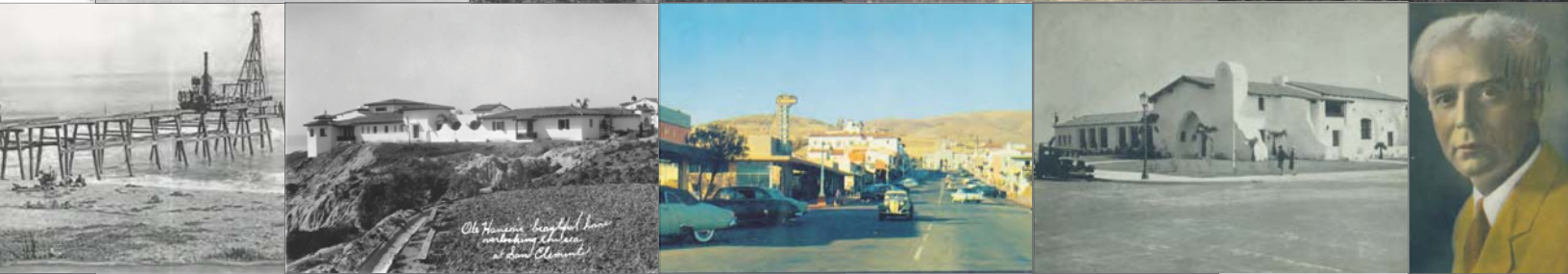
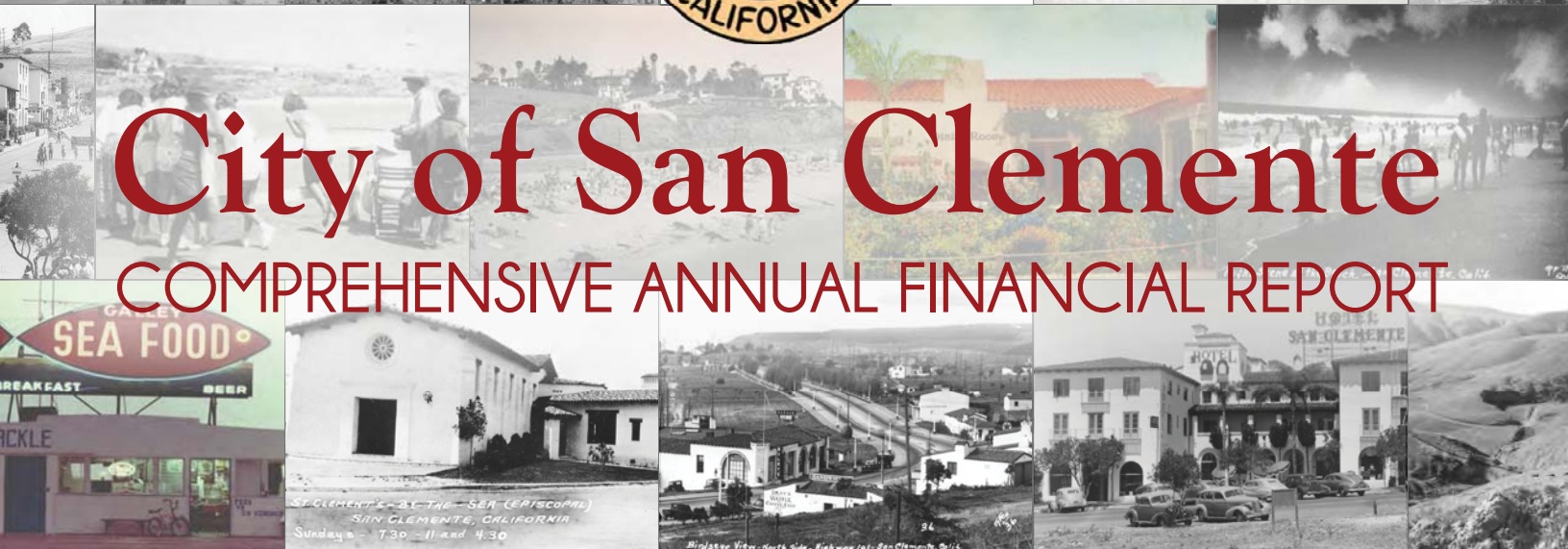




City of San Clemente

COMPREHENSIVE ANNUAL FINANCIAL REPORT



"Spanish Village by the Sea"

For Fiscal Year Ended
June 30, 2018



CITY OF SAN CLEMENTE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Prepared By:
Finance and Administrative Services

CITY OF SAN CLEMENTE
 Comprehensive Annual Financial Report
 June 30, 2018

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INTRODUCTORY SECTION



City of San Clemente

910 Calle Negocio
San Clemente CA 92673
Phone: 949-361-8200

December 21, 2018

Honorable Mayor, Members of the City Council and Citizens of the City of San Clemente:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of San Clemente (the City) for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Lance, Soll & Lunghard, LLP, certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which follows the independent auditor's report, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of San Clemente

The City of San Clemente, incorporated on February 28, 1928, is located along the California coast, at the southern tip of Orange County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of 18.45 square miles.

The City operates under a council-manager form of government, with a five-member council elected at large for four-year overlapping terms. The mayor is elected by the City Council for a one-year

term and is the presiding officer of the Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing day-to-day City operations, and appointing the heads of the various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf. In addition to general City activities, the Council is financially accountable for the San Clemente Public Financing Authority and the Successor Agency to the San Clemente Redevelopment Agency. These entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the Notes to the Financial Statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. The City Manager may make both transfers of appropriations within a department and transfers of appropriations between departments.

Financial Overview and Policies

Local economy. The City, with a current population of 65,304, is located at the southern tip of Orange County, and borders the County of San Diego. Its mild, temperate climate and unsurpassed beaches attract more than 2.2 million visitors annually.

Property taxes and sales taxes are the main sources of revenue for the General Fund. The City experienced a period of rapid growth during the development of Talega, a planned community annexed into the City from the County of Orange. The Talega development reached build out in FY 2015, which increased property taxes significantly during the last ten years. This revenue growth allows the City to maintain a sound financial base and contributes to a strong housing market. The City's last undeveloped area, Marblehead Coastal, is partially developed. The retail portion (Outlets at San Clemente) has opened with additional phases planned and the residential portion (Sea Summit) construction started in FY 2015. This development's 309 housing units are partially sold and anticipated to be finished and sold by approximately FY 2022. The retail and residential development continues to attract visitors and will grow both property taxes and sales tax revenues into the future.

Overall, the City of San Clemente finances are stable and the operating position remains positive which is a direct result of the city's focus on planning for the future, as summarized below:

Long-term financial planning. The City conducts an annual financial planning process, with results presented to the City Council for review and consideration each February. The plan is a well thought-out analysis of issues that affect the finances of the City of San Clemente. The Long Term Financial Plan (the "LTFP") is broad in scope and includes analysis of various items, including a five year



financial forecast, trends history, reserves, financial policies, capital project funding, and other strategic issues. The financial forecast provides a frame of reference for evaluating the City's financial condition on an on-going basis to assist with decision making. The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on key economic indicators, local growth patterns, and the present level of services provided by the City.

Policy changes with fiscal impacts are incorporated into the budget through the LTFP process. Financial policy requires that the City adopt a balanced operating position. This means that budgeted revenues are sufficient to support current operating expenditures while maintaining a positive operating position. Any one-time revenues that are received are to be used for one-time costs.

The City of San Clemente received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year (FY) 2017-18 and is anticipated to earn this budget award for the FY 2018-19 budget. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Capital planning. Major capital projects are also considered as part of the LTFP process, to assure funds are available not only for the construction of facilities, but also available to maintain and operate these facilities in the future.

The City is in the process of consolidating certain City operations at a single location. Administrative departments of the City (City Manager, City Clerk, and the Finance and Administrative Services) moved to the Community Development building during FY 2018. However, consolidation of these operations required a redesign and construction of an entire floor which is anticipated to be completed during FY 2019. Once completed, the administrative functions of the City, including Engineering, and Community Development (Building/Planning) will operate from this City Hall.

The most notable projects completed in FY 2018 are mobility related projects and utilities capital projects. The mobility projects are incorporated with street improvements and include bike lane modifications, bike pathways, traffic synchronization, and other mobility related projects. The most significant of these completed in the last year were along El Camino Real. The utilities projects completed include a water pump station rehabilitation and capitalization of SCADA system equipment.

Capital projects in process at the end of year include a variety of street related projects, water reservoir improvements and rehabilitation, and other utilities projects to meet the citizen's needs.

Priorities for the future. The City Council's priorities for the future include the following:

- **General Plan** – The City continues the process of implementing various elements of the General Plan which sets comprehensive, long-term goals and policies for achieving San Clemente's vision. The City is updating zoning ordinances and specific plans and is also seeking approval of the Local Coastal Program and its Housing Element.
- **Utilities Cost-of-Service Study** – The City initiated a water cost-of-service study in FY 2017. The City implemented changes to the water rate structure in FY 2018 to fully recover the cost to operate the City's water system. This structure changed the methodology to improve operating and capital reserves in the Water Fund. In FY 2019, a sewer cost of service study will be started to better analyze and allocate costs among the City's customer classes. Once completed, the sewer rate structure will change based on the study results.

- **Facilities Management** – The City will be built out upon the completion of the Marblehead Coastal development. This new development and its amenities and the completed rehabilitation of the Ole Hanson Beach Club has spotlighted the City’s need for maintenance and rehabilitation of existing capital assets. The City’s strategic approach includes completing a Beaches, Parks and Recreation Master Plan Update and changes resulting from that study. In addition, the implementation of a computerized maintenance management system (CMMS) to assist in the tracking and repair of asset maintenance, and increasing resources to fund repairs, renovations and improvements that will benefit current and future residents.

Ole Hanson Beach Club



- **Quality of Life** – The City, like most other cities, has been affected by decisions at the State, County and other levels. Increases to the homeless population, sober living housings, and other law changes have started to change the City’s environment. These factors have necessitated an increase to outreach efforts, code compliance, and police efforts. It is hopeful that these additional effort will meet the needs of the community and improve the quality of life for all citizens.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Clemente for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the thirtieth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. This award is valid for a period of one year only. We believe that our current CAFR continues to meet the GFOA requirements. The City will submit the CAFR to GFOA again this year.

Preparation of this report is not possible without the efficient and dedicated services of the entire staff of the Finance and Administrative Services Department, and we would like to express our appreciation to all members of the department who assisted in its preparation. We would also like to thank the Mayor, City Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully submitted,

Handwritten signature of Erik Sund in blue ink.

Erik Sund
Assistant City Manager

CITY OF SAN CLEMENTE

PRINCIPAL OFFICIALS

CITY COUNCIL

Tim Brown, Mayor
Chris Hamm, Mayor Pro Tem
Lori Donchak
Steven Swartz
Kathleen Ward

PLANNING COMMISSION

Michael Blackwell
Don Brown
Barton Crandell
Jim Ruehlin
Chris Kuczynski
Jason Talley
Zhen Wu

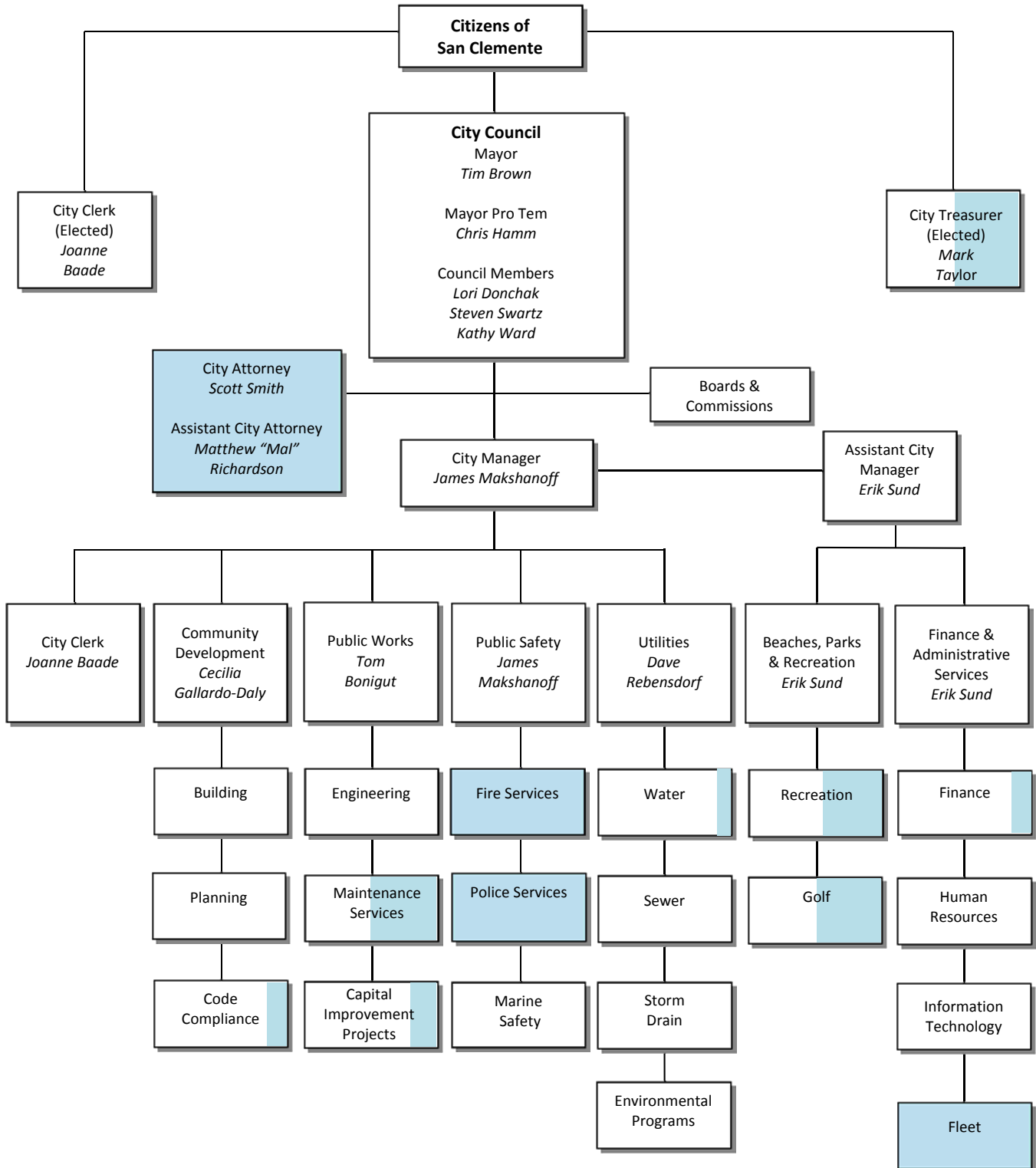
PARKS AND RECREATION COMMISSION


Richard Ayer
John Bandaruk
John Dorey
Nicholas Gates
Charlie Smith
Steven Streger
Bernie Wohlforth

CITY STAFF

James Makshanoff, City Manager
Erik Sund, Assistant City Manager/Parks & Recreation Director
Mark Taylor, City Treasurer
Joanne Baade, City Clerk
Scott Smith, City Attorney
Tom Bonigut, City Engineer/Public Works Director
Cecilia Gallardo-Daly, Community Development Director
Lt. Mike Peters, Chief of Police Services/Lieutenant
Robert Capobianco, Division Fire Chief

San Clemente Organization Chart



 Shading indicates contracted services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Clemente
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of San Clemente, 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 San Clemente, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



To the Honorable Mayor and Members of the City Council
City of San Clemente, California

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 San Clemente California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The adoption of the standard required retrospective application and a restatement of the previously reported net position as of July 1, 2017. In addition, the Net OPEB Liability is reported in the Statement of Net Position in the amount of \$975,558 as of the measurement date. The City retained a qualified actuary to determine the Net OPEB Liability as of the measurement date as required by GASB Statement No. 75. The Net OPEB Liability is calculated by the actuary using estimates and actuarial techniques under actuarial standards of practice in the actuarial valuation as of June 30, 2017. The actuary applied Section 3.7.7(c)4 of Actuarial Standard of Practice No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule for the General Fund, the schedule of changes in the net pension liability and related ratios, the schedule of changes in the total pension liability and related ratios, the schedule of the proportionate share of the net pension liability and related ratios, the schedule of changes in the net OPEB liability and related ratios, the schedules of contributions, and the schedules of contributions and investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and Members of the City Council
City of San Clemente, California

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 20, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 20, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of San Clemente, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year (FY) ended June 30, 2018 and June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal beginning on page 13 and the City's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

- The City's net position decreased \$0.7 million or 0.2% to \$494.5 million as a result of operations.
- Net position totals \$293.5 million for governmental and \$201.0 for business-type funds.
- The total program revenues and general revenues were \$108.5 million.
- The net expense of all governmental activities was \$49,993,889. The net expense of all business activities was \$1,109,389.
- During the year, the City's governmental fund revenues exceeded expenditures by \$2.3 million.
- The General Fund reported a net change in fund balance of \$0.5 million.
- For the General Fund, actual resources were greater than the final budget by \$142,113 and actual expenditures were \$9.3 million less than final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of San Clemente's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of San Clemente's finances, in a manner similar to a private-sector business. These government-wide financial statement can be found starting on page 35 of this report.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety (police and fire), public works, community development, and beaches, parks and recreation. Business-type activities include water, sewer, and storm drain utilities, and the clean ocean, solid waste management, and golf course funds.

