16,250)
Other financing sources (uses):				
Transfers out	(244,048)	(244,048)	(7,500)	236,548
Total other financing sources (uses)	(244,048)	(244,048)	(7,500)	236,548
Net change in fund balance	-	-	220,298	220,298
Fund balance at beginning of fiscal year	265,136	265,136	265,136	-
Fund balance at end of fiscal year	$ 265,136	$ 265,136	$ 485,434	$ 220,298

CITY OF SIGNAL HILL

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

TRANSPORTATION PROPOSITION A SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Other taxes	$ 212,264	$ 212,264	$ 211,396	$ (868)
Intergovernmental revenues	409,000	409,000	-	(409,000)
Charges for services	-	-	1,142	1,142
Investment income	-	-	2,515	2,515
Total revenues	621,264	621,264	215,053	(406,211)
Current:				
Community development	-	-	158,749	(158,749)
Total expenditures	-	-	158,749	(158,749)
Excess of revenues over expenditures	621,264	621,264	56,304	(564,960)
Other financing sources (uses):				
Transfers out	(244,048)	(244,048)	(67)	243,981
Total other financing sources (uses)	(244,048)	(244,048)	(67)	243,981
Net change in fund balance	377,216	377,216	56,237	(320,979)
Fund balance at beginning of fiscal year	599,950	599,950	599,950	-
Fund balance at end of fiscal year	$ 977,166	$ 977,166	$ 656,187	$ (320,979)

CITY OF SIGNAL HILL

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

PIPELINE REMOVAL SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other taxes	$ 5,000	$ 5,000	$ 126,573	$ 121,573
Investment income	-	-	8,467	8,467
Total revenues	5,000	5,000	135,040	130,040
Expenditures:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	5,000	5,000	135,040	130,040
Fund balance at beginning of fiscal year	2,096,160	2,096,160	2,096,160	-
Fund balance at end of fiscal year	$ 2,101,160	$ 2,101,160	$ 2,231,200	$ 130,040

CITY OF SIGNAL HILL

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

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	$ 10,000	$ 10,000	$ 18,870	$ 8,870
Investment income	-	-	570	570
Total revenues	10,000	10,000	19,440	9,440
Expenditures:				
Current:				
General government	-	-	1,000	(1,000)
Excess of revenues over expenditures	10,000	10,000	18,440	8,440
Fund balance at beginning of fiscal year	135,661	135,661	135,661	-
Fund balance at end of fiscal year	$ 145,661	$ 145,661	$ 154,101	$ 8,440

CITY OF SIGNAL HILL

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

WATER DEVELOPMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	$ 6,000	$ 6,000	$ 978	$ (5,022)
Developer fees	513,000	513,000	47,787	(465,213)
Total revenues	519,000	519,000	48,765	(470,235)
Expenditures:				
Current:				
Public works	-	-	-	-
Excess of revenues over expenditures	519,000	519,000	48,765	(470,235)
Fund balance at beginning of fiscal year	208,804	208,804	208,804	-
Fund balance at end of fiscal year	$ 727,804	$ 727,804	$ 257,569	$ (470,235)

CITY OF SIGNAL HILL

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

TRAFFIC IMPACT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Investment income	$ -	$ -	$ 5,264	$ 5,264
Developer fees	170,000	170,000	6,495	(163,505)
Total revenues	170,000	170,000	11,759	(158,241)
Other financing sources (uses):				
Transfers out	-	-	(15,176)	(15,176)
Total other financing sources (uses)	-	-	(15,176)	(15,176)
Net change in fund balance	170,000	170,000	(3,417)	(173,417)
Fund balance at beginning of fiscal year	1,390,526	1,390,526	1,390,526	-
Fund balance at end of fiscal year	$ 1,560,526	$ 1,560,526	$ 1,387,109	$ (173,417)

CITY OF SIGNAL HILL

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

TRANSPORTATION PROPOSITION C SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other taxes	$ 176,067	$ 176,067	$ 174,186	$ (1,881)
Investment income	-	-	1,633	1,633
Total revenues	176,067	176,067	175,819	(248)
Expenditures:				
Current:				
Community development	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess of revenues over expenditures	171,067	171,067	175,819	4,752
Other financing sources (uses):				
Transfers out	(165,000)	(165,000)	(275,200)	(110,200)
Total other financing sources (uses)	(165,000)	(165,000)	(275,200)	(110,200)
Net change in fund balance	6,067	6,067	(99,381)	(105,448)
Fund balance at beginning of fiscal year	454,520	454,520	454,520	-
Fund balance at end of fiscal year	$ 460,587	$ 460,587	$ 355,139	$ (105,448)

CITY OF SIGNAL HILL

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

LIGHTING AND LANDSCAPE SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other taxes	$ 57,350	$ 57,350	$ 55,529	$ (1,821)
Investment income	1,000	1,000	827	(173)
Total revenues	58,350	58,350	56,356	(1,994)
Expenditures:				
Current:				
Public works	94,000	94,000	69,773	24,227
Excess of revenues over expenditures	(35,650)	(35,650)	(13,417)	22,233
Fund balance at beginning of fiscal year	115,030	115,030	115,030	-
Fund balance at end of fiscal year	$ 79,380	$ 79,380	$ 101,613	$ 22,233