The government-wide financial statements include not only the City of San Clemente itself (known as the primary government), but also all legal entities for which the City is financially accountable. Accordingly, the financial information for the Successor Agency of the San Clemente Redevelopment Agency (RDA) and the San Clemente Public Financing Authority are included as an integral part of the City's financial statements and reported as blended component units. Separately issued financial statements are available for the Public Financing Authority and can be obtained from the City.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are required because the government-wide statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting. These reconciliations can be found on pages 39 and 41, immediately following the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

Proprietary Funds are Enterprise and Internal Service funds. The City uses an Enterprise Fund to account for its Water, Sewer, Storm Drain, Clean Ocean, Solid Waste and Golf Operations. Internal Service Funds are used to accumulate and allocate costs internally to various functions. The City uses Internal Service Funds to allocate central mail, reprographic services, communications, fleet maintenance and replacements, information technology, liability, medical and workers' compensation insurance costs.

The proprietary fund statements provide information for the Water, Sewer, Storm Drain, Clean Ocean, Solid Waste, Golf and the Internal Service funds. All of the Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary Funds are not reflected in the government-wide and primary governmental fund financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary Funds are reported in the Financial Section.

Notes to the Financial Statements

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and accompanying notes, the report presents required supplementary information concerning the City's progress in funding its pension benefits to employees, OPEB benefits to its employees, and information on the budget to actual comparisons for major funds.

The other supplementary information provides combining statements that were referred to earlier in connection with the non-major governmental funds, the non-major proprietary funds and the Internal Service funds. The inclusion of the Statistical Section provides useful historical trend data on the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summaries of net position and of changes in net position are presented for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 1
Net Position
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 109.0	\$ 104.2	\$ 54.3	\$ 56.4	\$ 163.3	\$160.6
Capital assets, net	<u>222.9</u>	<u>224.1</u>	<u>169.3</u>	<u>169.7</u>	<u>392.2</u>	<u>393.8</u>
Total assets	331.9	328.3	223.6	226.1	555.5	554.4
Deferred outflows of resources	9.6	6.7	2.1	1.9	11.7	8.6
Current liabilities	8.9	9.4	4.9	7.4	13.8	16.8
Long-term liabilities	<u>36.9</u>	<u>29.5</u>	<u>19.7</u>	<u>18.5</u>	<u>56.6</u>	<u>48.0</u>
Total liabilities	45.8	38.9	24.6	25.9	70.4	64.8
Deferred inflow of resources	2.2	1.9	0.1	0.2	2.3	2.1
Net position:						
Net investment in capital assets	222.8	224.0	156.6	156.5	379.4	380.4
Restricted	47.1	47.1	10.2	9.8	57.3	56.9
Unrestricted	<u>23.6</u>	<u>23.1</u>	<u>34.2</u>	<u>35.6</u>	<u>57.8</u>	<u>58.7</u>
Total Net Position	<u>\$ 293.5</u>	<u>\$ 294.2</u>	<u>\$ 201.0</u>	<u>\$ 201.9</u>	<u>\$ 494.5</u>	<u>\$ 496.1</u>

City asset's and deferred outflows exceeded liabilities and deferred inflows by \$494.5 million at June 30, 2018 as compared to \$496.1 million at June 30, 2017. The City's net position decreased over \$1.6 million from the prior fiscal year.

The largest portion of the City's net position (77 percent) is its investment in capital assets (i.e., land buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to citizens: consequently, these assets are not available for future spending. The City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The total investment in capital assets decreased \$1.0 million.

The restricted portion of the City’s net position (12 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net position increased \$0.4 million due to amounts restricted for affordable housing; which is partially offset by a decrease in amounts restricted for street improvements.

The unrestricted net position balance of \$57.8 million may be used to meet the government’s ongoing obligations to citizens and creditors. Of this amount, \$34.2 million is held by the business-type activities (with amounts set-aside for capital replacement) and \$23.6 million by the governmental activities. This amount decreased by \$1.4 million from the prior year related to business-type activities; where as governmental activities actually increased by \$0.5 million.

A condensed summary of activities follows that net position increased by \$1.7 million during the year.

Table 2
Summary of Activities
(in millions)

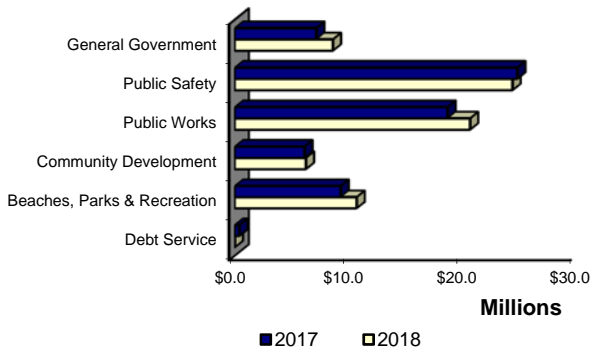
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 11.9	\$ 10.4	\$ 36.8	\$ 33.1	\$ 48.7	\$ 43.5
Operating grants/contrib.	2.1	3.2	-	-	2.1	3.2
Capital grants/contrib.	6.6	23.3	0.7	1.7	7.3	25.0
General revenues:						
Property taxes	32.8	31.0	-	-	32.8	31.0
Sales taxes	9.6	9.5	-	-	9.6	9.5
Other taxes and fees	6.8	6.7	-	-	6.8	6.7
Other	<u>0.3</u>	<u>1.8</u>	<u>0.9</u>	<u>0.2</u>	<u>1.2</u>	<u>2.0</u>
Total revenues	70.1	85.9	38.4	35.0	108.5	120.9
Expenses:						
General government	8.6	7.2	-	-	8.6	7.2
Public safety	24.4	24.8	-	-	24.4	23.8
Public works	20.7	18.8	-	-	20.7	18.8
Community development	6.2	6.1	-	-	6.2	6.1
Beaches, parks & recreation	10.7	9.3	-	-	10.7	9.3
Interest and fiscal charges	-	0.4	-	-	-	0.4
Water	-	-	20.6	17.9	20.6	17.9
Sewer	-	-	13.3	16.1	13.3	16.1
Golf	-	-	2.4	2.1	2.4	2.1
Clean Ocean	-	-	2.2	1.6	2.2	1.6
Solid Waste	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total expenses	70.6	66.6	38.7	37.9	109.3	103.5
Net position change						
before transfers	(0.5)	19.3	(0.3)	(2.9)	(0.8)	16.4
Transfers	<u>0.3</u>	<u>0.2</u>	<u>(0.3)</u>	<u>(0.2)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(0.2)</u>	<u>19.5</u>	<u>(0.6)</u>	<u>(3.1)</u>	<u>(0.8)</u>	<u>16.4</u>
Net position–July 1	294.2	274.7	201.9	205.0	496.1	479.7
Restatement (<i>see Note 12</i>)	<u>(0.5)</u>	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>(0.8)</u>	<u>-</u>
Net position–July 1, as restated	<u>293.7</u>	<u>274.7</u>	<u>201.6</u>	<u>205.0</u>	<u>495.3</u>	<u>479.7</u>
Net position–June 30	<u>\$ 293.5</u>	<u>\$ 294.2</u>	<u>\$ 201.0</u>	<u>\$ 201.9</u>	<u>\$ 494.5</u>	<u>\$ 496.1</u>

Governmental activities

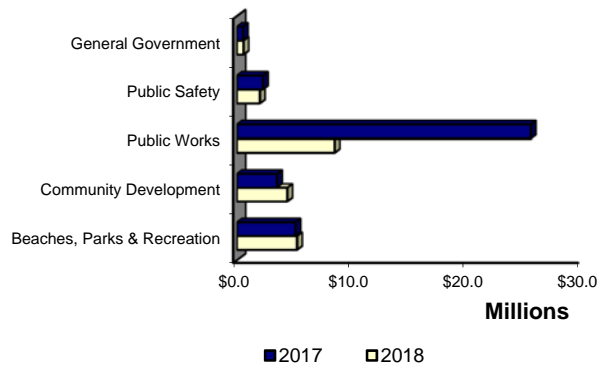
The City’s governmental activities net position decreased by \$0.7 million as compared to an increase of over \$19 million in the prior year. This decrease is mostly the result of implementing the new GASB Statement No. 75 on OPEB obligations. Revenues were \$70.1 million in FY 2018 as compared to \$85.9 million in FY 2017. This decrease was a result of contributions of land, park improvements, and other capital assets for Jim Johnson Memorial Sports and Pico parks from a developer, which was recorded as a capital contribution in program revenues in the prior year.

Expenses increased by \$4.0 million from FY 2017 and were \$0.5 million more than revenues in the current year. The expense increases are the result of 1) increases to general government as a result of mostly legal costs resulting from various lawsuits where the City is involved, 2) increases to public works due to costs for both street activity and sidewalk related activity; and 3) beaches, parks, and recreation from depreciation related costs due to recent rehabilitation projects. Increases in these areas is also due the effect of higher pension costs since one plan’s discount rate was lowered. The discount rate on CSCERP is now 6.25%, which is lower than the 7.25% use last year. Public safety pension plans were not effected by this change, which helped control public safety costs.

Expenses – Governmental Activities



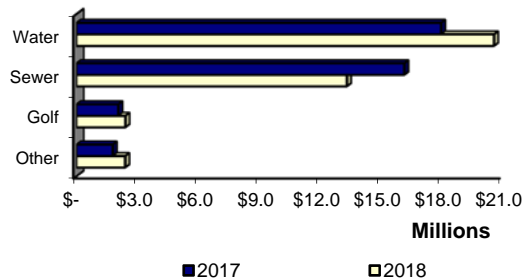
Program Revenues – Governmental Activities



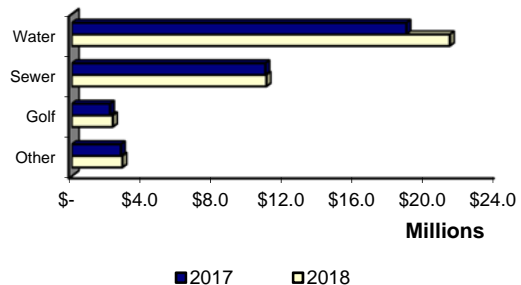
Business-type activities

Business-type activities net position decreased by \$0.9 million as compared to a decrease of \$3.1 million in the previous year. The overall change is attributed to higher charges in sewer and storm drain expenditures resulting from a \$2 million payment under a settlement agreement in the prior year. Water costs increased in FY 2018 due to higher water consumption, which also lead to higher program revenues for water.

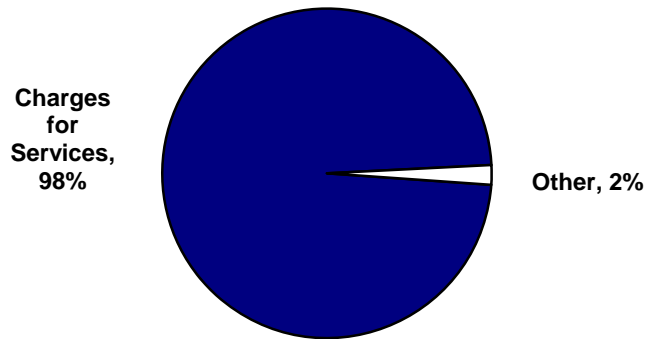
Expenses – Business-type activities



Program Revenues – Business-type activities



Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

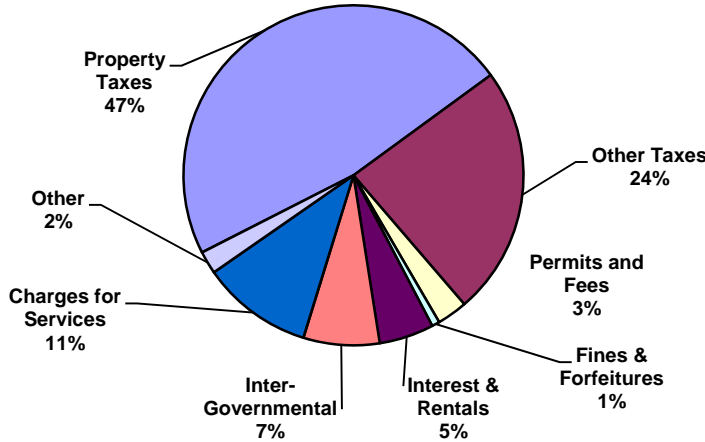
The City's governmental funds reported combined ending fund balances of \$87.1 million. Unassigned fund balance, which is available for spending at the City's discretion, constitutes \$3.2 million. The remainder of fund balance is not available for new spending because it has already been either: 1) in a nonspendable form such as loans receivable (\$2.2 million), 2) restricted based on legislation or under agreements with external parties (\$46.9 million), 3) committed based on City Council action (\$14.5 million), or 4) assigned by a Council appointed designee for specific purposes (\$20.2 million). Governmental fund balances, in total, increased by \$2.3 million during the fiscal year due to higher property taxes and intergovernmental revenues.

Governmental funds, in total, had \$69.1 million of revenues and taxes represented 71% of the revenues. The change from the prior year amount of \$66.7 million was due primarily to the following factors: 1) an increase in property taxes due to higher valuations and addition taxes from the new residential development sales (Sea Summit), and 2) intergovernmental revenues increased from higher gas tax revenues being received from the state as a result of legislation during the prior year.

Total governmental fund expenditures were \$66.8 million this year. When compared to last year's amount of \$63.8 million there was an increase of \$3 million. Overall, police, fire, public works, and beaches, parks and recreation expenditures all increased from FY 2017. General government increased based on legal costs, police and fire increase based on contract costs, public works increased due to more capital project activity and development related costs, and beaches, parks and recreation increased due to operational staffing and related costs. Community development and debt service decreased. Community development decreased due to vacancies and a delay in implementing items from the General Plan and debt service decreased due to the defeasance of debt in FY 2017.

A summary of the revenues by source for the governmental funds is as follows:

**Revenues by Source – Governmental Funds
Fiscal Year 2018**



<u>Function</u>	<u>2018 Amounts</u>	<u>% of Total</u>	<u>2017 Amounts</u>	<u>% of Total</u>
Property Taxes	\$ 32.8	47 %	\$ 31.1	47 %
Other Taxes	16.4	24 %	16.4	25 %
Permits & Fees	2.0	3 %	1.7	2 %
Fines & Forfeitures	0.5	1 %	0.5	1 %
Investment & Rentals	3.6	5 %	3.1	5 %
Intergovernmental	5.0	7 %	4.3	6 %
Charges for Services	7.3	11 %	6.8	10 %
Other	1.5	2 %	2.8	4 %
	<u>\$ 69.1</u>	<u>100 %</u>	<u>\$ 66.7</u>	<u>100 %</u>

Proprietary Funds

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer and Golf operations at the end of the year amounted to \$13.2 million, \$15.3 million and \$1.3 million, respectively. In total, unrestricted net position for all proprietary funds decreased from the previous year. Approximately \$32.9 million of these unrestricted net position are set aside for infrastructure asset replacement. The total Enterprise Fund’s Net Position decreased from \$201.7 million to \$200.4 million or by 0.6%.

Last year’s change in net position was a decrease of \$3.5 million and this year’s decrease was \$1.3 million. Water service charges increased to \$20.0 million resulting from water rate changes and sewer charges increased from \$9.9 to \$10.3 million. Total operating expenses increased from \$37.9 million to \$38.5 million, which was primarily the result of increases to purchased water of \$0.7 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund’s fund balance was \$29.9 million. Unassigned fund balance represents \$3.2 million or 10.7% of the total fund balance. In total, the General Fund balance decreased by \$0.5 million over the prior year and represents 34% of all governmental fund balances.

The original budget for General Fund revenues was \$61.4 million. When this amount is compared to the final budgeted amount of \$62 million there was a \$0.6 million increase. The budget increase is due to increases in property taxes. The budget for taxes increased due to property valuation increases and additional housing units within the City.

Actual fiscal year revenues were higher than the final budget amounts in all categories, except for intergovernmental. Intergovernmental revenues, which was the only revenue with a negative budget variance, was under budget due to certain grants not being completed and revenues not received or recognized. These activities are anticipated to be done and completed in FY 2019. Taxes and charges for services were the revenues with the largest positive budget variances. Taxes were higher due mostly to higher growth in property valuations than anticipated and additional housing units placed in service. Service charges exceeded expectations, after a down year last summer due to recreation revenues declining after shark sightings at the beach lowered expectations and revenues last year. Class fees exceeded expectations this year. In addition, service charges increased due to plan check fees and other community development related charges based on the Sea Summit development. Additional information on revenue variances are summarized below:

- Permits and fees were higher than budgeted as development of Sea Summit based on building and electrical permit activity.
- Fines were lower as a result of less parking violations, but these were more than offset by increases to administrative citations.

The budgeted expenditures increased from the original \$68.8 million to final budget amount of \$69.3 million in the General Fund. Capital outlay and Public Works had the largest changes. Capital outlay decreased by \$0.4 million due in part to a reduction of funds needed for a capital project on a concession/restroom rehabilitation project at North Beach. City general increased by \$0.8 million due primarily to \$0.7 million being allocated for additional legal costs as a result of ongoing legal proceedings on a variety of cases, including sober living dwellings, vacation rental activity, hospital zoning, and toll road disagreements.

Actual expenditures in the General Fund ended the year \$9.2 million lower than the final budget, \$6.4 million of this amount will be reappropriated in FY 2019 Budget. Police, Fire, and Beaches, parks and recreation were generally in line with budgeted amounts. Actual variances were notable in the following areas:

- Community development came in lower by \$1.0 million as a result of the delays to implementation of General Plan items, such as the Local Coastal Plan, temporary contract assistance, and the upgrade of the City's permitting and licensing system.
- Public Works came in \$2.2 million lower than anticipated due to a delay in the launch of SC Rides, which is a subsidized transit program and various other professions services and studies.
- Capital outlay was lower by \$4.9 million as a result of capital projects that are multiple year projects and will be started next fiscal year or completed next fiscal year, including sidewalk and road projects.

Other financing sources (uses) include transfers in of \$1.4 million and transfers out of \$3.7 million. The only significant item remaining to be transferred is \$0.3 million from the Developer Improvement Capital Projects fund.

Other significant fund changes include 1) additional intergovernmental revenues in the Gas Tax Special Revenue Fund do to increase in the Gas Tax levels from the State of California, 2) increases to developer fees as a result of the Sea Summit residential development, and 3) the Negocio Debt Service fund being closed due to the defeasance of debt in the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$392.2 million (net of accumulated depreciation) as compared to the June 30, 2017 total of \$393.8 million (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, equipment, and construction-in-progress. The net decrease in the City’s capital assets (net of depreciation) for the current fiscal year was \$1.6 million, with a \$1.2 million decrease in governmental activities and a \$0.4 million decrease in business-type activities.

Major capital improvements during the fiscal year included street projects for the governmental type activities and water and sewer line capital projects and SCADA equipment for business type activities. Governmental activities infrastructure amounts capitalized totaled \$5.2 million. This \$5.2 million includes \$3.9 million of road network improvements, of which \$2.6 million related to improvements which include pavement, sidewalks, and bicycle improvements along both El Camino Real (North and South). The business type activities largest increase was \$2.5 million for SCADA equipment.

Depreciation expense during the fiscal year was \$9.4 million for governmental activities and \$5.7 million for business-type activities as compared to \$8.9 million and \$5.5 million respectively in the previous fiscal year. There were no significant changes from depreciation amounts.

Further information can be found related to the Capital Assets in Note 5 of the Notes to the Financial Statements.

City of San Clemente
Capital Assets
(Net of Depreciation, in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 51.4	\$ 51.5	\$ 4.3	\$ 4.1	\$ 55.7	\$ 55.6
Infrastructure	106.3	107.8	77.5	78.2	183.8	186.0
Buildings & Improvements	54.8	57.8	76.8	80.2	131.6	138.0
Equipment	2.5	2.5	5.9	3.6	8.4	6.1
Construction-in-progress	<u>7.9</u>	<u>4.5</u>	<u>4.8</u>	<u>3.6</u>	<u>12.7</u>	<u>8.1</u>
Totals	<u>\$ 222.9</u>	<u>\$ 224.1</u>	<u>\$ 169.3</u>	<u>\$ 169.7</u>	<u>\$ 392.2</u>	<u>\$ 393.8</u>

Long-term Liabilities. At the end of the current fiscal year, the City’s governmental activities had no bonded debt outstanding and \$115,826 of capitalized lease obligations. Business-type activities had an outstanding loan from the State of California related to the construction and expansion of recycled water treatment facilities in the amount of \$12.7 million. During the year, a principal payment was made on the loan in the amount of \$608,719.

Further information on the Long Term Liabilities can be found in the Notes to the Financial Statements, Long Term Liabilities (Note 7). The following table summarizes the outstanding debt at the end of the 2018 and 2017 Fiscal Years.

	Outstanding Debt (in millions)			
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>	Business-type Activities <u>2018</u>	Business-type Activities <u>2017</u>
State Revolving Fund Loan	-	-	12.7	13.3
Capitalized Lease	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 12.7</u>	<u>\$ 13.3</u>

SIGNIFICANT MATTERS

As of June 30, 2018, the City has outstanding commitments in the amount of \$8.0 million relating to construction and other contractual arrangements. In addition, the City is involved as a defendant in various legal proceedings. These legal proceedings include sober living facilities, the toll road extension, and hospital zoning issues. While it is not feasible to predict or determine the outcome in these cases, it is the City's opinion that the outcome of the majority of these cases will have no material adverse effect on the net financial position of the City.

Further significant matters and information can be found in the Notes to the Financial Statements, Note 13.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Assistant City Manager, 910 Calle Negocio, San Clemente, CA 92673.

CITY OF SAN CLEMENTE

Statement of Net Position

June 30, 2018

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 89,443,684	\$ 37,362,917	\$ 126,806,601
Taxes receivable	3,095,503	-	3,095,503
Accounts receivable	1,435,047	5,039,540	6,474,587
Interest receivable	354,748	190,193	544,941
Due from other governments	1,933,116	341,297	2,274,413
Internal balances	(628,111)	628,111	-
Inventories	-	343,264	343,264
Prepaid items	29,350	-	29,350
Loans receivable	13,321,159	-	13,321,159
Restricted cash and investments	-	10,434,985	10,434,985
Capital assets, non-depreciable	59,311,127	9,112,910	68,424,037
Capital assets, net of accumulated depreciation	163,604,686	160,154,112	323,758,798
Total Assets	<u>331,900,309</u>	<u>223,607,329</u>	<u>555,507,638</u>
Deferred Outflows of Resources:			
OPEB deferral	130,970	-	130,970
Pension deferral	9,512,611	2,127,297	11,639,908
Total Deferred Outflows of Resources	<u>9,643,581</u>	<u>2,127,297</u>	<u>11,770,878</u>
<u>LIABILITIES</u>			
Accounts payable	4,750,642	3,650,244	8,400,886
Accrued wages	596,651	129,729	726,380
Accrued liability	-	139,246	139,246
Unearned revenue	578,592	-	578,592
Deposits payable	2,232,173	257,348	2,489,521
Long term liabilities, current portion	719,457	749,061	1,468,518
Long term liabilities, non-current portion:			
Due in more than one year	1,498,997	12,514,166	14,013,163
Net OPEB obligation	975,558	-	975,558
Net Pension liability	34,491,494	7,141,120	41,632,614
Total Liabilities	<u>45,843,564</u>	<u>24,580,914</u>	<u>70,424,478</u>
Deferred Inflows of Resources:			
Pension deferral	<u>2,218,599</u>	<u>148,429</u>	<u>2,367,028</u>
<u>NET POSITION</u>			
Net investment in capital assets	222,799,987	156,608,320	379,408,307
Restricted for:			
Public facilities construction	7,602,996	-	7,602,996
Local drainage facilities	4,507,024	-	4,507,024
Streets/roadway/traffic	15,807,875	-	15,807,875
Affordable housing	12,566,985	-	12,566,985
Other capital	5,143,572	9,277,034	14,420,606
Other purposes	1,419,553	900,603	2,320,156
Unrestricted	23,633,735	34,219,326	57,853,061
Total Net Position	<u>\$ 293,481,727</u>	<u>\$ 201,005,283</u>	<u>\$ 494,487,010</u>

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,602,034	\$ 459,817	\$ 122,629	\$ -
Police	15,026,061	492,692	142,690	-
Fire	9,385,402	1,339,525	28,714	-
Public works	20,680,433	1,379,539	1,523,878	5,576,201
Community development	6,247,084	3,203,357	267,883	903,543
Beaches, parks & recreation	10,708,326	5,057,789	30,053	132,100
Interest and fiscal charges	4,959	-	-	-
Total governmental activities	70,654,299	11,932,719	2,115,847	6,611,844
Business-type activities:				
Water	20,571,400	21,333,272	-	30,947
Sewer	13,297,015	10,333,756	-	671,727
Golf	2,407,448	2,325,817	-	-
Clean Ocean	2,176,860	2,638,077	-	-
Solid Waste	218,628	211,589	16,777	-
Total business-type activities	38,671,351	36,842,511	16,777	702,674
Total	\$ 109,325,650	\$ 48,775,230	\$ 2,132,624	\$ 7,314,518

General Revenue

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Other taxes

Investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total General Revenue and Transfers

Change in Net Position

Net Position - Beginning of Year, as restated

Net Position - End of Year

See Accompanying Notes to the Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (8,019,588)	\$ -	\$ (8,019,588)
(14,390,679)	-	(14,390,679)
(8,017,163)	-	(8,017,163)
(12,200,815)	-	(12,200,815)
(1,872,301)	-	(1,872,301)
(5,488,384)	-	(5,488,384)
(4,959)	-	(4,959)
<u>(49,993,889)</u>	<u>-</u>	<u>(49,993,889)</u>
-	792,819	792,819
-	(2,291,532)	(2,291,532)
-	(81,631)	(81,631)
-	461,217	461,217
-	9,738	9,738
<u>-</u>	<u>(1,109,389)</u>	<u>(1,109,389)</u>
<u>(49,993,889)</u>	<u>(1,109,389)</u>	<u>(51,103,278)</u>
32,766,143	-	32,766,143
9,637,366	-	9,637,366
2,805,716	-	2,805,716
2,612,101	-	2,612,101
1,356,260	-	1,356,260
292,346	296,909	589,255
37,584	-	37,584
-	546,558	546,558
307,893	(307,893)	-
<u>49,815,409</u>	<u>535,574</u>	<u>50,350,983</u>
(178,480)	(573,815)	(752,295)
<u>293,660,207</u>	<u>201,579,098</u>	<u>495,239,305</u>
<u>\$ 293,481,727</u>	<u>\$ 201,005,283</u>	<u>\$ 494,487,010</u>

CITY OF SAN CLEMENTE
Balance Sheet
Governmental Funds
June 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 30,251,149	\$ 46,445,876	\$ 76,697,025
Taxes receivable	3,095,473	30	3,095,503
Accounts receivable	1,086,467	224,981	1,311,448
Interest receivable	119,880	185,175	305,055
Due from other funds	31,397	-	31,397
Due from other governments	1,562,910	370,206	1,933,116
Prepaid items	18,900	-	18,900
Loans receivable	2,214,468	11,106,691	13,321,159
Total assets	<u>\$ 38,380,644</u>	<u>\$ 58,332,959</u>	<u>\$ 96,713,603</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 3,647,457	\$ 836,115	\$ 4,483,572
Accrued wages	355,326	1,678	357,004
Unearned revenue	578,592	-	578,592
Deposits payable	2,057,072	175,101	2,232,173
Due to other funds	-	31,397	31,397
Total liabilities	<u>6,638,447</u>	<u>1,044,291</u>	<u>7,682,738</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - receivables	1,815,593	154,858	1,970,451
Total deferred inflows of resources	<u>1,815,593</u>	<u>154,858</u>	<u>1,970,451</u>
<u>FUND BALANCES</u>			
Nonspendable	2,233,368	-	2,233,368
Restricted	-	46,893,147	46,893,147
Committed	14,420,443	91,580	14,512,023
Assigned	10,083,367	10,149,083	20,232,450
Unassigned	3,189,426	-	3,189,426
Total fund balance	<u>29,926,604</u>	<u>57,133,810</u>	<u>87,060,414</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 38,380,644</u>	<u>\$ 58,332,959</u>	<u>\$ 96,713,603</u>

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund balances for governmental funds \$ 87,060,414

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is net of the Internal Service Funds of \$2,469,968.

Governmental capital assets	331,040,886	
Less: accumulated depreciation	(110,595,041)	220,445,845

Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the funds. The following is net of the Internal Service Funds compensated absences balance of \$136,466.

Compensated absences	(1,154,808)	
Net pension liability	(34,491,494)	(35,646,302)

Effect of deferred inflows and outflows on the statement of net position:

Deferred inflows of resources - pension related	(2,195,600)	
Deferred outflows of resources - pension related	9,489,612	7,294,012

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in the statement of net assets.

Capital assets, net of depreciation	2,469,968	
Deferred outflows of resources - OPEB related	130,970	
Long term liabilities, current and noncurrent portion	(2,545,921)	
Other internal service assets (liabilities)	12,302,290	12,357,307

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, on the accrual basis they are included as revenue in the government-wide statements.

1,970,451

Net position of governmental activities

\$ 293,481,727

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 48,946,407	\$ 219,646	\$ 49,166,053
Permits and fees	2,050,638	-	2,050,638
Fines and forfeits	537,137	-	537,137
Investment and rentals	3,075,232	507,988	3,583,220
Intergovernmental	775,046	4,221,261	4,996,307
Charges for services	6,380,519	922,011	7,302,530
Developers fees	-	1,292,719	1,292,719
Other	90,968	86,902	177,870
Total Revenues	<u>61,855,947</u>	<u>7,250,527</u>	<u>69,106,474</u>
Expenditures:			
Current:			
General government	8,396,816	171,690	8,568,506
Police	14,718,729	101,648	14,820,377
Fire	9,293,075	-	9,293,075
Public works	11,715,195	855,902	12,571,097
Community development	4,996,730	172,921	5,169,651
Beaches, parks and recreation	6,592,518	14,080	6,606,598
Capital outlay	4,336,361	5,427,607	9,763,968
Total Expenditures	<u>60,049,424</u>	<u>6,743,848</u>	<u>66,793,272</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,806,523</u>	<u>506,679</u>	<u>2,313,202</u>
Other Financing Sources (Uses):			
Transfers in	1,357,125	4,523,966	5,881,091
Transfers out	(3,666,443)	(2,206,755)	(5,873,198)
Total Other Financing Sources (Uses)	<u>(2,309,318)</u>	<u>2,317,211</u>	<u>7,893</u>
Net Change in Fund Balances	(502,795)	2,823,890	2,321,095
Fund Balances - Beginning of Year, as restated	<u>30,429,399</u>	<u>54,309,920</u>	<u>84,739,319</u>
Fund Balances - End of Year	<u>\$ 29,926,604</u>	<u>\$ 57,133,810</u>	<u>\$ 87,060,414</u>

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds: \$ 2,321,095

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:

Capital outlay	9,763,968	
Donated capital assets	499,015	
Other maintenance activities included in capital outlay above	(2,516,909)	
Gain (loss) on capital assets	(211,731)	
Depreciation expense (net of Internal Service Funds of \$426,034)	<u>(9,018,562)</u>	(1,484,219)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue (expense) of internal service funds is reported with governmental activities. 1,968,798

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds.

Change in compensated absences liability (governmental)	42,583	
Pension actuarial amounts - outflows	2,821,389	
Pension actuarial amounts - inflows	(293,506)	
Change in net pension liability	<u>(6,546,215)</u>	(3,975,749)

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.

Prior year deferral	(978,856)	
Current year deferral	<u>1,970,451</u>	<u>991,595</u>

Change in net position of governmental activities \$ (178,480)

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE

Statement of Net Position

Proprietary Funds

June 30, 2018

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 14,756,945	\$ 16,544,420	\$ 2,235,044
Accounts receivable	2,949,256	1,511,354	58,111
Accrued interest	73,086	92,972	8,899
Due from other governments	318,607	22,690	-
Inventory, at cost	307,412	-	35,852
Prepays	-	-	-
Cash and investments - restricted	3,606,527	6,828,458	-
Total Current Assets	<u>22,011,833</u>	<u>24,999,894</u>	<u>2,337,906</u>
Noncurrent Assets:			
Capital Assets:			
Land	3,912,097	410,298	2,011
Water, sewer and storm lines	42,324,494	75,338,749	-
Utility assets	33,754,347	100,469,053	-
Buildings	205,662	234,370	6,423,954
Improvements other than buildings	-	-	3,266,622
Machinery and equipment	3,267,169	4,035,245	1,116,265
Construction in progress	3,885,459	903,045	-
Total Capital assets	<u>87,349,228</u>	<u>181,390,760</u>	<u>10,808,852</u>
Less accumulated depreciation	<u>(26,700,735)</u>	<u>(78,636,893)</u>	<u>(4,944,190)</u>
Net Capital Assets	<u>60,648,493</u>	<u>102,753,867</u>	<u>5,864,662</u>
Total Noncurrent Assets	<u>60,648,493</u>	<u>102,753,867</u>	<u>5,864,662</u>
Total Assets	<u>82,660,326</u>	<u>127,753,761</u>	<u>8,202,568</u>
Deferred Outflows of Resources:			
OPEB deferral	-	-	-
Pension deferral	1,021,823	792,809	312,665
Total Deferred Outflows	<u>1,021,823</u>	<u>792,809</u>	<u>312,665</u>