CITY OF SIGNAL HILL

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

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental revenues	$ 100,000	$ 100,000	$ 129,324	$ 29,324
Total revenues	100,000	100,000	129,324	29,324
Expenditures:				
Current:				
Police	227,200	227,200	264,113	(36,913)
Excess of revenues over expenditures	(127,200)	(127,200)	(134,789)	(7,589)
Other financing sources (uses):				
Transfers in	127,200	127,200	134,789	7,589
Total other financing sources (uses)	127,200	127,200	134,789	7,589
Net change in fund balance	-	-	-	-
Fund balance at beginning of fiscal year	-	-	-	-
Fund balance at end of fiscal year	$ -	$ -	$ -	$ -

CITY OF SIGNAL HILL

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

TRANSPORTATION MEASURE R SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other taxes	$ 132,040	132,040	$ 131,542	$ (498)
Investment income	-	-	1,501	1,501
Total revenues	132,040	132,040	133,043	1,003
Other financing sources (uses):				
Transfers out	(132,040)	(132,040)	(14,733)	117,307
Total other financing sources (uses)	(132,040)	(132,040)	(14,733)	117,307
Net change in fund balance	-	-	118,310	118,310
Fund balance at beginning of fiscal year	277,383	277,383	277,383	-
Fund balance at end of fiscal year	$ 277,383	$ 277,383	$ 395,693	$ 118,310

THIS PAGE INTENTIONALLY LEFT BLANK

FIDUCIARY FUND

AGENCY FUND

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

CITY OF SIGNAL HILL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

June 30, 2017

	Spring Street Corridor Joint Powers Authority Fund
Assets:	
Due from other governments	$ 1,836
Total assets	$ 1,836
Liabilities:	
Due to other governments	$ 1,836
Total liabilities	$ 1,836

CITY OF SIGNAL HILL

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
SPRING STREET CORRIDOR JOINT POWER AUTHORITY				
Assets:				
Due from other governments	$ 3,488	$ 1,745	$ (3,397)	$ 1,836
Total assets	$ 3,488	$ 1,745	$ (3,397)	$ 1,836
Liabilities:				
Accounts payable	$ 3,488	$ 1,745	$ (3,397)	$ 1,836
Total liabilities	$ 3,488	$ 1,745	$ (3,397)	$ 1,836

THIS PAGE INTENTIONALLY LEFT BLANK

DESCRIPTION OF STATISTICAL SECTION CONTENTS

JUNE 30, 2017

Contents:

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

	Fiscal Year Ending June 30,			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	$ 44,503	$ 45,402	$ 46,331	$ 59,680
Restricted	37,503	36,632	56,423	47,378
Unrestricted	(47,272)	(43,794)	(65,190)	(66,721)
Total governmental activities net position	$ 34,734	$ 38,240	$ 37,564	$ 40,337
Business-type activities				
Net investment in capital assets	$ 18,010	$ 17,674	$ 17,341	$ 17,076
Restricted			670	679
Unrestricted	4,108	4,892	4,484	4,026
Total business-type activities net position	$ 22,118	$ 22,566	$ 22,495	$ 21,781
Primary government				
Net investment in capital assets	$ 62,513	$ 63,076	$ 63,672	$ 76,756
Restricted	37,503	36,632	57,093	48,057
Unrestricted	(43,164)	(38,902)	(60,706)	(62,695)
Total primary government net position	$ 56,852	$ 60,806	$ 60,059	$ 62,118

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2012	2013	2014	2015	2016	2017
$ 57,653	$ 47,617	$ 47,543	$ 48,407	$ 67,914	$ 73,428
10,749	10,172	16,927	17,086	23,481	19,781
35,059	33,426	30,728	13,095	7,115	10,616
$ 103,461	$ 91,215	$ 95,198	$ 78,588	$ 98,510	$ 103,825
$ 16,792	$ 16,315	$ 15,821	$ 16,003	$ 18,952	$ 23,636
674	671	-	-	-	-
4,239	4,237	4,660	3,110	1,958	(2,316)
$ 21,705	$ 21,223	$ 20,481	$ 19,113	$ 20,910	$ 21,320
$ 74,445	$ 63,932	$ 63,364	$ 64,410	$ 86,866	$ 97,064
11,423	10,843	16,927	17,086	23,481	19,781
39,298	37,663	35,388	16,205	9,073	8,300
$ 125,166	$ 112,438	$ 115,679	$ 97,701	$ 119,420	$ 125,145