See Accompanying Notes to Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 3,826,508	\$ 37,362,917	\$ 12,746,659
520,819	5,039,540	123,599
15,236	190,193	49,693
-	341,297	-
-	343,264	-
-	-	10,450
-	10,434,985	-
<u>4,362,563</u>	<u>53,712,196</u>	<u>12,930,401</u>
-	4,324,406	-
-	117,663,243	-
-	134,223,400	-
-	6,863,986	443,134
-	3,266,622	1,027,470
54,741	8,473,420	6,929,755
-	4,788,504	-
<u>54,741</u>	<u>279,603,581</u>	<u>8,400,359</u>
<u>(54,741)</u>	<u>(110,336,559)</u>	<u>(5,930,391)</u>
-	169,267,022	2,469,968
-	169,267,022	2,469,968
<u>4,362,563</u>	<u>222,979,218</u>	<u>15,400,369</u>
-	-	130,970
-	2,127,297	-
<u>-</u>	<u>2,127,297</u>	<u>130,970</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 2,286,969	\$ 770,760	\$ 83,446
Accrued wages	56,686	51,038	13,576
Compensated absences payable	48,585	35,382	36,413
Interest payable	139,246	-	-
Loan payable	622,111	-	-
Capital lease obligation	-	-	-
Claims and judgements payable	-	-	-
Deposits payable - restricted assets	257,348	-	-
Total Current Liabilities	3,410,945	857,180	133,435
Noncurrent Liabilities:			
Capitalized lease obligations	-	-	-
Compensated absences payable	182,771	133,102	138,984
Claims and judgments payable	-	-	-
Loan payable	12,036,591	-	-
Net OPEB liability	-	-	-
Net pension liability	3,435,272	2,653,935	1,051,913
Total Noncurrent Liabilities	15,654,634	2,787,037	1,190,897
Total Liabilities	19,065,579	3,644,217	1,324,332
Deferred Inflow of Resources:			
Pension deferral	71,289	55,328	21,812
<u>NET POSITION</u>			
Net investment in capital assets	47,989,791	102,753,867	5,864,662
Restricted for debt service	900,603	-	-
Restricted for capital projects	2,448,576	6,828,458	-
Unrestricted	13,206,311	15,264,700	1,304,427
Total Net Position	\$ 64,545,281	\$ 124,847,025	\$ 7,169,089

Adjustment to reflect the consolidation of internal
service fund activities to related enterprise funds

Net position of business-type activities

See Accompanying Notes to the Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 509,069	\$ 3,650,244	\$ 267,070
8,429	129,729	239,647
6,150	126,530	28,658
-	139,246	-
-	622,111	-
-	-	34,498
-	-	413,791
-	257,348	-
<u>523,648</u>	<u>4,925,208</u>	<u>983,664</u>
-	-	81,328
23,138	477,995	107,808
-	-	397,563
-	12,036,591	-
-	-	975,558
-	7,141,120	-
<u>23,138</u>	<u>19,655,706</u>	<u>1,562,257</u>
<u>546,786</u>	<u>24,580,914</u>	<u>2,545,921</u>
-	148,429	-
-	156,608,320	2,354,142
-	900,603	-
-	9,277,034	-
<u>3,815,777</u>	<u>33,591,215</u>	<u>10,631,276</u>
<u>\$ 3,815,777</u>	<u>200,377,172</u>	<u>\$ 12,985,418</u>
	<u>628,111</u>	
	<u>\$ 201,005,283</u>	

(Concluded)

CITY OF SAN CLEMENTE
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 19,956,977	\$ 10,332,171	\$ 1,861,927
Concessions	-	-	462,741
Other	1,376,295	1,585	1,149
Total Operating Revenues	<u>21,333,272</u>	<u>10,333,756</u>	<u>2,325,817</u>
Operating Expenses:			
Salaries and benefits	4,067,744	3,591,590	1,048,981
Cost of purchased water	7,865,804	-	-
Cost of materials and supplies	506,048	716,498	162,995
Depreciation	1,560,802	3,845,944	340,132
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	5,974,891	5,443,904	896,695
Total Operating Expenses	<u>19,975,289</u>	<u>13,597,936</u>	<u>2,448,803</u>
Operating Income (Loss)	<u>1,357,983</u>	<u>(3,264,180)</u>	<u>(122,986)</u>
Non-Operating Revenues (Expenses):			
Investment income	124,710	142,207	6,861
Grant income	-	-	-
Interest and fiscal charges	(285,187)	-	-
Gain (Loss) on sale of capital assets	(627,633)	21,574	546,558
Total Non-Operating Revenues (Expenses)	<u>(788,110)</u>	<u>163,781</u>	<u>553,419</u>
Income (Loss) Before Transfers and Capital Contributions	<u>569,873</u>	<u>(3,100,399)</u>	<u>430,433</u>
Capital contributions	30,947	671,727	-
Total Capital Contributions	<u>30,947</u>	<u>671,727</u>	<u>-</u>
Transfers in	70,307	381,000	-
Transfers out	(99,984)	(155,876)	-
Total Transfers	<u>(29,677)</u>	<u>225,124</u>	<u>-</u>
Change in Net Assets	571,143	(2,203,548)	430,433
Net Position - Beginning of Year, as restated	<u>63,974,138</u>	<u>127,050,573</u>	<u>6,738,656</u>
Net Position - End of Year	<u>\$ 64,545,281</u>	<u>\$ 124,847,025</u>	<u>\$ 7,169,089</u>
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds			
Change in net position of business-type activities			

See Accompanying Notes to the Financial Statements.

Enterprise Funds			
Nonmajor	Totals		Internal Service
\$ 2,505,550	\$ 34,656,625	\$ 10,775,652	
-	462,741	-	
344,116	1,723,145	2,288,673	
<u>2,849,666</u>	<u>36,842,511</u>	<u>13,064,325</u>	
436,661	9,144,976	1,015,397	
-	7,865,804	-	
57,245	1,442,786	368,229	
-	5,746,878	426,034	
-	-	5,147,378	
-	-	348,411	
1,942,362	14,257,852	3,474,004	
<u>2,436,268</u>	<u>38,458,296</u>	<u>10,779,453</u>	
413,398	(1,615,785)	2,284,872	
23,131	296,909	56,103	
16,777	16,777	-	
-	(285,187)	(4,959)	
-	(59,501)	10,973	
<u>39,908</u>	<u>(31,002)</u>	<u>62,117</u>	
453,306	(1,646,787)	2,346,989	
-	702,674	-	
-	702,674	-	
-	451,307	425,770	
(554,110)	(809,970)	(75,000)	
<u>(554,110)</u>	<u>(358,663)</u>	<u>350,770</u>	
(100,804)	(1,302,776)	2,697,759	
3,916,581		10,287,659	
<u>\$ 3,815,777</u>		<u>\$ 12,985,418</u>	
	728,961		
	<u>\$ (573,815)</u>		

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Cash Flows from Operating Activities:			
Cash received from customers	\$ 19,662,996	\$ 10,282,778	\$ 1,889,539
Cash paid to other suppliers for goods or services	(15,083,046)	(8,316,346)	(1,015,279)
Cash payment to employees	(3,343,125)	(3,028,390)	(830,125)
Cash from rents and concessions	-	-	462,741
Cash from other operating revenues	1,376,295	1,585	1,149
Net Cash Provided by (Used for) Operating Activities	<u>2,613,120</u>	<u>(1,060,373)</u>	<u>508,025</u>
Cash Flows from Noncapital Financing Activities:			
Grant income	-	-	-
Cash received from other funds	70,307	381,000	-
Cash paid to other funds	(99,984)	(155,876)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(29,677)</u>	<u>225,124</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants	30,947	671,727	-
Purchase and construction of capital assets	(4,927,619)	(976,880)	(30,124)
Cash proceeds from sale of capital assets	23,481	21,574	546,558
Payment on capital lease payable	-	-	-
Payment on capital loan	(608,719)	-	-
Interest and fiscal charges	(285,187)	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(5,767,097)</u>	<u>(283,579)</u>	<u>516,434</u>
Cash Flows from Investing Activities:			
Investment income received	104,087	119,424	1,444
Net Cash Provided by (Used for) Investing Activities	<u>104,087</u>	<u>119,424</u>	<u>1,444</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,079,567)	(999,404)	1,025,903
Cash and Cash Equivalents at Beginning of Year	<u>21,443,039</u>	<u>24,372,282</u>	<u>1,209,141</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,363,472</u>	<u>\$ 23,372,878</u>	<u>\$ 2,235,044</u>

See Accompanying Notes to the Financial Statements.

Enterprise Funds

Nonmajor	Totals	Internal Service
\$ 2,476,700	\$ 34,312,013	\$ 10,691,602
(1,598,024)	(26,012,695)	(8,747,418)
(432,498)	(7,634,138)	(1,010,758)
-	462,741	-
344,116	1,723,145	2,288,671
<u>790,294</u>	<u>2,851,066</u>	<u>3,222,097</u>
16,777	16,777	-
-	451,307	425,770
<u>(554,110)</u>	<u>(809,970)</u>	<u>(75,000)</u>
<u>(537,333)</u>	<u>(341,886)</u>	<u>350,770</u>
-	702,674	-
-	(5,934,623)	(706,691)
-	591,613	18,753
-	-	(33,153)
-	(608,719)	-
-	(285,187)	(4,959)
<u>-</u>	<u>(5,534,242)</u>	<u>(726,050)</u>
18,134	243,089	37,343
<u>18,134</u>	<u>243,089</u>	<u>37,343</u>
271,095	(2,781,973)	2,884,160
3,555,413	50,579,875	9,862,499
<u>\$ 3,826,508</u>	<u>\$ 47,797,902</u>	<u>\$ 12,746,659</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,357,983	\$ (3,264,180)	\$ (122,986)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	1,560,802	3,845,944	340,132
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(293,981)	(49,393)	27,612
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventories	58,711	-	(3,478)
Increase (decrease) in accounts payable	(798,022)	(2,155,944)	47,889
Increase (decrease) in accrued wages	4,715	3,266	626
Increase (decrease) in deposits payable	3,008	-	-
Increase (decrease) in pension obligations	704,979	544,273	215,896
Increase (decrease) in compensated absences	14,925	15,661	2,334
Increase (decrease) in claims & judgments payable	-	-	-
Total Adjustments	<u>1,255,137</u>	<u>2,203,807</u>	<u>631,011</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,613,120</u>	<u>\$ (1,060,373)</u>	<u>\$ 508,025</u>
Noncash investing, capital, and financing activities:			
Unrealized gain (loss) from investments	\$ (134,836)	\$ (176,768)	\$ (20,270)

See Accompanying Notes to the Financial Statements.

Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 413,398	\$ (1,615,785)	\$ 2,284,872
-	5,746,878	426,032
(28,850)	(344,612)	(84,049)
-	-	(7,523)
-	55,233	-
401,583	(2,504,494)	(557,983)
2,051	10,658	(6,567)
-	3,008	-
-	1,465,148	130,970
2,112	35,032	11,206
-	-	1,025,139
<u>376,896</u>	<u>4,466,851</u>	<u>937,225</u>
<u>\$ 790,294</u>	<u>\$ 2,851,066</u>	<u>\$ 3,222,097</u>

\$ (30,276) \$ (362,150) \$ (101,294)

(Concluded)

CITY OF SAN CLEMENTE
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Pension Trust	Private Purpose Trust Fund RDA Successor Agency Trust
Assets:		
Cash and investments	\$ -	\$ 152,341
Taxes receivable	-	-
Accounts receivable	-	-
Accrued interest receivable	-	607
Loan receivable	-	54,981
Restricted cash and investments	-	-
Restricted cash and investments with fiscal agents	-	-
Investments, at fair value:		
Group annuity contract	1,784,723	-
PIMCO Total Return Bond mutual fund	4,365,368	-
U.S. Government Treasury Inflation Bond mutual fund	653,501	-
Dodge & Cox International mutual fund	3,367,917	-
PIMCO All Asset Authority mutual fund	1,110,621	-
Russell 1000 Index mutual fund	8,035,957	-
Russell 2000 Index mutual fund	1,287,093	-
Total Assets	20,605,180	207,929
Liabilities:		
Accounts payable	-	-
Accrued wages	-	-
Deposits payable	-	-
Loan from the City of San Clemente	-	2,214,468
Payable to bondholders	-	-
Total Liabilities	-	2,214,468
Total Net Position:		
Net position restricted for pensions	20,605,180	-
Held in trust for the Former Redevelopment Agency dissolution	-	(2,006,539)
Total Net Position	\$ 20,605,180	\$ (2,006,539)

See Accompanying Notes to the Financial Statements.

Agency
Funds

\$ -
13,248
137,322
14,559
-
3,533,610
20,791,669
-
-
-
-
-
-
-
\$ 24,490,408

60,944
28,942
440,855
-
23,959,667
\$ 24,490,408

CITY OF SAN CLEMENTE
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund RDA Successor Agency Trust</u>
Additions:		
Contributions:		
Employer pension contributions	\$ 1,205,787	\$ -
Employee pension contributions	36,904	-
Total Contributions	<u>1,242,691</u>	<u>-</u>
Redevelopment Agency Property Tax	-	<u>296,955</u>
Investment Income:		
Net appreciation (depreciation) in fair value of investments	1,225,144	-
Interest income	-	776
Investment expenses	(21,315)	-
Total Investment Income (Loss)	<u>1,203,829</u>	<u>776</u>
Total Additions	<u>2,446,520</u>	<u>297,731</u>
Deductions:		
Benefit payments	2,028,075	-
Program expenses	-	36,588
Administrative expenses	26,033	-
Total Deductions	<u>2,054,108</u>	<u>36,588</u>
Change in net position	392,412	261,143
Net position - Beginning of Year	<u>20,212,768</u>	<u>(2,267,682)</u>
Net position - End of Year	<u><u>\$ 20,605,180</u></u>	<u><u>\$ (2,006,539)</u></u>

See Accompanying Notes to the Financial Statements.

Notes to the Financial Statements

CITY OF SAN CLEMENTE
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting entity:

The City of San Clemente (the “City”) was incorporated in February of 1928 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, beaches, parks and recreation, public improvements, planning and zoning, golf, utilities (water, sewer, storm drain and urban runoff) and general administrative services. The financial statements of the City of San Clemente have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

The City financial statements include the financial activities of the City, the former San Clemente Redevelopment Agency (the “Successor Agency”) and the San Clemente Public Financing Authority (“PFA”). The City accounts for the Successor Agency and the PFA as “blended” component units. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are reported with the City. The accounting policies of the City, the Successor Agency and the PFA conform to generally accepted accounting principles which apply to governments.

The Redevelopment Agency was established in January 1975 pursuant to the State of California Health and Safety Code, Section 33000 entitled “Community Redevelopment Law”. Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency were transferred to the Successor Agency and are reported a a fiduciary fund (private-purpose trust fund) in the financial statements of the City until the obligations of the former redevelopment agency are paid in full.

The PFA was created in May 2007 pursuant to the State of California Government Code, Section 6500. The City and the Agency are member agencies. The Agreement provides for the PFA to jointly exercise the powers to provide for the financing or refinance of public capital improvements of the City, Agency or other local agencies through the acquisition and or purchase by the Authority of Local Obligations. The PFA has the power to acquire and to finance and refinance the acquisition of public capital improvements necessary or convenient for the operation of the City or the Agency, including the issuance of Revenue Bonds. The PFA was previously reported as an Agency fund since the debt was conduit debt and not an obligation of the City. However, this debt was refinanced in FY 2017 and financial statements are no longer issued and the Agency fund was dissolved.

The City of San Clemente and the City of Dana Point are members of the Coastal Animal Services Authority. For more information on this Joint Exercise of Powers Agreement see Note 13 B.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

B. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

C. Basis of presentation – government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities.

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 charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 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 major individual enterprise funds are reported as separate columns in the fund financial statements.

Net position, which is equity, is reported in the following categories: net investment in capital assets, which represents the City's equity interest in the capital assets; restricted, whose use is not subject to the City's own discretion; and, unrestricted, are the remaining assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

D. Basis of presentation – fund financial statements:

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Water Utility Fund - The water utility fund accounts for of the City's water utility financial activity. The costs of providing these services to the general public are financed or recovered primarily through user charges.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Sewer Utility Fund - The sewer utility fund accounts for the City's sewer utility financial activity. The costs of providing these services to the general public are financed or recovered primarily through user charges.

Golf Course Fund - The golf course fund accounts for the City owned 18-hole golf course's operation and maintenance. The costs of providing these services to the general public are financed or recovered primarily through user charges. The City considers this a major fund.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special revenue funds account for tspecific revenue sources that are restricted, committed, or assigned to expenditures for a particular purpose.

Debt Service Funds - The debt service fund accounts for the accumulation of resources that are for the payment of principal and interest on long-term obligations of governmental funds.

Capital Project Funds – Capital project funds account for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Internal Service Funds - Internal service funds are used to finance and account for self-insurance, employee services, data processing, central services, and fleet service to other departments or agencies of the City, on a cost reimbursement basis.

Pension Trust Fund - The pension trust fund accounts for the City of San Clemente Employee Retirement Plan (CSCERP), which accumulates resources for pension benefit payments to qualified non-public safety city employees.

Private Purpose Trust Fund - The Successor Agency Trust fund holds assets and accumulates resources to pay former Redevelopment Agency enforceable obligations and administrative costs.

Agency Funds – Agency funds account for taxes received for special assessment debt for which the City is not obligated and monies that are held as part of a joint powers authority agreement.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statement, certain eliminations are made in the preparation of the government-wide financial statements. Balance between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated, so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfer in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

E. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and 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. On an accrual basis, property taxes are recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements and donations are recognized as revenue once all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments and compensated absences, which are recorded when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension trust fund, and the private-purpose trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus and utilize the accrual basis of accounting for reporting assets and liabilities.

F. Implementation of New GASB Pronouncements

In FY 2018, the City adopted and implemented the following new accounting standard:

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement contains requirement for measuring Other Post Employment Benefits (OPEB) liability and expense, with enhancements to financial statement note disclosures and the presentation of required supplementary information. The beginning net position in the Internal Service Fund Statement of Revenues, Expenditures and Changes in Net Position and the Government-Wide Statement of Activities is restated as a result, see Note 12.

G. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

a) Cash and investments:

The City pools cash and investments of all funds, except for assets held by fiscal agents. Cash is considered to be cash on hand and demand deposits. Investments are reported in the accompanying balance sheet at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income and interest earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

For the purpose of the Statement of Cash Flows, all pooled cash and investments are considered cash equivalents, as the deposits can be accessed at any time. The City invests a portion of its portfolio in the California Local Agency Investment Fund, which can be converted to cash within 24 hours notice.

b) Inventories and prepaids:

Inventories are valued at cost on a first-in, first-out basis. Inventory in the enterprise funds consists of expendable supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

c) Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their acquisition value. Capital assets subject to lease obligations are valued at the present value of future lease payments at the inception of the lease. The City utilizes a capitalization threshold of \$5,000 for property, plant, and equipment and \$25,000 for infrastructure assets.

Depreciation of all exhaustible capital assets used by the governmental and business-type activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net position. The straight-line method depreciation is used over the following estimated useful lives:

Utility assets	10-60 years
Buildings	30-50 years
Improvements other than buildings	10-50 years
General equipment	10 years
Vehicles	3-25 years
Infrastructure	20-75 years
Intangibles	3-10 years

d) Compensated absences:

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation, sick time for eligible employees, and compensatory time at June 30, 2018 is recorded as a liability. Unpaid compensated absences in proprietary fund types are accrued as a liability in those funds as employees vest benefits.

e) Pensions:

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the City recognizes a net pension liability, which represents the City's share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports. The net pension liability is measured as of the measurement date.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

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 San Clemente's California Public Employees' Retirement System (CalPERS) plans and CSCERP Plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the plan administrators. 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.

f) Other Postemployment Benefits (OPEB)

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

g) Deferred outflows/inflows of resources:

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 so will not be recognized as an inflow of resources (revenue) until that time.

Governmental funds also include deferred inflows of resources which are unavailable to finance expenditures of the current period. The amounts have been earned but are not available to finance expenditures in the current period. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

h) Net position flow assumption:

Sometimes the government 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 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 government's policy to consider restricted net position to have been depleted before unrestricted net position amounts are applied.

i) Fund balance flow assumptions:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

j) Fund balance policies

Fund balance of governmental funds is reported in categories based on limitations on the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts to be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of a change to the ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council has authorized the city manager to assign fund balance. The council may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Further information on the fund balance classifications are reported in Note 11.

H. Revenues and expenditures/expenses

1. Program Revenues:

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes:

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Orange bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they are available to finance current operations.

The County of Orange is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than two percent per year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

3. Proprietary funds operating and nonoperating revenues and expenses:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the City's internal service funds are charges to customers for sales and

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations.

4. Claims and Judgments:

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Claims payable, which includes an estimate for “incurred but not reported claims” (“IBNR”), are recorded in an internal service fund.

5. Use of Estimates:

The preparation of basic financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting:

The City adopts budgets for the governmental funds on an annual basis substantially consistent with generally accepted accounting principles. Budgeted amounts reported are as originally adopted and as further amended by the City Council. The general fund, special revenue funds, and capital project funds have legally adopted budgets as well as the Negocio Building debt service fund. The capital project funds adopt project length budgets. The City made supplemental budgetary appropriations during the fiscal year of \$4.7 million.

3. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of position:	
Cash and investments	\$ 126,806,601
Cash and investments – restricted	10,434,985
Fiduciary funds:	
Cash and investments	152,341
Cash and investments – restricted	3,533,610
Cash and investments held by bond trustee	20,791,669
Pension trust investments	<u>20,605,180</u>
Total cash and investments	<u>\$ 182,324,386</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 4,850
Deposits with financial institutions	2,463,371
Investments held by City and bond trustee	159,250,985
Pension trust investments	<u>20,605,180</u>
Total cash and investments	<u>\$ 182,324,386</u>

Authorized Investments under California Government Code and the City Investment Policy:

The following table identifies investment types authorized for the City by the California Government Code (or the City’s investment policy, where it is more restrictive). The table also identifies certain provisions of the

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

California Government Code (or the City's investment policy, where it is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio*</u>	<u>Maximum % in One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp. (FHLMC), Federal National Mortgage Assoc. (FNMA), Tennessee Valley Authority (TVA)	5 years	75%	30%
Banker's Acceptances	180 days	30%	None
Medium-Term Notes	5 years	20%	3%
Money Market Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	50%	\$ 65 Million
Commercial Paper	270 days	15%	5%
Repurchase Agreements	1 year	30%	10%
Asset Backed Securities	5 years	10%	5%
Orange County Investment Pool	N/A	10%	\$15 million
Supranational Securities	5 years	10%	5%
Insured Certificates of Deposit	5 years	30%	10%
Negotiable Certificates of Deposit (NCD)	3 years	20%	3%
Demand Deposits	N/A	30%	10%

* Excludes amounts held by bond trustee not subject to California Government Code restrictions.

The previous table does not address investments of debt proceeds held by bond trustee which are governed by debt agreements provisions rather than California Government Code or the City's investment policy.

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of California Government Code or the City's investment policy. The following table identifies investment types authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
Repurchase Agreements	1 year	None	30%
Money Market Mutual Funds	N/A	15%	None
Investment Contracts	30 years	None	None
LAIF	N/A	None	None

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One way the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to provide the cash flow and liquidity needed for operations based on historical trends. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Investment Type	Total Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury securities	\$ 39,879,222	\$ 7,014,926	\$ 11,514,924	\$ 21,349,372
Federal Agency securities:				
Federal Farm Credit Bank	12,911,306	8,240,715	4,670,591	-
Federal Home Loan Bank	13,997,422	5,818,875	4,688,218	3,490,329
Federal Home Loan Mortgage Corp.	8,198,077	2,628,573	5,569,504	-
Federal National Mortgage Assoc.	13,287,243	1,747,805	8,860,425	2,679,013
Negotiable Certificates of Deposit	3,630,176	2,400,000	250,000	980,176
LAIF	27,346,876	27,346,876	-	-
Medium Term Note	17,081,387	3,283,428	2,280,736	11,517,223
Commercial Paper	2,127,608	2,127,608	-	-
Held by bond trustee:				
Money market funds	20,366,832	20,366,832	-	-
U.S. Treasury securities	424,836	-	-	424,836
Total	\$ 159,250,985	\$ 80,975,638	\$ 37,834,398	\$ 40,440,949

Disclosures Relating to Credit Risk:

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

Investment Type	Amount	Minimum Rating	Exempt From Rating	Ratings as of Year End		
				AAA	AA	A
U.S. Treasury securities	\$ 39,879,222	N/A	\$ 39,879,222	\$ -	\$ -	\$ -
Federal agency securities:						
FFCB	12,911,306	N/A	-	-	12,911,306	-
FHLB	13,997,422	N/A	-	-	13,997,422	-
FHLMC	8,198,077	N/A	-	-	8,198,077	-
FNMA	13,287,243	N/A	-	-	13,287,243	-
Commercial paper	2,127,608	A	-	-	-	2,127,608
LAIF	27,346,876	N/A	27,346,876	-	-	-
Medium Term Notes	17,081,387	A	-	5,429,455	3,583,959	8,067,973
Negotiable Certificate of Deposits	3,630,176		3,630,176	-	-	900,000
Held by Bond trustee:						
Money market funds	20,366,832	N/A	-	20,366,832	-	-
U.S. Treasury securities	424,836	N/A	424,836	-	-	-
Total	\$ 159,250,985		\$ 71,281,110	\$ 25,796,287	\$ 51,978,007	\$ 11,095,581

Concentration of Credit Risk:

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond limitations stipulated by the California Government Code. Investments in any one issuer (excluding U.S. Treasuries) that represent 5% or more of total City's investments are as follows:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of City Investments</u>
Federal Home Loan Mortgage Corp	Federal agency securities	\$ 8,198,077	5%
Federal National Mortgage Assoc.	Federal agency securities	13,287,243	8%
Federal Home Loan Bank	Federal agency securities	13,997,422	9%
Federal Farm Credit Bank	Federal agency securities	12,911,306	8%

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes with a value of 150% of secured public deposits. GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$5,216,833 of the City's deposits with financial institutions in excess of federal depository insurance limits is held in collateralized accounts.

As of June 30, 2018, City investments in the following investment types were held by the safekeeping department of Bank of the West and the City uses other broker-dealers to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury securities	\$ 39,879,222
Federal agency securities:	
Federal Farm Credit Bank	12,911,306
Federal Home Loan Bank	13,997,422
Federal Home Loan Mortgage Corp	8,198,077
Federal National Mortgage Association	13,287,243
Medium Term Notes	17,081,387
Commercial Paper	2,127,608
Negotiable Certificate of Deposits	3,630,176

Investment in State Investment Pool:

The City is a voluntary participant in the LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investment with LAIF at June 30, 2018, includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities are generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

As of June 30, 2018, the City had \$27,346,876 invested in LAIF. LAIF's fair value factor of 0.9981268691 was used to calculate the fair value of LAIF investments and LAIF invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities.

Fair Value of Investments

The City of San Clemente measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices either directly or indirectly (the City valued these using institutional bond quotes); and,
- *Level 3:* Unobservable inputs.

The following table summarizes the recurring fair value measurements and the fair value method used:

Investment Type	Investment Amount	Fair Value Measurement Methodology		
		Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 39,879,222	\$ 39,879,222	\$ -	\$ -
Federal Agency securities:				
Federal Farm Credit Bank	12,911,306	-	12,911,306	-
Federal Home Loan Bank	13,997,422	-	13,997,422	-
Federal Home Loan Mortgage Corp.	8,198,077	-	8,198,077	-
Federal National Mortgage Assoc.	13,287,243	-	13,287,243	-
Negotiable Certificates of Deposit	3,630,176	-	3,630,176	-
LAIF	27,346,876	-	27,346,876	-
Medium Term Note	17,081,387	-	17,081,387	-
Commercial Paper	2,127,608	-	2,127,608	-
Held by bond trustee:				
Money market funds	20,366,832	20,366,832	-	-
U.S. Treasury securities	424,836	-	424,836	-
Total	\$ 159,250,985	\$ 60,246,054	\$ 99,004,931	\$ -

Pension Trust Fund Investments:

The City of San Clemente Employees' Retirement Plan (CSCERP) pension trust investments are not covered by the City's Investment Policy. Investments consist of equities, fixed income, and an annuity contract. Specific guidelines for the funds are detailed in the prospectus, or declaration of Trust for each individual fund. Investment values are reported at fair value, which is based on the quoted market prices. Specifically identifiable investments are recorded by the Trustee in its records. All investments are either held by the counterparty or the counterparty's trust department or agent, but not in the City's or CSCERP's name directly.

The pension plan's investment policy is established and can be modified by the City. The target asset allocation of the investment portfolio is a 32% to large capitalization equities, 5% to small capitalization equities, 15% to international equities, 20% to core fixed income, 3% to Treasury Inflation Protected securities, 5% to a hybrid all asset fund. An investment advisory firm is used to assist with the management and oversight of pension fund investments. The expected rate of return on these pension investments is 6.25%.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 5.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Pension investments held and the percentage of the pension investment portfolio at June 30, 2018 follows:

<u>Pension Trust Fund Investments</u>	<u>Fair value</u>	<u>% of Pension Portfolio</u>
<i>Equity Investments</i>		
Dodge & Cox International mutual fund	\$ 3,367,917	16%
Russell 1000 Index mutual fund	8,035,957	39%
Russell 2000 Index mutual fund	1,287,093	6%
<i>Fixed Income Investments</i>		
Group annuity contract	1,784,723	9%
PIMCO Total Return Bond mutual fund	4,365,368	21%
US Government Treasury Inflation Bond mutual fund	653,501	3%
<i>Hybrid Investments (equity and fixed income)</i>		
PIMCO All Asset Authority mutual fund	1,110,621	5%
Total pension trust investments (fair value)	<u>\$ 20,605,180</u>	<u>100%</u>

Fair value of the mutual funds held in the pension portfolio is based on the market value of the mutual funds. Fair value of the group annuity contract is based on the net asset value and is considered an alternative investment, which generally does not have readily obtainable market values.

4. LOAN RECEIVABLES:

Loans receivable of \$13,321,159 consist of a loan receivable due from the Redevelopment Agency Successor Agency for \$2,214,468 and housing loans receivable of \$11,106,691

The \$2,214,468 loan receivable is approved by the State of California through the Redevelopment Agency dissolution process. The housing loans receivable of \$11,106,691 are made for affordable housing purposes and comprised of multiple low or no interest loans given to various developers and individuals to finance multi-family and single family construction and rehabilitation projects. The funding sources for these loans are Community Development Block Grants, Affordable Housing In-Lieu fees, and former low and moderate redevelopment agency resources and are generally long term in nature (20-55 year terms).

5. CAPITAL ASSETS:

The City has reported all capital assets including infrastructure in the Government-wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation has been recorded.

A summary of changes in capital asset activity for governmental type activities for the year ended June 30, 2018 is presented in the following table.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

<u>Governmental activities</u>	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, non-depreciable:				
Land	\$ 51,458,778	\$ -	\$ -	\$ 51,458,778
Construction in progress	4,580,385	7,832,031	(4,560,067)	7,852,349
Total capital assets, non-depreciable	<u>56,039,163</u>	<u>7,832,031</u>	<u>(4,560,067)</u>	<u>59,311,127</u>
Capital assets, depreciable:				
Buildings	34,638,342	-	(30,000)	34,608,342
Improvements other than buildings	59,868,311	635,550	-	60,503,861
General equipment	9,517,176	627,768	(434,457)	9,710,487
Infrastructure	171,748,459	3,917,483	(358,514)	175,307,428
Total capital assets, depreciable	<u>275,772,288</u>	<u>5,180,801</u>	<u>(822,971)</u>	<u>280,130,118</u>
Less accumulated depreciation:				
Buildings	(13,083,188)	(849,646)	30,000	(13,902,834)
Improvements other than buildings	(23,614,338)	(2,862,255)	-	(26,476,593)
General equipment	(7,003,486)	(592,108)	426,159	(7,169,435)
Infrastructure	(63,983,286)	(5,140,587)	147,303	(68,976,570)
Total accumulated depreciation	<u>(107,684,298)</u>	<u>(9,444,596)</u>	<u>603,462</u>	<u>(116,525,432)</u>
Net capital assets, depreciable	<u>168,087,990</u>	<u>(4,263,795)</u>	<u>(219,509)</u>	<u>163,604,686</u>
Capital assets - governmental	<u>\$ 224,127,153</u>	<u>\$ 3,568,236</u>	<u>\$ (4,779,576)</u>	<u>\$ 222,915,813</u>

Construction in progress consists of various street improvement projects, sidewalk related improvements and the rehabilitation of the pier. Construction in progress capitalized during the year consisted of multiple street projects and various other assets. In addition, some construction in progress amounts were not capitalized if the costs did not meet capital asset requirements.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

A summary of property, plant and equipment at June 30, 2018 for the City's business-type activities is as follows:

<u>Business-type activities</u>	Balance July 1, 2017	Reclassification	Additions	Deletions	Balance June 30, 2018
Capital assets, non-depreciable:					
Land	\$ 4,073,070	\$ -	\$ 251,336	\$ -	\$ 4,324,406
Construction in progress	3,609,819	-	5,687,702	(4,509,017)	4,788,504
Total capital assets, non-depreciable	<u>7,682,889</u>	<u>-</u>	<u>5,939,038</u>	<u>(4,509,017)</u>	<u>9,112,910</u>
Capital Assets, Being Depreciated:					
Buildings	6,863,986	-	-	-	6,863,986
Water, sewer, storm lines	116,886,517	-	1,540,319	(763,593)	117,663,243
Utility assets	133,908,938	-	314,462	-	134,223,400
Improvements other than buildings	3,266,622	-	-	-	3,266,622
Machinery and equipment	5,913,542	-	2,649,819	(89,941)	8,473,420
Total capital assets, depreciable	<u>266,839,605</u>	<u>-</u>	<u>4,504,600</u>	<u>(853,534)</u>	<u>270,490,671</u>
Less Accumulated Depreciation For:					
Buildings	(1,787,391)	-	(142,100)	-	(1,929,491)
Water, sewer, storm lines	(38,623,826)	-	(1,705,910)	112,480	(40,217,256)
Utility assets	(58,719,910)	(929,939)	(3,471,007)	-	(63,120,856)
Improvements other than buildings	(3,319,080)	929,939	(140,121)	-	(2,529,262)
Machinery and equipment	(2,341,896)	-	(287,740)	89,942	(2,539,694)
Total accumulated depreciation	<u>(104,792,103)</u>	<u>-</u>	<u>(5,746,878)</u>	<u>202,422</u>	<u>(110,336,559)</u>
Net capital assets, depreciable	<u>162,047,502</u>	<u>-</u>	<u>(1,242,278)</u>	<u>(651,112)</u>	<u>160,154,112</u>
Capital assets, business-type	<u>\$ 169,730,391</u>	<u>\$ -</u>	<u>\$ 4,696,760</u>	<u>\$ (5,160,129)</u>	<u>\$ 169,267,022</u>

A reclassification in the beginning balance in the amount of \$929,939 is reported to properly group the accumulated depreciation in the asset category for financial reporting purposes.