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

	Fiscal Year Ending June 30,			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	$ 3,344	$ 3,685	$ 3,137	$ 2,790
Community services	1,407	1,418	1,273	1,241
Police	7,662	7,628	7,726	7,521
Community development	11,578	8,788	11,563	8,863
Public works	4,585	5,600	4,935	4,462
Unallocated infrastructure depreciation	531	531	521	524
Interest on long-term liabilities	4,095	3,761	4,394	4,787
Fiscal agent fees	17	19	-	-
Total governmental activites expenses	33,219	31,430	33,549	30,188
Business-type activities - Water	3,380	3,578	3,832	4,163
Total primary government expenses	$ 36,599	$ 35,008	$ 37,381	$ 34,351
Program Revenues				
Governmental activities:				
Charges for services				
General government	$ 157	$ 440	$ 70	$ 168
Community services	297	301	239	234
Police	665	639	556	607
Community development	597	559	506	677
Public works	962	1,062	914	897
Operating grants	806	1,187	1,703	1,448
Capital grants and contributions	1,230	1,268	1,376	440
Total governmental activites program revenues	4,714	5,456	5,364	4,471
Business-type activities - Water,				
Charges for services	3,352	3,291	3,630	3,383
Capital grants and contributions				
Total primary government program revenues	$ 8,066	$ 8,747	$ 8,994	$ 7,854
Net (expense)/revenue				
Governmental activities	$ (28,505)	$ (25,974)	$ (28,185)	$ (25,717)
Business-type activities	(28)	(287)	(202)	(780)
Total primary government net expeneses	$ (28,533)	$ (26,261)	$ (28,387)	$ (26,497)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property	$ 14,302	$ 15,391	$ 15,168	$ 14,801
Sales and use	12,162	9,978	9,460	9,946
Franchise	502	563	514	533
Motor vehicle	51	39	33	58
Other	1,117	1,355	1,058	1,145
Investment income	3,356	2,503	1,267	649
Unrestricted grants and contributions	195	136	27	71
Gain (loss) on disposition of assets	14	14	(17)	6
Transfers	(1,151)	(500)	-	-
Extraordinary item	-	-	-	-
Total governmental activities	30,548	29,479	27,510	27,209
Business-type activities:				
Investment income	206	236	131	66
Unrestricted grants and contributions	-	-	-	-
Gain (loss) on disposition of assets	-	-	-	-
Transfers	1,151	500		
Total business-type activities	1,357	736	131	66
Total primary government	$ 31,905	$ 30,215	$ 27,641	$ 27,275
Changes in Net Position				
Governmental activities	$ 2,043	$ 3,505	$ (675)	$ 1,492
Business-type activities	1,329	449	(71)	(714)
Total primary government	$ 3,372	$ 3,954	$ (746)	$ 778

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2012	2013	2014	2015	2016	2017
$ 3,080	$ 3,695	$ 5,556	$ 4,149	$ 3,843	$ 4,633
1,217	1,220	1,319	1,251	1,505	1,362
7,571	7,611	8,220	8,254	9,350	9,576
1,280	935	992	942	868	858
4,141	4,506	4,142	4,369	4,256	4,605
535	545	614	551	551	645
3,687	-	-	-	-	-
-	-	-	-	-	-
21,511	18,512	20,843	19,516	20,373	21,679
3,804	3,992	4,531	4,424	4,145	5,312
$ 25,315	$ 22,504	$ 25,374	$ 23,940	$24,518	$ 26,992
$ 176	$ 210	$ 227	$ 201	$ 175	$ 178
209	202	115	192	212	191
453	430	297	282	270	288
531	95	368	537	584	514
773	649	431	437	422	461
1,586	1,596	1,619	1,339	9,313	850
2,691	1,339	2,369	2,433	2,020	9,188
6,419	4,521	5,426	5,421	12,996	11,671
3,515	3,672	3,734	3,760	3,400	3,785
				999	1,927
$ 9,934	$ 8,193	$ 9,160	$ 9,181	$16,396	$ 17,382
$ (15,092)	$ (13,991)	$ (15,417)	$ (14,095)	$ (7,377)	$ (10,009)
(289)	(320)	(797)	(664)	254	400
$ (15,381)	$ (14,311)	$ (16,214)	$ (14,759)	$ (7,123)	$ (9,609)
$ 7,487	$ 2,146	$ 1,700	$ 1,797	$ 1,916	$ 1,802
11,210	12,487	14,574	11,567	14,588	14,597
547	546	603	773	549	735
-	-	-	-		-
1,278	1,483	1,609	1,462	1,459	874
1,252	647	850	787	955	442
20	12	66	2,048	46	311
4	19	-	-	-	14
(100)	(25)	(1)	(426)	(1,679)	-
56,518	(15,571)	-	-	-	-
78,216	1,744	19,401	18,008	17,834	18,776
75	25	53	51	21	10
38	97	-	-	-	-
-	-	-	-	-	-
100	25	1	426	1,679	-
213	147	54	477	1,700	10
$ 78,429	$ 1,891	$ 19,455	$ 18,485	$19,534	$ 18,785
$ 63,124	$ (12,247)	$ 3,984	$ 3,913	$10,457	$ 8,767
(76)	(173)	(743)	(187)	1,954	410
$ 63,048	$ (12,420)	$ 3,241	$ 3,726	$12,411	$ 9,176