Internal Service funds predominantly service the governmental funds, accordingly, their capital assets are included in the governmental type activity. Depreciation expense was charged to functions/programs of the primary government as follows:

Function/program:	<u>Governmental</u>	<u>Business-Type</u>
General government	\$ 13,334	\$ -
Police	5,387	-
Fire	204,117	-
Public works	4,957,641	-
Community development	172,011	-
Beaches, parks and recreation	3,666,072	-
Internal service	426,034	-
Water	-	1,560,802
Sewer	-	3,845,944
Golf	-	340,132
Total depreciation expense	<u>\$ 9,444,596</u>	<u>\$ 5,746,878</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

6. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS:

A. Interfund receivables and payables

The purpose of the interfund transactions is to make short-term and long-term interfund loans from the General Fund to various funds. These interfund loans are to provide for negative cash balances at year-end, operating cash flow and the consolidation of prior long-term loans. Due to/from amounts are short term financing, which are paid within one year, and the advances are for longer term financing.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 31,397

Loan from/to other funds:

Advances to	Advances from	Amount
RDA Successor Agency	General fund	\$ 2,214,468

On July 1, 2002, the Agency and the City entered into an agreement to loan the Agency \$3,420,690 at a rate of 2.9% per annum. However, on February 1, 2012 the Redevelopment Agency was dissolved with a loan outstanding to the City. The current outstanding loan amount, authorized by the State of California under the dissolution process, is \$2,214,468. This advance plus accrued interest will be paid to the City from future available property taxes.

B. Interfund Transfers:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

<u>Transfers In</u>	Transfers Out						Total
	General Fund	Nonmajor Governmental Funds	Water Utility Fund	Sewer Utility Fund	Internal Service Fund	Nonmajor Proprietary Funds	
General Fund	\$ -	\$ 1,134,015	\$ 25,000	\$ 25,000	\$ -	\$ 173,110	\$1,357,125
Nonmajor Governmental Funds	3,366,443	1,072,740	47,294	37,489	-	-	4,523,966
Water Utility Fund	-	-	-	70,307	-	-	70,307
Sewer Utility Fund	-	-	-	-	-	381,000	381,000
Internal Service Funds	300,000	-	27,690	23,080	75,000	-	425,770
Total	\$3,666,443	\$ 2,206,755	\$ 99,984	\$ 155,876	\$ 75,000	\$ 554,110	\$6,758,168

During the year ended June 30, 2018, the General Fund significant transfers included transfers of \$3,080,000 to the Reserve fund to provide funds for future capital projects, \$300,000 to the General Liability Self Insurance Internal Service Fund to provide for legal costs, and \$195,290 to the Street Improvement Fund Special Revenue Fund to fund future street rehabilitation. Other significant transfers included \$456,310 to provide funds to revitalize the North Beach area from the Developer Improvement Fund through the Ole Hanson Beach Club rehabilitation project and \$193,494 to reduce the Negocio Debt Service fund balance as a result of the defeasance of debt relating to the Negocio Certificates of Participation.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

7. LONG TERM LIABILITIES:

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2018:

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease obligations	\$ 148,979	\$ -	\$ 33,153	\$ 115,826	\$ 34,498
Compensated absences	1,322,652	965,485	996,863	1,291,274	271,168
Claims and judgments payable (Note 8)	861,795	238,416	288,857	811,354	413,791
Governmental Activities Long-term Liabilities	<u>\$ 2,333,426</u>	<u>\$ 1,203,901</u>	<u>\$ 1,318,873</u>	<u>\$ 2,218,454</u>	<u>\$ 719,457</u>
<u>Business-type Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State Revolving Fund loan	\$ 13,267,421	\$ -	\$ 608,719	\$ 12,658,702	\$ 622,111
Compensated absences	569,493	384,790	349,758	604,525	126,950
Business-type Activities Long-term Liabilities	<u>\$ 13,836,914</u>	<u>\$ 384,790</u>	<u>\$ 958,477</u>	<u>\$ 13,263,227</u>	<u>\$ 749,061</u>

For long term liabilities, such as claims payable, and the net OPEB obligation governmental activities, the internal service funds have been used in prior years to liquidate such amounts. Pension liabilities are discussed further in Note 9 (Pensions) and Note 10 (OPEB) and are considered long term in nature.

A. Governmental:

1. Certificates of Participation:

On June 1, 1994, \$1,240,000 of Series A and \$2,555,000 of Series B Certificates of Participation were issued to provide financing for the acquisition of the Negocio Building Project. The Certificates evidence interests of the owners thereof in a portion of lease payments to be made by the City to the Agency for the use and occupancy of the building, which was leased by the City to the Redevelopment Agency then leased back by the Agency to the City. Interest on Series A and Series B certificates is payable semi-annually each June 1 and December 1 beginning December 1, 1994. Principal maturities on Series A and Series B certificates began June 1, 1994, and continue each June 1 through June 1, 2023 in amounts ranging from \$20,000 to \$85,000 and \$20,000 to \$220,000, respectively. Series A certificates bear interest ranging from 3.5% to 6.0% and Series B bear interest at 8.5%. On June 1, 2012, the tax-exempt, Series A, portion of the Certificates was redeemed in full during the current fiscal year, leaving only the taxable portion, Series B, outstanding.

In July 2016, an irrevocable trust was created and funded with \$1,603,028 of available cash resources from the City to defease the outstanding Negocio Certificates of Participation to eliminate future debt payments. The trust investments include United States Government and State and Local Government Series Securities ("SLGS") for the purpose of generating resources to fund all future debt service payments. The outstanding principal balance of the defeased debt at June 30, 2018 is \$935,000.

The City, under the provisions in the Lease-leaseback agreement, has guaranteed lease payments from annual appropriations of monies from the Motor Vehicle Fee Account held by the State of California to which the City is entitled. The revenue is pledged until final maturity of the debt on June 1, 2023. The City received Motor Vehicle Fee amounts of \$34,728 from the State of California and \$6,561,214 of property taxes in Lieu of the Motor Vehicle Fee during the fiscal year.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

2. Capitalized Lease Obligations:

Central Service Fund – Two lease purchase agreements exist for the leasing of office equipment. These have been capitalized at the original cost of \$176,668. The terms of the leases include 60 monthly payments which include interest. The last lease matures in June 2022. Monthly lease payments are \$143 and \$3,033. The lease payable amounts are recorded on the statement of net position with the amount applicable to governmental-type activities. The outstanding amount at June 30, 2018 is \$115,826.

Annual Amortization Requirements:

The annual requirements at June 30, 2018 to amortize the Capitalized Lease Obligations are as follows:

Year Ending June 30	Capital Lease Obligations	
	Principal	Interest
2019	\$ 34,499	\$ 3,663
2020	34,021	2,371
2021	35,266	1,126
2022	<u>12,040</u>	<u>90</u>
Totals	<u>\$ 115,826</u>	<u>\$ 7,259</u>

3. Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. This liability will be paid in future years from future resources primarily from the general fund. The amount outstanding for governmental type compensated absences at June 30, 2018 is \$1,291,274.

B. Business-type:

1. State Revolving Fund loan:

On June 17, 2013, the City of San Clemente entered into a loan agreement with the California State Water Resources Control Board under the Clean Water State Revolving Fund loan program for financing construction of the Recycled Water System Expansion Project. The Recycled Water System Expansion Project includes a reclamation plant expansion, a pump station, pipelines, and the conversion of a recycled water reservoir.

A loan amount of \$14,370,000 was approved, with an interest rate at 2.2% payable with the loan to be paid over a period of 20 years. Interest during the construction period was added to the loan principal amount. Principal and interest payments started in June 2015 upon project completion. The repayment of this loan is secured by the net revenues of the Water Fund with a revenue coverage level of 110% of the annual debt service and a reserve will be established equal to one year's debt service upon the construction completion date. The revenue pledged is the net revenues of the Water Utility Fund which totaled \$3.0 million for the year ended June 30, 2018. The total pledged revenue amount cannot be estimated over the life of the loan. The loan amount outstanding at June 30, 2018 is \$12,658,702.

Annual requirements to amortize the State Revolving Fund Loan as of June 30, 2018 are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 622,111	\$ 278,491	\$ 900,602
2020	635,797	264,805	900,602
2021	649,785	250,817	900,602
2022	664,080	236,522	900,602
2023	678,690	221,912	900,602
2024-2028	3,624,097	878,915	4,503,012
2029-2033	4,040,679	462,334	4,503,012
2034-2036	<u>1,743,462</u>	<u>57,743</u>	<u>1,801,205</u>
Totals	<u>\$ 12,658,702</u>	<u>\$ 2,651,540</u>	<u>\$ 15,310,242</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Compensated Absences:

The City's policies relating to compensated absences are described in Note 1. The amount outstanding for business type compensated absences at June 30, 2018 is \$604,525, which are obligations of the following funds:

Water Utility Fund	\$ 231,356
Sewer Utility Fund	168,484
Golf Course Fund	175,397
Non-major Enterprise Funds	29,288

8. INSURANCE:

A. Description of Self-Insurance Pool

The City is a member of the California Joint Powers Insurance Authority ("Authority"). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. Copies of the Authority financial report may be obtained from their office at 8081 Moody Street, La Palma, CA 90622.

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses 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 adjustments. 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.

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.

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Purchased Insurance

Pollution Legal Liability Insurance – The City participates in the pollution legal liability and remediation legal liability insurance available through the Authority. 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 an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance – The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. San Clemente’s property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City’s property currently has all-risk property insurance protection in the amount of \$212,821,257. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance – The City 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. The City’s property currently has earthquake protection in the amount of \$103,652,652. There is a deductible of 5% of value with a minimum deductible of \$100,000.

Crime Insurance - The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

C. Workers’ Compensation

The City was self-insured for workers’ compensation prior to fiscal year 1997. In 1997, the City became fully insured through California’s State Compensation Fund, and remained in that fund through fiscal year 2003. In fiscal year 2004, the City again became self-insured for workers’ compensation with a self-insurance retention (SIR) level of \$300,000. Excess insurance coverage for claims above \$300,000 is provided through the CSAC Excess Insurance Authority. The City is fully reserved for self-insurance claims for the period prior to June 30, 1996 and for claims beginning in fiscal year 2004.

D. Adequacy of Protection

During the past three fiscal years, none of the Authority programs of protection experiences settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

	Beginning Balance	Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2016-2017	\$ 2,207,141	51,787	(1,397,133)	861,795
2017-2018	861,795	238,416	(288,857)	811,354

At June 30, 2018, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City. The following claims schedule includes workers’ compensation and general liability claims for the past two fiscal years.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

9. PENSION AND RETIREMENT BENEFITS:

The City of San Clemente has pension plans that are administered by CalPERS and a pension plan that is administered by Great West. The City has three distinct pension plans which are reported in the City's financial Statements. A list of the pension plans reported and the net pension liability is as follows:

<u>Pension Plan</u>	<u>Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension expense /expenditure</u>
CalPERS Miscellaneous Plan	\$ 12,120,225	\$ 7,358,805	\$ 532,012	\$ 3,412,514
CalPERS Cost Sharing Plan (Risk Pool)	14,617,389	3,983,104	1,835,016	1,064,742
City of San Clemente Employees' Retirement Plan (CSCERP)	<u>14,895,000</u>	<u>298,000</u>	<u>-</u>	<u>4,726,000</u>
Total	<u>\$ 41,632,614</u>	<u>\$ 11,639,908</u>	<u>\$ 2,367,028</u>	<u>\$ 9,203,256</u>

1. CalPERS Pension Plan – Miscellaneous Employees

Plan Description – On June 9, 2014, the City of San Clemente transferred all active miscellaneous employees, along with their past service credit to the CalPERS Miscellaneous Plan. All qualified permanent and probationary miscellaneous employees are eligible to participate in the Miscellaneous Plans, which is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions and all other requirements are established by State statute and City resolution. Under the terms of the contract between CalPERS and the City, all full-time employees are required to participate in CalPERS and become vested in the system after five years of service. 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 and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS Miscellaneous Plans' provisions and benefits in effect at June 30, 2018 follow:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.124%	8.124%

Employees Covered - As of June 30, 2018, 231 employees were covered by the benefit terms for the Miscellaneous Plan.

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual actuarial basis and shall be effective on the July 1 following notice of a change in the rate. Plan funding contributions is

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

determined annually on an actuarial basis as 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.

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability are summarized in the following paragraphs.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation used the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase ⁽¹⁾	3.3% - 14.2%
Mortality ⁽²⁾	Derived from CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Mortality table used was developed based on CalPERS' specific data. For more details on this table, please refer to the CalPERS 2014 Experience study.

In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each plan. 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, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary for all plans. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension 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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 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 the Plan. The expected rate

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Notes to the Financial Statements (Continued)
June 30, 2018

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.

The following table reflects 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	47.0 %	4.90 %	5.38 %
Global Fixed Income	19.0 %	0.80 %	2.27 %
Inflation Sensitive	6.0 %	0.60 %	1.39 %
Private Equity	12.0 %	6.60 %	6.63 %
Real Estate	11.0 %	2.80 %	5.21 %
Infrastructure and Forestland	3.0 %	3.90 %	5.36 %
Liquidity	2.0 %	-0.40 %	-0.90 %

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$ 46,526,411	\$ 37,826,412	\$ 8,699,999
Changes in the year:			
Service cost	2,069,135	-	2,069,135
Interest on the total pension liability	3,641,180	-	3,641,180
Changes of assumptions	3,333,358	-	3,333,358
Differences between expected and actual experience	617,423	-	617,423
Contribution – employer	-	1,156,188	(1,156,188)
Contribution - employee	-	920,152	(920,152)
Net investment income	-	4,220,378	(4,220,378)
Benefit payments	(1,172,337)	(1,172,337)	-
Administrative Expense	-	(55,848)	55,848
Net changes	8,488,759	5,068,533	3,420,226
Balance at June 30, 2017 (<i>measurement date</i>)	\$ 55,015,170	\$ 42,894,945	\$ 12,120,225

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

The following table presents the city's net pension liability for the CalPERS Miscellaneous Plan, calculated using the plan's current discount rate, as well as what the City's net pension liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher:

Miscellaneous Plan			
Sensitivity of Net Pension Liability to Discount Rate			
	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability (Asset)	\$ 20,545,758	\$ 12,120,225	\$ 5,186,000

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Notes to the Financial Statements (Continued)
June 30, 2018

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of \$3,412,514. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 2,085,819	\$ -
Changes of assumptions	2,876,734	532,012
Net difference between projected and actual earnings	1,070,586	-
Contributions after the measurement date	1,325,666	-
Total	\$ 7,358,805	\$ 532,012

Contributions after the measurement date of \$1,325,666 represent contributions for the fiscal year ended June 30, 2018 and will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal year. Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,295,613
2020	1,267,616
2021	911,263
2022	403,630
2023	701,884
Thereafter	921,121
Total	\$ 5,501,127

Payable to the Pension Plan - The City had contributions payable of \$83,863 at June 30, 2018 related to this pension plan.

2. CalPERS Cost Sharing Multiple-Employer Pension Plan (Safety Risk Pool)

Plan Description — All qualified permanent and probationary employees are eligible to participate in the in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the CalPERS. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police, fire and marine safety) and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of San Clemente only participates in the safety risk pool plan.

Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized in the following table.

Hire date	Prior to January 1, 2013	On or after January 1, 2013*
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	12.25%
Required employer contribution rates	19.52%	19.52%

* At June 30, 2018, the City had no employees hired on or after January 1, 2013.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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 marine safety employees are determined annually on an actuarial basis as 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 year ended June 30, 2018 the contributions to the safety risk pool plan were \$1,171,264.

Pension liabilities, pension expenses and pension Deferred Outflows/Inflows of Resources

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the CalPERS cost sharing plan of \$14,617,389. The City of San Clemente's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability.

GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The City of San Clemente's proportionate share of the net pension liability as of June 30, 2016, the valuation date, was calculated as follows: In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

individual rate plans and each risk pool as of the valuation date, June 30, 2016. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The City of San Clemente's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the City of San Clemente's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The City of San Clemente's proportionate share of the net pension liability as of June 30, 2017, the measurement date, was calculated as follows: Each risk pool's total pension liability was computed at the measurement date, June 30, 2017, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2017, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2017, was calculated by applying City of San Clemente's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2017, to obtain the total pension liability and fiduciary net position as of June 30, 2017. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The City's proportionate share of the net pension liability for the safety plan is as follows:

Proportion at measurement date - June 30, 2016	0.25003%
Proportion at measurement date - June 30, 2017	0.24463%
Change - Increase (Decrease)	(0.00545%)

For the year ended June 30, 2018, the recognized pension expense was \$1,064,742 related to Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 150,651	\$ 39,279
Changes of assumptions	2,184,814	167,625
Net difference between projected and actual earnings	476,375	-
Difference between employer contribution and proportionate share	-	628,298
Change in employer's proportions	-	999,814
Contributions after measurement date	1,171,264	-
	\$ 3,983,104	\$ 1,835,016

Contributions after the measurement date of \$1,171,264 represent contributions for the fiscal year ended June 30, 2018 and will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal year. Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

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Notes to the Financial Statements (Continued)
June 30, 2018

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	(\$ 230,923)
2020	926,650
2021	559,841
2022	(278,744)
2023	-
Thereafter	-
Total	\$ 976,824

Actuarial Assumptions - The total plan pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase ⁽¹⁾	3.3% - 14.2%
Mortality ⁽²⁾	Based on CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

⁽³⁾ Depending on age, service and type of employment

⁽⁴⁾ Mortality table used was developed based on CalPERS' specific data. For more details on this table, please refer to the 2014 Experience study.