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

	Fiscal Year Ending June 30,			
	2008	2009	2010	2011
General Fund				
Reserved	$ 10,000	$ 10,000	$ 10,314	$ -
Unreserved	19,652	17,445	14,212	-
Total General Fund	29,652	27,445	24,526	-
All Other Governmental Funds				
Reserved	30,761	30,331	49,583	-
Unreserved, reported in:				
Special revenue funds	6,616	7,427	8,047	-
Debt service funds	(1,640)	804	(2,458)	-
Capital projects funds	868	-	-	-
Total All Other Governmental Funds	36,605	38,562	55,172	-
Total All Governmental Funds	$ 66,257	$ 66,007	$ 79,698	$ -
General Fund				
Nonspendable	$ -	$ -	$ -	$ 10,539
Restricted				
Committed	-	-	-	10,220
Unassigned	-	-	-	6,167
Total General Fund	-	-	-	26,926
All Other Governmental Funds				
Nonspendable	-	-	-	18,127
Restricted	-	-	-	28,604
Assigned	-	-	-	-
Unassigned	-	-	-	(5,271)
Total All Other Governmental Funds	-	-	-	41,460
Total All Governmental Funds	$ -	$ -	$ -	$ 68,386

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

Source: City of Signal Hill, Finance Department

Fiscal Year Ending June 30,					
2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 10,241	$ 7,690	$ 7,695	$ 7,768	$ 8,430	$ 11,500
			13	13	13
10,721	10,820	12,662	20,588	14,160	17,930
6,642	7,085	7,611	1,278	12,227	5,552
27,604	25,595	27,968	29,647	34,830	34,995
4,068	5,160	5,131	4,414	4,129	6
9,942	9,990	11,712	12,574	19,360	19,761
-	414	-	-	-	-
(719)	(703)	(2,363)	(3,193)	(2,555)	(549)
13,291	14,861	14,480	13,795	20,934	19,218
$ 40,895	$ 40,456	$ 42,448	$ 43,442	$ 55,764	$ 54,213

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

	Fiscal Year Ending June 30, 2008	2009	2010	2011
Revenues				
Taxes	$ 29,009	$ 28,334	$ 25,683	$ 26,822
Licenses and permits	278	271	302	331
Intergovernmental	810	1,086	1,766	864
Charges for services	1,078	1,155	841	871
Fines and forfeitures	409	401	402	385
Investment income	3,547	2,945	1,390	2,205
Other	1,543	1,678	1,168	1,043
Total Revenues	36,674	35,870	31,552	32,521
Expenditures				
General government	3,054	3,398	3,071	3,051
Community services	1,406	1,413	1,272	1,239
Public safety	7,520	7,516	7,458	7,442
Community development	3,323	3,101	8,445	4,659
Public works	4,015	3,964	3,721	3,637
Capital outlay	8,136	7,742	5,241	21,457
Debt Service				
Principal retirement	2,545	2,845	2,865	5,044
Interest	4,019	4,563	4,999	5,695
Other debt service	1,721	1,079	1,215	1,102
Total Expenditures	35,739	35,621	38,287	53,326
Excess of revenues over/(under) expenditures	935	249	(6,735)	(20,805)
Other Financing Sources/(Uses)				
Transfers in	13,845	5,129	3,565	9,243
Transfers out	(14,996)	(5,629)	(3,565)	(9,253)
Other	517		20,427	9,503
Total other financing sources	(634)	(500)	20,427	9,493
Net change in fund balances	$ 301	$ (251)	$ 13,692	$ (11,312)
Capitalized capital outlay	$ 535	$ 1,617	$ 1,693	$ 17,446
Debt service as a percentage of noncapital expenditures	23.5%	25.0%	24.8%	33.0%

Source: City of Signal Hill, Finance Department

	Fiscal Year Ending June 30,				
2012	2013	2014	2015	2016	2017
$ 21,141	$ 17,585	$ 18,862	$ 15,811	$ 21,394	$ 18,701
312	328	360	411	370	374
1,214	1,475	1,294	1,367	3,591	8,809
645	516	829	739	762	759
317	367	298	301	326	289
1,160	53	934	826	778	830
2,960	1,646	113	2,786	652	411
27,749	21,970	22,690	22,241	27,873	30,173
3,103	3,772	5,456	4,476	3,940	4,879
1,216	1,219	1,320	1,257	1,472	1,576
7,482	7,475	8,147	8,172	9,270	9,152
1,689	935	995	952	962	854
3,640	3,738	3,910	3,627	3,883	4,046
6,047	1,511	869	2,485	3,259	7,726
4,819	-	-	-	14	-
3,672	-	-	-	3	-
14	-	-	-	-	17
31,682	18,650	20,697	20,969	22,803	28,250
(3,933)	3,320	1,993	1,272	5,070	1,923
3,755	1,603	3,670	1,694	1,236	1,687
(3,855)	(1,628)	(3,671)	(2,120)	(2,915)	(1,687)
(23,458)	(3,733)	-	76	7,578	-
(23,558)	(3,758)	(1)	(350)	5,899	-
$ (27,491)	$ (438)	$ 1,992	$ 922	$ 10,969	$ 1,923
$ 6,093	$ 869	$ 1,076	$ 1,788	$ 2,985	$ 7,016
33.2%	0.0%	0.0%	0.0%	0.1%	0.1%

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

Fiscal Year Ended June 30	Secured Property					Unsecured Property	Taxable Assessed Value (Note)	Total Direct Tax Rate
	Residential	Commercial	Industrial	Vacant	Others**			
2008	$ 1,028,528	$ 285,247	$ 265,873	$ 82,831	$ 167,695	$ 122,147	$ 1,952,321	0.67048
2009	1,079,098	299,807	276,897	84,960	208,718	129,102	2,078,582	0.67314
2010	991,262	308,952	292,454	78,712	205,371	119,511	1,996,262	0.68186
2011	981,950	304,562	299,286	66,756	217,456	123,924	1,993,934	0.68693
2012	991,423	301,195	297,328	66,202	227,080	127,728	2,010,956	0.68596
2013	978,140	303,924	306,805	80,495	259,131	120,212	2,048,707	0.68639
2014	1,012,408	312,572	316,413	75,859	269,037	134,440	2,120,729	0.06530
2015	1,085,513	319,579	337,455	74,824	326,281	138,597	2,282,249	0.06542
2016	1,141,748	327,201	347,936	101,203	354,901	128,996	2,401,985	0.06560
2017	1,197,754	341,534	362,919	106,832	289,239	129,041	2,427,319	0.06570

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

Note:

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

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

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

	Fiscal Year Ending June 30,									
Agency	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	0.01839	0.02181	0.02392	0.02559	0.02615	0.05095	0.02241	0.04595	0.03825	0.06737
Long Beach Unified School District	0.03457	0.03220	0.08663	0.08834	0.09223	0.09394	0.07981	0.08764	0.08324	0.08539
Metropolitan Water District	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
Total Direct and Overlapping (2) Tax Rates	1.05746	1.05831	1.11485	1.11763	1.12208	1.14839	1.10572	1.13709	1.12500	1.15626
City's Share of 1% Levy per Prop 13 (3)	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777	0.06777
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate (4)	1.00450	1.00430	1.00430	1.00370	1.00370	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate (5)	0.67048	0.67314	0.68186	0.68693	0.68596	0.68639	0.06530	0.06542	0.06560	0.06570

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	FY 2016-17 Taxable Assessed Value	FY 2016-17 Percent of Total City Taxable Assessed Value	FY 2007-08 Taxable Assessed Value	FY 2007-08 Percent of Total City Taxable Assessed Value
Signal Hill Petroleum, Inc.	$ 153,791	6.40%	$ 81,727	4.56%
Long Beach Acquisition Corp.	38,504	1.60%	14,027	0.78%
PL Signal Hill LP	35,741	1.49%	36,334	2.03%
LBSH Development	28,703	1.19%	25,000	1.39%
Towne Center West LLC	26,257	1.09%	-	0.00%
Costco Wholesale Corporation	23,247	0.97%	18,680	1.04%
Tesoro Logistics Operations LLC	18,590	0.77%	-	0.00%
Executive Complex LP	17,783	0.74%	-	0.00%
Home Depot USA, Inc.	17,368	0.72%	17,520	0.98%
VNO Trust Cherry Avenue LP	15,334	0.64%	-	0.00%
Arco Terminal Services Corp.	-	0.00%	21,725	1.21%
Signal Hill Towne Center LLC	-	0.00%	10,613	0.59%
Samantha Marketplace LLC	-	0.00%	9,462	0.53%
American Office Properties LP	-	0.00%	9,578	0.53%
	$ 375,318	15.63%	$ 244,666	13.64%

Source: HdL Coren & Cone

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of Levy		Note (1)		
				Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percent of Levy		Amount	Percent of Levy
2008	13,236,173	12,543,164	94.76%	N/A	N/A	N/A
2009	14,076,452	13,632,388	96.85%	N/A	N/A	N/A
2010	13,851,876	13,317,121	96.14%	N/A	N/A	N/A
2011	13,970,131	13,440,041	96.21%	N/A	N/A	N/A
2012	13,836,416	13,644,860	98.62%	N/A	N/A	N/A
2013	14,251,099	14,060,300	98.66%	N/A	N/A	N/A
2014	14,434,912	14,434,912	100.00%	N/A	N/A	N/A
2015	15,725,976	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

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)

	Governmental Activities			Business-type Activities						
Fiscal Year	Redevelopment Tax Allocation Bonds	Notes	Leases & Loans	Certificates of Participation	Water Revenue Bonds	Loans	Total Primary Government	Percent of Assessed Valuation	Per Capita	Percent of Personal Income
2008	$ 71,808	$ 3,866	$ 2,000	$ -	$ 7,955	$ 378	$ 86,007	4.405%	$ 7,597.79	242.24
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	-	4,305	-	4,341	0.179%	373.93	N/A

N/A Information is not yet available.