In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each plan. 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, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary for all plans. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension 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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the

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Notes to the Financial Statements (Continued)
June 30, 2018

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 the Plan. 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.

The following table reflects 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	47.0 %	4.90 %	5.38 %
Global Fixed Income	19.0 %	0.80 %	2.27 %
Inflation Sensitive	6.0 %	0.60 %	1.39 %
Private Equity	12.0 %	6.60 %	6.63 %
Real Estate	11.0 %	2.80 %	5.21 %
Infrastructure and Forestland	3.0 %	3.90 %	5.36 %
Liquidity	2.0 %	-0.40 %	-0.90 %

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability for the plan, calculated using the current discount rate, as well as the City's proportionate share of the net pension liability if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher:

CalPERS Cost Sharing Multiple-Employer Plan			
Sensitivity of Net Pension Liability to Discount Rate			
	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 21,835,108	\$ 14,617,389	\$ 8,717,264

Pension Plan Fiduciary Net Position – Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan - The City had contributions payable of \$5,277 at June 30, 2018 related to this plan.

3. CSCERP Pension Plan – Miscellaneous Employees

Plan Description – This plan is a cost-sharing defined benefit pension plans administered by the City. This plan includes retirees, inactive and separated participants at the transition to CalPERS (June 9, 2014) and the City's joint power authority employees (Coastal Animal Services Authority). No other agencies are members of this plan. Benefit provisions under the Plan are established by City ordinances and resolutions. CSCERP is reported as a Pension Trust Fund in the City's financial statements and stand-alone financial statements are not issued for the pension plan.

CITY OF SAN CLEMENTE
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June 30, 2018

Benefits Provided – CSCERP provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The CSCERP's provisions and benefits at June 30, 2018, are summarized in the following table.

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 – 55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.50%
Required employer contribution rates	12.30%	12.30%

Contributions – Contributions to the CSCERP are based on a level dollar contribution for employees with past service before the conversion of City employee's to CalPERS and contributions for joint venture active employees. The employer contribution rates for all public employers is determined on an annual basis by the actuary and are effective on the July 1 each year. Funding contributions for the CSCERP is determined annually on an actuarial basis as of June 30.

The CSCERP proportionate share based on contributions allocated to each employer in FY 2018 are:

Employer	Proportion	Covered Payroll	Contributions
City of San Clemente	92.1%	\$ N/A	\$ 1,101,000
Coastal Animal Services Authority (CASA)	7.9%	519,787	141,691
Total	100.0%	\$ 519,787	\$ 1,242,691

Contributions are the estimated amount necessary to finance the cost of benefits earned by employees during the year. A contribution of \$1,101,000 to finance past unfunded accrued liability costs was paid during the year ended June 30, 2018. The CASA contribution amounts based on payroll during the year ended June 30, 2018 were \$141,691, with \$26,767 contributed by the employee.

Employees Covered – Employees covered at the valuation date of the CSCERP Plan are as follows:

Inactive employees or beneficiaries currently receiving benefits	127
Inactive employees entitled to but not yet receiving benefits	80
Active employees (2 PEPRAs members)	7
Total	214

Pension liabilities, pension expenses and Deferred Outflows/Inflows of Resources related to pensions
As of June 30, 2018, the City reported a net pension liability on the CSCERP for \$14,895,000. The City's net pension liability for the CSCERP is the net pension liability as of June 30, 2018. The total pension liability for CSCERP was determined by an actuarial valuation as of June 30, 2017. The City's net pension liability is based on the City's long-term share of contributions to the pension plan and the liability related to the joint venture employee's who are active under the plan. The net pension liability for CSCERP includes the City and the CASA joint venture liability amount.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

For the year ended June 30, 2018, the recognized CSCERP plan pension expense was \$4,726,000. At June 30, 2018, the City reported deferred outflows of resources related to the following source.

Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Net difference between projected and actual earnings	\$ 298,000	\$ -
Total	\$ 298,000	\$ -

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 335,000
2020	139,000
2021	(183,000)
2022	7,000
2023	-
Total	\$ 298,000

Actuarial Assumptions – The total pension liability at June 30, 2018 is based on the June 30, 2017 actuarial valuation. The following actuarial assumptions were used for the CSCERP:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 – June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	6.25%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase ⁽²⁾	3.3% - 14.2%
Investment Rate of Return ⁽³⁾	6.25%
Mortality	2013 CalPERS Experience Study

⁽¹⁾ Based on crossover test results.

⁽²⁾ Depending on age, service and type of employment

⁽³⁾ Net of pension plan investment expenses, including inflation. See Note 3.

Changes in actuarial assumptions from the prior valuation include lowering the discount rate from 7.25% to 6.25%, modifying the payroll growth factor from 3.25% to 3.0%, and changing the inflation factor from 3.0% to 2.75%.

Discount Rate – The discount rate used to measure the total pension liability was 6.25% for the CSCERP. This is based on crossover test results with future administrative expenses increasing to 3% per year and future contributions based on the current funding policy. The crossover test results are presented in a detailed report available at the City of San Clemente.

The long-term expected rate of return on pension plan investments is 6.25% is based on best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class for the plan assets invested with Empower. This

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

amount was adjust for a greater than 50th percentile expected return to arrive at the 6.25% assumed expected long term rate of return on assets. The long-term expected real rate of return and investment policy for the CSCERP assets are discussed in Note 3. These pension assets are in a trust fund reported as a fiduciary fund (Pension Trust Fund) of the City of San Clemente.

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 31,888,000	\$ 20,213,000	\$ 11,675,000
Changes in the year:			
Service cost	107,000	-	107,000
Interest on the total pension liability	2,148,000	-	2,148,000
Differences between actual and expected experience	611,000	-	611,000
Change in assumptions	2,774,000	-	2,774,000
Contribution – employer	-	1,206,000	(1,206,000)
Contribution - employee	-	37,000	(37,000)
Net investment income	-	1,203,000	(1,203,000)
Benefit payments	(2,028,000)	(2,028,000)	-
Administrative expenses	-	(26,000)	26,000
Net changes	3,612,000	392,000	3,220,000
Balance at June 30, 2018	<u>\$35,500,000</u>	<u>\$20,605,000</u>	<u>\$ 14,895,000</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the CSCERP, calculated using the current discount rate, as well as the City’s net pension liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher:

CSCERP Plan			
Sensitivity of Net Pension Liability to Discount Rate			
	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability	\$ 19,258,000	\$ 14,895,000	\$ 11,285,000

Pension Plan Fiduciary Net Position – CSCERP net pension liability detailed information follows:

Net Pension Liability as of June 30, 2018 ⁽¹⁾		
(\$ amounts in thousands)		
	June 30, 2018	June 30, 2017
Total Pension Liability	\$ 35,500	\$ 31,888
Fiduciary Net Position	(20,605)	(20,213)
Net Pension Liability	14,895	11,675
Funded Status	58.0%	63.4%

⁽¹⁾ The City of San Clemente represents 92.1%. CASA represents 7.9%.

Payable to the Pension Plan - At June 30, 2018, the City did not have a payable to the pension plan.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

10. OTHER POST EMPLOYMENT BENEFITS (OPEB):

- A. Plan Description: The City makes health care benefits available to retirees has established a Retiree Healthcare Plan (HC Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan through which the employee may elect to continue their health care insurance benefits. This medical benefit coverage is mandated by the City’s participation in the Public Employees Medical and Health Coverage Agreement (“PEMHCA”) which is administered through CalPERS. The City contributes the PEMCHA minimum (\$133 a month) for eligible retirees and surviving spouses. In addition, dental and vision insurance coverage are offered with these costs paid by the retiree. In order to qualify for this coverage, eligible employees must complete five years of service and retire from the City.
- B. Employees Covered: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	187
Inactive employees receiving benefits	42
Inactive employees entitled to, but not yet receiving benefits	-
Total	229

Contributions: The HC Plan and its contribution requirements are established and may be amended by the City. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the Authority’s cash contributions were \$52,500 to the trust and the payment of medical costs for retirees of \$78,471 resulting in total payments of \$130,970. On June 21, 2016 the City adopted a Resolution to enter into an agreement with CalPERS to participate in the California Employer’s Retiree Benefit Trust Program (CERBT) for the purpose of prefunding obligations for past services. The CERBT is an agent multiple-employer plan used to prefund postemployment medical insurance benefits. CERBT amounts are held in an irrevocable trust and are restricted for the provision of these benefits. The assets of the CERBT are excluded from the accompanying financial statements since they are in an irrevocable trust administered by CalPERS. Contribution requirements are established by the City, with no statutory requirement to prefund OPEB obligations. However, the City prefunds the plan through CERBT.

- C. Net OPEB Liability: The City’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled back to determine the June 30, 2016 total OPEB liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2017 – June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Payroll Growth	3.00%, per annum
Investment Rate of Return	6.50%
Mortality Rate ⁽¹⁾	RP2000 Table Mortality
Pre-Retirement Turnover ⁽¹⁾	2009 CalPERS Experience Studies
Healthcare Trend Rate	4% per annum

⁽¹⁾ CalPERS Information is available at www.calpers.ca.gov under Forms and Publication.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Investment Rate of Return - The investment rate of return was 6.50% which is based on assumed long-term return on plan assets assuming 100% funding through CERBT. The long-term expected rate of return on OPEB plan investments was determined using the “Building Block Method”. Rolling periods of time was used for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don’t necessarily reflect the average over time individually, but reflect the return for the asset class for the portfolio average using geometric means. The target allocation and the assumed rate of return are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
U.S Large Cap	40.0 %	7.795 %
U.S. Small Cap	10.0 %	7.795 %
Long Term Corporate Bonds	18.0 %	5.295 %
Long Term Government Bonds	6.0 %	4.500 %
Treasury Inflation Protected Securities	15.0 %	7.795 %
U.S. Real Estate	8.0 %	7.795 %
All Commodities	3.0 %	7.795%

Discount Rate - The discount rate used to measure the total OPEB liability was 6.50%, which assumed that contributions would be sufficient to fully fund the obligation of a period not to exceed 30 years. Using historic 30 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate, offset by investment expenses of 25 basis points the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. 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.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the Miscellaneous Plan follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Roll back balance at June 30, 2016	\$ 1,669,701	\$ 703,102	\$ 966,599
Changes in the year:			
Service cost	50,595	-	50,595
Interest on the total OPEB liability	108,676	-	108,676
Contribution – employer	-	100,022	(100,022)
Contribution - employee	-	-	-
Net investment income	-	50,662	(50,662)
Benefit payments	(44,716)	(44,716)	-
Administrative Expense	-	(372)	372
Net changes	114,555	105,596	8,959
Balance at June 30, 2017 (<i>measurement date</i>)	\$ 1,784,256	\$ 808,698	\$ 975,558

D. Sensitivity of the Net OPEB Liability to Rate Changes:

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Sensitivity of Net Pension OPEB to Discount Rate			
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 1,217,050	\$ 975,558	\$ 776,954

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

Sensitivity of Net Pension OPEB to Health Care Cost Trend Rates			
	1% Lower Trend	Valuation Trend	1% Higher Trend
Net OPEB Liability	\$ 775,745	\$ 975,558	\$ 1,212,846

E. OPEB Plan Fiduciary Net Position: CERBT is administered by the CalPERS. Copies of CalPERS annual financial report may be obtained from their executive office: 400”P” Street, Sacramento, California 95814.

F. Recognition of Deferred Outflows and Inflows of Resources:

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$108,981. As of fiscal year ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions after measurement date	\$ 130,970	\$ -
	\$ 130,970	\$ -

Contributions after the measurement date of \$130,970 represent contributions for the fiscal year ended June 30, 2018. The \$130,970 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

11. FUND BALANCE:

GASB 54 establishes a hierarchy for Fund Balance classifications based primarily on the extent a government is bound to observe constraints imposed upon the use of the resources for governmental funds. The following describes fund balance classifications and reflects the governmental fund balance amounts by category.

Nonspendable amounts are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.

Restricted amounts have constraints to specific purposes either by a) constraint placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

Committed amounts can only be used for specific purposes pursuant to formal action of the City Council (highest level of decision making authority) through a city charter, or an ordinance. These amounts cannot be used for any other purpose unless the City removes through subsequent similar formal action.

Assigned amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Authority for assigning fund balance is expressed by the city manager based on the City’s approved policies.

Unassigned amounts are not restricted, committed or assigned to specific purposes. Only the general fund can report a positive unassigned fund balance amount. Other governmental funds can only report a negative unassigned fund balance amount.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

Governmental Fund Balances	General Fund	Non-major Funds	Total
<i>Nonspendable:</i>			
Loans	\$ 2,214,468	\$ -	\$ 2,214,468
Prepays	18,900	-	18,900
<i>Restricted for:</i>			
Affordable housing	-	12,566,985	12,566,985
Park development	-	1,734,345	1,734,345
Highways/streets	-	15,807,875	15,807,875
Drainage	-	4,507,024	4,507,024
Other capital projects	-	11,480,587	11,480,587
Other purposes	-	796,331	796,331
<i>Committed to:</i>			
Sustainability/Emergency	12,102,000	-	12,102,000
Capital projects	1,008,908	91,580	1,100,488
Other purposes	1,309,535	-	1,309,535
<i>Assigned to:</i>			
Capital projects	3,185,822	9,243,506	12,429,328
Other purposes	876,635	905,577	1,782,212
Future budget	6,020,910	-	6,020,910
<i>Unassigned</i>			
	3,189,426	-	3,189,426
TOTAL FUND BALANCE	\$ 29,926,604	\$ 57,133,810	\$ 87,060,414

Minimum Fund Balance Policy: The governing body (City Council) passed a minimum fund balance policy for the General Fund. This minimum fund balance committed by the Council is called an Emergency Reserve and is 20% of General Fund operating expenditures. In order to access the committed fund balance a formal action (resolution) of the City Council must be adopted, this action would be non-routine in nature and to provide and maintain service levels in the event of financial difficulty or other distress. The total committed amount for the Emergency Reserve is \$12.1 million.

12. RESTATEMENT OF BEGINNING BALANCES:

A. Net Position restatement

The net position at July 1, 2017 for Governmental Activities and the Business Activities was restated as follows:

	Governmental Activities	Business Activities
Net position at July 1, 2017, previously reported	\$ 294,238,156	\$ 201,867,726
GASB 75 - OPEB (change in accounting principle)	(577,949)	(288,628)
Net position at July 1, 2017, as restated	<u>\$ 293,660,207</u>	<u>\$ 201,579,098</u>

In addition, the Employee Medical Internal Service fund net position at July 1, 2017 was decreased by \$866,577 to adjust for the change in accounting principle. The balance was restated from \$18,211 to (\$848,366) at July 1, 2017 as a result of the implementation of GASB Statement No 75 related to OPEB and this deficit will be recovered through charges to other funds in the future.

B. Fund Balance restatement

The amount of \$63,444 was misclassified in in the prior year due to sales tax revenue being recorded in the Police Grants Special Revenue Fund instead of the General Fund. The following restatement of the beginning fund balances was made:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

	General Fund	Police Grants
Fund Balance, July 1, 2017	\$ 30,365,955	\$ 212,283
Sales tax revenue reclassification	63,444	(63,444)
Fund Balance, July 1, 2017, as restated	\$ 30,429,399	\$ 148,839

13. OTHER NOTE DISCLOSURES:

A. Leases

The City has operating lease contracts where the City leases a floor of the City Hall office building to third parties and one lease for a former fire station. The City Hall leases are through the following dates: the first lease has a 5 year term through July 2022 with current monthly payments of \$13,635, and the second lease is for a 3 year term and will expire in November 2020 with current monthly payments of \$8,444. The former fire station lease is through April 2023 with current monthly payments of \$5,876.

B. Joint Powers Agreements:

Coastal Animal Services Authority (CASA):

On October 3, 1995, the Coastal Animal Services Authority (CASA) was created by a Joint Exercise of Powers Agreement (the JPA) for the purpose of providing and operating an animal sheltering facility located within the City. The City and the City of Dana Point are members of CASA. Members of the Board of Directors consist of one voting member and an alternate appointed by the governing body of each member entity. Annually, the Board adopts a budget and determines the cost of services and rate schedule associated with the facility. CASA commenced operations on January 1, 1996. Funding of the Authority's budgeted amounts is from contributions from nonprofit organizations and charges for services. Member agencies pay for unfunded costs, which is allocated to the City of San Clemente and the City of Dana Point as part of the annual budget process. Separate financial statements are prepared for the Coastal Animal Services Authority and are on file within the City Clerk's office.

Orange County Fire Authority:

In January 1995, the City of Tustin entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Villa Park, and Yorba Linda and the County of Orange (County) to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention, and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services.

The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget.

The financial statements of the Orange County Fire Authority are available at 1 Fire Authority Road, Irvine, California.

C. Assessment District Bonds:

The following bond issues were issued to finance public improvement projects in certain assessment districts, which are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

remits monies to the bondholders. The City has no obligation or duty to pay any delinquency from available City funds. Neither the faith and credit nor the taxing power of the City is pledged to for bond payment. Therefore, the following obligations are not included in the accompanying financial statements.