Source: City of Signal Hill, Finance Department

CITY OF SIGNAL HILL
Direct and Overlapping Governmental Activity Debt
As of June 30, 2017

Debt	Total Debt 6/30/2017	Percent Applicable To City	City's Share of Debt 6/30/2017
Direct Debt:			
260.01 Capital Leases	$ 36,248	100.000%	$ 36,248
TOTAL DIRECT DEBT			$ 36,248
Overlapping Debt:			
310.25* Metropolitan Water District	$ 36,281,674	0.080%	$ 29,042
807.53 Long Beach CCD DS 2002 Series D (2007)	22,583,138	4.066%	$ 918,224
807.54 Long Beach CCD DS 2008 Series A	16,586,797	4.066%	$ 674,415
807.55 Long Beach CCD DS 2008 Series 2009B	37,950,000	4.066%	$ 1,543,036
807.56 Long Beach CCD DS REF 2002 2012 Series A	227,048,695	4.066%	$ 9,231,736
807.57 Long Beach CCD DS REF BONDS 2014 SERIES C	9,630,000	4.066%	$ 391,553
807.58 Long Beach CCD DS REF BONDS 2014 SERIES E	42,430,000	4.066%	$ 1,725,192
807.59 Long Beach CCD DS REF BONDS 2015 SERIES F	30,750,000	4.066%	$ 1,250,286
807.60 Long Beach CCD DS 2008 SERIES D	3,210,000	4.066%	$ 130,518
807.61 Long Beach CCD DS 2016 SERIES A	9,000,000	4.066%	$ 365,937
807.62 Long Beach CCD DS 2016 SERIES B	72,790,000	4.066%	$ 2,959,621
883.57 Long Beach USD DS 2008 Ref Bonds	33,665,606	4.066%	$ 1,369,010
883.58 Long Beach USD DS 2008 Series A	54,455,000	4.066%	$ 2,214,410
883.60 Long Beach USD DS 2010 Ref Bonds Series A	41,375,000	4.066%	$ 1,682,512
883.62 Long Beach USD DS 2008 SR B-1 QSCB	72,406,000	4.066%	$ 2,944,387
883.63 Long Beach USD DS 2011 Refunding Bonds	11,280,686	4.066%	$ 458,729
883.64 Long Beach USD DS 2012 Ref Bonds	79,675,000	4.066%	$ 3,239,980
863.65 Long Beach USD DS 2008 Series C	34,010,000	4.066%	$ 1,383,015
863.66 Long Beach USD DS 2008 Series D	251,878,410	4.066%	$ 10,242,623
863.68 Long Beach USD DS 2016 Ref Bonds	587,500,000	4.066%	$ 23,890,659
TOTAL OVERLAPPING DEBT			$ 66,644,885
TOTAL DIRECT and OVERLAPPING DEBT			$ 66,681,133

2016-17 Total Assessed Valuation	$ 2,427,318,673
Less Incremental Value	(1,561,856,607)
2016-17 Assessed Valuation	**$ 865,462,066**

Debt to Assessed Valuation Ratios

Direct Debt	0.00%
Overlapping Debt	7.70%
Total Debt	7.71%

* 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.

Source: HdL, Coren & Cone

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

Legal Debt Margin Calculation for the Current Year	
Assessed value	$ 2,427,318,673
Debt limit (15% of assessed value)	364,097,801
Debt applicable to limit	-
Legal debt margin - Current Year	$ 364,097,801

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2008	$ 292,848,134	$ -	$ 292,848,134	0.00%
2009	311,787,359	-	311,787,359	0.00%
2010	299,439,266	-	299,439,266	0.00%
2011	299,090,082	-	299,090,082	0.00%
2012	301,643,348	-	301,643,348	0.00%
2013	307,306,083	-	307,306,083	0.00%
2014	318,109,295	-	318,109,295	0.00%
2015	342,337,382	-	342,337,382	0.00%
2016	360,297,745	-	360,297,745	0.00%
2017	360,297,745	-	364,097,801	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	Pledged Tax Revenue	Debt Service (1) Principal	Interest	Total	Coverage
2008	$ 9,027	$ 2,247	$ 2,586	$ 4,833	1.87
2009	9,584	2,268	2,561	4,829	1.98
2010	9,840	3,109	3,351	6,460	1.52
2011	9,517	3,090	3,642	6,732	1.41
2012 (2)	-	-	-	-	-
2013 (2)	-	-	-	-	-
2014 (2)	-	-	-	-	-
2015 (2)	-	-	-	-	-
2016 (2)	-	-	-	-	-
2017 (2)	-	-	-	-	-

Fiscal Year	Pledged Tax Revenue	Debt Service (1) Principal	Interest	Total	Coverage
2008	$ 2,580	$ 598	$ 572	$ 1,170	2.21
2009	2,748	597	574	1,171	2.35
2010	2,743	621	552	1,173	2.34
2011	2,677	645	528	1,173	2.28
2012 (2)	-	-	-	-	-
2013 (2)	-	-	-	-	-
2014 (2)	-	-	-	-	-
2015 (2)	-	-	-	-	-
2016 (2)	-	-	-	-	-
2017 (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 down 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	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2007	11,120	$ 345,578	$ 31,077	4.0%
2008	11,320	355,042	31,364	5.9%
2009	11,389	346,963	30,465	9.2%
2010	11,465	375,823	32,780	10.1%
2011	11,129	390,639	35,101	9.8%
2012	11,218	370,946	33,067	7.4%
2013	11,411	352,235	30,868	6.0%
2014	11,415	357,826	31,347	9.0%
2015	11,673	341,699	29,272	7.3%
2016	11,609	333,332	28,713	5.7%

N/A - Information is not yet available.

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

	2016-17			2007-08		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Office Depot	428	1	8.30%	747	1	8.34%
Home Depot	343	2	6.66%	376	2	4.20%
Costco Wholesale	301	3	5.84%	308	3	3.44%
Target	265	4	5.14%	191	4	2.13%
Edge Systems LLC	191	5	3.71%			
Warren Distributing	163	6	3.16%			
Long Beach BMW Auto	143	7	2.77%	158	6	1.76%
Accountable Healthcare IPA	136	8	2.64%			
Allied Refrigeration	130	9	2.52%			
Mercedes-Benz of Long Beach	127	10	2.46%	126	8	1.41%
Platt Security				111	10	1.24%
Long Beach BMW Motorcycle				179	5	2.00%
Universal Care				152	7	1.70%
Charter Communications				116	9	1.30%
	2,227		43.21%	2,464		27.52%

Source: City of Signal Hill Business Licenses

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

Department	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	5.00	5.00	5.00	5.00	4.73	5.73	4.73	4.73	4.73	5.00
Finance	6.48	6.48	6.48	6.48	5.91	5.98	5.98	5.98	5.98	6.80
Community Services	24.15	24.19	24.15	20.84	20.25	19.32	19.30	19.53	19.53	18.60
Police	53.88	54.40	52.40	53.37	53.40	53.40	52.89	52.89	52.89	53.00
Community Development	7.00	7.00	7.00	7.00	6.40	6.40	7.00	7.00	7.00	4.00
Public Works	30.00	30.00	30.00	30.00	30.04	30.04	30.02	30.04	30.04	28.00
Economic Development	1.00	1.00	1.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00
Total	127.51	128.08	128.07	123.69	120.74	120.87	120.92	121.16	121.16	116.40

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

	Fiscal Year Ending June 30,									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Calls for service	6,284	6,340	6,377	6,062	6,384	6,500	6,400	9,842	9,948	8,632
Reports written	4,951	4,516	4,004	3,978	3,826	3,254	3,312	3,894	4,332	5,618
Total arrests	2,219	2,092	1,776	2,060	1,823	1,120	1,115	1,390	1,216	1,403
Hazardous traffic citations	3,928	3,773	3,445	3,229	3,758	4,359	4,278	2,496	1,703	3,638
Parking citations	6,542	6,446	5,758	4,881	4,196	4,179	4,212	3,866	4,628	4,222
Community Development										
Code enforcement cases	67	79	94	94	75	85	87	77	68	67
Building permits	182	154	163	193	144	175	181	247	236	279
Site plan design reviews	10	8	7	6	6	7	7	5	6	6
Water										
Number of customers	2,856	2,908	2,960	2,964	3,014	3,052	3,079	3,116	3,162	3,302
Average daily consumption (in millions of gallons)	1.94	1.88	1.76	1.74	1.75	1.82	1.80	1.77	1.59	1.58
Number of hydrants maintained	466	467	562	566	568	422	435	568	568	568
Public Works										
Traffic signals maintained	29	29	29	29	29	29	29	31	31	33
Street sweeping miles	6,240	6,240	6,240	6,240	6,240	6,240	6,240	5,980	5,980	5,980
Sidewalk repairs (square feet)	3,200	10,269	15,674	5,787	14,220	14,220	14,220	6,362	4,504	1,762
Curb & gutter replaced (linear feet)	170	267	197	522	1,388	1,388	1,388	-	-	-
Cross gutter replaced (square feet)	720	-	490	-	5,067	5,067	5,067	-	-	-
Engineering										
Number of infrastructure projects administered	10	8	8	9	4	4	4	3	3	10
Plan checks completed	8	8	6	10	5	5	5	8	7	39
Community Services										
Library items borrowed	80,266	89,059	57,847	59,359	39,972	39,972	40,001	39,761	38,947	29,164
Youth sports participants	7,099	9,205	6,897	7,390	8,080	8,080	8,100	5,467	5,289	6,936
After school youth programs	13,582	15,001	16,086	11,886	14,746	14,746	14,785	15,530	15,326	30,960
Facility rental bookings	523	948	813	697	748	748	750	681	620	251

N/A - Not Available.

Source: Various City Departments

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	10	10	10	10	10	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
Water										
Miles of Lines & Mains	50	50	50	50	50	50	50	50	50	50
Reservoirs	3	3	3	3	3	3	3	3	3	3
Wells	2	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	3,903	3,984	3,903	3,715	3,711	3,706	3,706	3,619	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

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE ("Disclosure Certificate") is executed and delivered by the CITY OF SIGNAL HILL (the "City") in connection with the issuance of Signal Hill Municipal Financing Authority $8,640,000 Lease Revenue Bonds, (Library Project) Series 2018 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2018, by and between U.S. Bank National Association, as trustee (the "Trustee") and the Signal Hill Municipal Financing Authority (the "Indenture"). The City covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the Harrell & Company Advisors, LLC or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean Samco Capital Markets, Inc., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State*" shall mean the State of California.

"*State Repository*" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. <u>Provision of Annual Reports</u>.

(a) *Delivery of Annual Report to MSRB.* The City shall, or shall cause the Dissemination Agent to, not later than February 15 in each year, commencing with the report for the 2016/17 Fiscal Year, which is due not later than February 15, 2018 and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The filing requirement with respect to the initial Annual Report that is due by February 15, 2018, shall be satisfied by filing the Official Statement for the Bonds on EMMA. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance*. If the City is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in an electronic format prescribed by the MSRB within 10 business days.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited final statement of the City, the Annual Report shall also include certain information in substantially the form set forth in the following tables of the final Official Statement for the Bonds, to the extent such information is as available from public records:

(i) Table No. 10 - Gross Assessed Value of All Taxable Property for the fiscal year preceding the date of the Annual Report;

(ii) Table No. 11 - Largest Property Taxpayers for the fiscal year preceding the date of the Annual Report;

(iii) Table No. 12 - Tax Levies and Collections for the fiscal year preceding the date of the Annual Report;

(iv) Table No. 16 - General Fund Balance Sheet;

(v) Table No. 17 - General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination (if not the City) to, give notice, pursuant to subsection (e), of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Determination of Materiality of Listed Events.* Whenever the City obtains knowledge of the occurrence of a Listed Event, pursuant to subsection (b), the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) *Notice to Dissemination Agent.* If the City has determined that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws or upon the occurrence of a Listed Event described in subsection (a) hereof, the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(e) *Notice of Listed Events.* The City shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent, if not the City, shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Indenture insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty of obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the owner of a Bond, or any other party. The Trustee shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the City or an opinion of Bond Counsel. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: January 31, 2018

CITY OF SIGNAL HILL

By: ____________________________________
Its: City Manager

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Date of Delivery

Signal Hill Municipal Financing Authority
2175 Cherry Avenue
Signal Hill, California 90755

Re: Signal Hill Municipal Financing Authority Lease Revenue Bonds (Library Project), Series 2018

Ladies and Gentlemen:

We have served as bond counsel to the Signal Hill Municipal Financing Authority (the "Authority") in connection with the issuance by the Authority of its Signal Hill Municipal Financing Authority Lease Revenue Bonds (Library Project), Series 2018 (the "Bonds") in the aggregate principal amount of $8,640,000. The Bonds are being issued pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), a resolution adopted by the Authority on October 24, 2017 and an Indenture dated as of January 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are secured by Revenues (as defined in the Indenture), including certain base rental payments to be made by the City of Signal Hill (the "City") pursuant to a Lease Agreement, dated as of January 1, 2018 ("Lease Agreement"), between the City and the Authority. The Bonds are being issued to finance a portion of the cost of a library. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In our capacity as bond counsel, we have reviewed the Bond Law, the Indenture, the Lease Agreement, certifications of the City, Authority, certified proceedings and such other documents, opinions and papers as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us and the due authorization and execution by parties other than the Authority. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture, the Lease Agreement and in certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. We have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, dated the date hereof, including (without limitation) covenants and agreements, compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California, with the power, to adopt the resolution authorizing the issuance of the Bonds, enter into the Indenture, and perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture and the Lease Agreement have been duly approved by the Authority and constitute valid and binding obligations of the Authority enforceable against the Authority.

3. Pursuant to the Act, the Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds in accordance with the terms of the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the Revenues provided therefor in the Indenture.

5. The City is a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with power to enter into the Lease Agreement and to perform the agreements on its part contained therein. The Lease Agreement has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

6. Assuming compliance with certain covenants discussed below, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax, although bond counsel observes that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for tax years beginning prior to January 1, 2018. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

7. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Except as stated in the preceding two paragraphs, we express no opinion as to any federal or state tax consequences regarding ownership or disposition of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. This opinion speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion.

In addition, the rights and obligations under the Bonds, the Lease Agreement and the Indenture and their enforceability may be subject to or limited by bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights or the availability of a particular remedy, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum, choice of venue, penalty (including any remedy deemed to constitute a penalty), non-exclusivity of remedies, waiver or severability provisions contained in the above documents. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We have not provided any financial advice.

We bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result and our opinions are not binding on the Internal Revenue Service. Our opinions are based on our review of existing law we deem relevant and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof, and we do not undertake to advise you of any matters that may come to our attention subsequent to the date hereof that may affect our legal opinions expressed herein.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E
THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.