Issue	Amount of Issue	Outstanding June 30, 2018
City of San Clemente 99-1 Assessment District	\$ 1,150,000	\$ 90,000
City of San Clemente 99-1 Community Facilities District	5,755,000	3,875,000
City of San Clemente Reassessment District 2016-1 Limited Obligation Refunding Bonds	9,615,000	8,925,000
Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente	55,490,000	54,785,000

D. Successor Agency Trust for Assets of Former Redevelopment Agency:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of San Clemente which reported a redevelopment agency within the reporting entity of the City as a blended component unit. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency through City resolution #12-04. The assets and activities of the Successor Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

In accordance with the timeline set forth in the Bill all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The City, as the Successor Agency, has distributed assets, completed transfers of real property assets as part of an approved Long Range Property Management Plan, received a Finding of Completion from the State, and received approval of a Last and Final Recognized Obligation Payment Schedule (ROPS).

The City is in the process of paying all remaining obligations of the former redevelopment agency, as approved in the Last and Final ROPS. The only remaining outstanding items are a loan receivable from a non-profit and an outstanding General fund loan of \$2.2 million to be paid through future revenues. It is anticipated this loan will be paid in full in January 2025.

E. Commitments and Contingencies

On April 11, 2016 MemorialCare filed a lawsuit against the City of San Clemente seeking \$42.5 million dollars in damages related to land use. Any potential loss or costs related to this lawsuit at this early stage of the lawsuit cannot be estimated and no amount has been accrued at June 30, 2018. In addition, the City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the City’s opinion that the outcome of the majority of these cases will have no material adverse effect on the net financial position of the City.

The City has received Federal and State funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects any such amounts to be immaterial.

The City has outstanding commitments in the amount of \$8.0 million as of June 30, 2018 related to construction and other contractual arrangements.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2018

F. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

- Statement No. 83 "*Certain Asset Retirement Obligations*" is effective for fiscal years beginning after December 15, 2018.
- Statement No. 84 "*Fiduciary Activities*" is effective for fiscal years beginning after December 15, 2018.
- Statement No. 87 "*Leases*" is effective for fiscal years beginning after December 15, 2019.

Required Supplementary Information

CITY OF SAN CLEMENTE
Required Supplementary Information
June 30, 2018

BUDGETARY INFORMATION:

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

1. In May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Council meetings to obtain taxpayer comments.
3. Prior to July 1, the budget is adopted by Council action. The budget includes amounts for revenues that, along with the appropriations, compute the budgetary fund balance.
4. The City Manager is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions that alter the total appropriations of any department must be approved by the City Council. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are considered a single department.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds.
6. Budgets for the governmental funds are adopted on a basis substantially consistent with generally accepted accounting principles. Under the GAAP basis of accounting, the allocations of General Fund overhead are treated as program reimbursements offsetting expenditures. In the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual comparison General Fund budgeted service charge revenues were reduced in the amount of \$2,869,370 and the department budgets were reduced by \$2,869,370 as a result of these program reimbursements. Budgeted amounts are as originally adopted and as further amended by the City Council.

The General Fund has a legally adopted budget. The original budget, final budget and actual amounts are presented on the following page for General Fund.

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 47,058,000	\$ 47,803,000	\$ 48,946,407	\$ 1,143,407
Licenses and permits	1,767,770	1,788,540	2,050,638	262,098
Fines and forfeits	562,000	507,000	537,137	30,137
Investment and rentals	2,873,770	3,017,710	3,075,232	57,522
Intergovernmental	3,390,580	3,390,580	775,046	(2,615,534)
Charges for services	5,714,810	5,420,230	6,380,519	960,289
Other	71,000	71,000	90,968	19,968
Total Revenues	61,437,930	61,998,060	61,855,947	(142,113)
Expenditures:				
General government:				
Administration				
City council	76,351	76,351	57,586	18,765
City manager	397,492	359,390	340,121	19,269
City clerk	556,811	556,811	395,866	160,945
Finance and administrative services	2,153,789	2,211,564	2,070,873	140,691
City general	5,117,554	5,924,004	5,532,370	391,634
Police	14,934,270	14,939,270	14,718,729	220,541
Fire	9,463,150	9,488,450	9,293,075	195,375
Public works	13,786,473	13,915,683	11,715,195	2,200,488
Community development	6,007,440	6,022,730	4,996,730	1,026,000
Beaches, parks and recreation	6,623,850	6,605,100	6,592,518	12,582
Capital outlay	9,638,880	9,234,307	4,336,361	4,897,946
Total Expenditures	68,756,060	69,333,660	60,049,424	9,284,236
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,318,130)	(7,335,600)	1,806,523	9,142,123
Other Financing Sources (Uses):				
Transfers in	2,181,260	2,538,260	1,357,125	(1,181,135)
Transfers out	(3,850,880)	(4,164,880)	(3,666,443)	498,437
Total Other Financing Sources (Uses)	(1,669,620)	(1,626,620)	(2,309,318)	(682,698)
Net Change in Fund Balance	(8,987,750)	(8,962,220)	(502,795)	8,459,425
Fund Balance, Beginning of Year, as restated	30,365,955	30,365,955	30,429,399	63,444
Fund Balance, End of Year	<u>\$ 21,378,205</u>	<u>\$ 21,403,735</u>	<u>\$ 29,926,604</u>	<u>\$ 8,522,869</u>



CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

CalPERS Miscellaneous Plan	2015	2016	2017
Total Pension Liability	06/09/2014- 06/30/2014	06/30/2014- 06/30/2015	06/30/2015- 06/30/2016
Measurement period			
Service costs	\$ 73,966	\$ 1,963,306	\$ 2,008,285
Interest	155,554	2,781,569	3,263,539
Assumption changes	-	(766,723)	-
Difference between expected and actual experience	-	-	2,030,812
Benefit payments	(269)	(191,979)	(803,833)
Net change	229,251	3,786,173	6,498,803
Net pension liability at beginning of year	36,012,184	36,241,435	40,027,608
Net pension liability at end of year	<u>\$ 36,241,435</u>	<u>\$ 40,027,608</u>	<u>\$ 46,526,411</u>
Plan Fiduciary Net Position			
Additions:			
Employer contributions	\$ 61,744	\$ 1,631,580	\$ 1,601,269
Employee contributions	34,783	1,029,781	902,113
Net investment income (loss)	681	808,626	264,062
Total additions	97,208	3,469,987	2,767,444
Deductions:			
Benefit payments	(269)	(191,979)	(803,833)
Administration Expenses	-	(40,275)	(21,871)
Total deductions	(269)	(232,254)	(825,704)
Net change	96,939	3,237,733	1,941,740
Fiduciary net position - beginning of year (1)	32,550,000	32,646,939	35,884,672
Fiduciary net position - end of year	<u>\$ 32,646,939</u>	<u>\$ 35,884,672</u>	<u>\$ 37,826,412</u>
Net Pension Liability	<u>\$ 3,594,496</u>	<u>\$ 4,142,936</u>	<u>\$ 8,699,999</u>
Funded status	90.08%	89.65%	81.30%
Covered payroll	\$ 13,181,126	\$ 13,576,560	\$ 13,902,979
Net pension liability as a % of payroll	27.27%	30.52%	62.58%

(1) - This FY 2015 payment to CalPERS was the result of a transfer of assets from CSCERP.

Notes to schedule:

Benefit changes. None

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

* Fiscal year 2015 was the 1st year of implementation.

2018

06/30/2016-
06/30/2017

\$	2,069,135
	3,641,180
	3,333,358
	617,423
	<u>(1,172,337)</u>
	8,488,759
	46,526,411
\$	<u><u>55,015,170</u></u>

\$	1,156,188
	920,152
	<u>4,220,378</u>
	6,296,718

	(1,172,337)
	<u>(55,848)</u>
	(1,228,185)

	5,068,533
	<u>37,826,412</u>
\$	<u><u>42,894,945</u></u>

\$	<u><u>12,120,225</u></u>
----	--------------------------

77.97%

\$	13,078,411
	92.67%

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal Year End	2015	2016	2017
CalPERS Miscellaneous			
Actuarially determined contribution	\$ 1,631,580	\$ 1,601,269	\$ 1,156,188
Contributions in relation to the actuarially determined contribution	(1,631,580)	(1,601,269)	(1,156,188)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 13,576,560	\$ 13,902,979	\$ 13,078,411
Contributions as a percentage of covered payroll	12.02%	11.52%	8.84%

Notes to Schedule:

The actuarial method and assumptions used to set the actuarially determined contributions for the measurement period ending June 30, 2017 were derived from the June 30, 2015 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry age and Service
Payroll growth	3.00%
Investment rate of return (net of administrative)	7.50%
Retirement Age	CalPERS experience study
Mortality rate table	CalPERS experience study

* Fiscal year 2015 was the 1st year of implementation.

2018

\$ 1,325,666

(1,325,666)

\$ -

\$ 14,435,072

9.18%

CITY OF SAN CLEMENTE
 REQUIRED SUPPLEMENTARY INFORMATION
 CALPERS COST SHARING PLAN
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CalPERS Marine and Public Safety (Cost Sharing Plan)	2015	2016	2017
Measurement Date	6/30/2014	6/30/2015	6/30/2016
Proportion of the net pension liability (NPL)	0.143064%	0.15520%	0.14966%
Proportionate share of the net pension liability	\$ 8,902,125	\$ 10,652,582	\$ 12,949,773
Covered payroll	\$ 421,077	\$ 422,372	\$ 436,330
Proportionate share of NPL as a % of payroll	2114.13%	2522.09%	2967.89%
Proportionate share of the net position as a % of plan pension liability	79.82%	78.40%	73.36%

SCHEDULE OF CONTRIBUTIONS

CalPERS Marine and Public Safety (Cost Sharing Plan)	2015	2016	2017
Contributions for the fiscal year ending:	6/30/2015	6/30/2016	6/30/2017
Actuarially determined contribution (ADC)	\$ 523,947	\$ 582,650	\$ 728,124
Contributions in relation to the ADC	(523,947)	(1,082,650)	(728,124)
Contribution Deficiency (Excess)	\$ -	\$ (500,000)	\$ -
Covered payroll	\$ 422,372	\$ 436,330	\$ 461,718
Contributions as a percentage of covered payroll	124.05%	248.13%	157.70%

Notes:

Benefit changes. None

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

Valuation date: June 30, 2016

Measurement date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal cost

Actuarial assumptions:

Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry age and Service
Investment rate of return	7.50%
Mortality rate table	CalPERS experience study
Post retirement benefit	COLA up to 2.75% based on purchasing power

* - Fiscal year 2015 was the 1st year of implementation, therefore only three year's are shown.

	2018
	<u>6/30/2017</u>
	0.14739%
\$	14,617,389
\$	461,718
	3165.87%
	71.66%

	2018
	<u>6/30/2018</u>
\$	1,171,264
	(1,171,264)
\$	<u>-</u>
\$	476,178
	245.97%

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years
(dollar amount in thousands)

	2009	2010	2011	2012
Total Pension Liability (2)				
Discount Rate	N/A	N/A	7.25%	7.25%
Service Costs	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	N/A	N/A	N/A	N/A
Experience Losses (Gains)	N/A	N/A	N/A	N/A
Assumption Changes	N/A	N/A	N/A	N/A
Benefit Payments	N/A	N/A	N/A	N/A
Net Change	N/A	N/A	N/A	N/A
Total Pension Liability at Beginning of Year	N/A	N/A	N/A	N/A
Total Pension Liability at End of Year	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position (4)				
Additions:				
Employer Contributions	\$ 1,626	\$ 1,864	\$ 1,638	\$ 2,243
Employee Contributions	925	912	889	952
Net Investment Income (Loss)	(2,311)	2,907	5,157	741
Total Additions	240	5,683	7,684	3,936
Deductions:				
Benefit Payments	(2,477)	(1,741)	(447)	(678)
Administration Expenses	(18)	(29)	(50)	(30)
Transfer to CalPERS (1)	-	-	-	-
Total Deductions	(2,495)	(1,770)	(497)	(708)
Net Change	(2,255)	3,913	7,187	3,228
Fiduciary Net Position - Beginning of Year	24,329	22,074	25,987	33,174
Fiduciary Net Position - End of Year	\$ 22,074	\$ 25,987	\$ 33,174	\$ 36,402
Total Pension Liability (2), (4)			\$ 46,678	\$ 52,775
Fiduciary Net Position - End of Year			33,174	36,402
Net Pension Liability			13,504	16,373
Funded Status			71.1%	69.0%
Covered Payroll (3)			13,799	13,542
Net Pension Liability % Payroll			98%	121%

Notes:

- (1) - This payment to CalPERS was the result of a transfer of all active city employee's pension.
- (2) - Information prior to 2011 is not presented as a result of different actuarial methodology being used.
- (3) - Represents only Coastal Animal Services Authority, since City active employees are in CalPERS.
- (4) - The City's proportionate share of the contributions and the liability is 92.1%, the Coastal Animal Services Authority proportion represents 7.9%.

N/A - Not Available

	2013	2014	2015	2016	2017	2018
	7.25%	7.25%	7.25%	7.25%	7.25%	6.25%
\$	N/A	\$ N/A	\$ 78	\$ 73	\$ 75	\$ 107
	N/A	N/A	2,071	2,173	2,214	2,148
	N/A	N/A	-	48	-	611
	N/A	N/A	0	836	0	2,774
	N/A	N/A	(1,606)	(1,640)	(1,723)	(2,028)
	N/A	N/A	543	1,490	566	3,612
	N/A	N/A	29,289	29,832	31,322	31,888
	N/A	N/A	29,832	31,322	31,888	35,500
\$	2,267	\$ 2,482	\$ 995	\$ 1,001	\$ 1,188	\$ 1,206
	1,214	1,019	32	33	35	37
	4,666	6,598	413	(235)	2,278	1,203
	8,147	10,099	1,440	799	3,501	2,446
	(1,039)	(1,378)	(1,606)	(1,640)	(1,723)	(2,028)
	(49)	(38)	(53)	(65)	(34)	(26)
	-	(32,550)	-	-	-	-
	(1,088)	(33,966)	(1,659)	(1,705)	(1,757)	(2,054)
	7,059	(23,867)	(219)	(906)	1,744	392
	36,402	43,461	19,594	19,375	18,469	20,213
\$	43,461	\$ 19,594	\$ 19,375	\$ 18,469	\$ 20,213	\$ 20,605
\$	58,125	\$ 29,284	\$ 29,832	\$ 31,322	\$ 31,888	\$ 35,500
	43,461	19,594	19,375	18,469	20,213	20,605
	14,664	9,690	10,457	12,853	11,675	14,895
	74.8%	66.9%	64.9%	59.0%	63.4%	58.0%
	13,446	425	451	467	488	520
	109%	2280%	2319%	2752%	2392%	2864%

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS

Last Ten Fiscal Years
(dollar amount in thousands)

	2008	2009	2010	2011
Contributions				
Actuarially determined contribution	N/A	N/A	N/A	N/A
Contributions in relation the actuarially determined contribution	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A
Covered Payroll	N/A	N/A	N/A	N/A
Contributions as a % of covered employee payroll	N/A	N/A	N/A	N/A
Investment Returns				
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A

CSCERP had no benefit changes during the year.

Significant Actuarial Methods and Assumptions are:

Valuation date	6/30/2017
Actuarial cost method	Entry Age Normal - Level % of Payroll
Amortization method	Level dollar amount
Amortization period	17 year closed period
Asset method	Market value of assets
Discount rate	6.25%
Inflation rate	2.75%
Payroll growth	3.00%
Salary increases	3.00%
Mortality	CalPERS Experience Study
Retirement	CalPERS Experience Study
Disability and turnover	CalPERS Experience Study

The discount rate was changed from 7.25% to 6.25% and the inflation rate was changed from 3.0% to 2.75% in the June 30, 2017 valuation.

2013	2014	2015	2016	2017	2018
N/A	\$ 2,482	\$ 995	\$ 1,001	\$ 1,188	\$ 1,206
N/A	2,482	995	1,001	1,188	1,206
N/A	-	-	-	-	-
N/A	13,446	451	467	488	520
N/A	18%	221%	214%	243%	232%
7.50%	13.50%	2.80%	-1.60%	12.55%	5.94%

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

	2018
Total OPEB Liability	
Measurement period	06/30/2016- 06/30/2017
Service costs	\$ 50,595
Interest	108,676
Benefit payments	(44,716)
Net change	114,555
Net OPEB liability at beginning of year	1,669,701
Net OPEB liability at end of year	\$ 1,784,256
 Plan Fiduciary Net Position	
Additions:	
Employer contributions	\$ 100,022
Net investment income (loss)	50,662
Total additions	150,684
Deductions:	
Benefit payments	(44,716)
Administration Expenses	(372)
Total deductions	(45,088)
Net change	105,596
Fiduciary net position - beginning of year	703,102
Fiduciary net position - end of year	\$ 808,698
 Net OPEB Liability	\$ 975,558
 Funded status	45.32%
Covered-employee payroll	\$ 14,323,755
Net pension liability as a % of payroll	6.81%

Notes to schedule:

Benefit changes. None

Changes in assumptions. There were no changes in assumptions during the current year.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

Fiscal Year Ended June 30	<u>2018</u>
Actuarially determined contribution	\$ 130,970
Contributions in relation to the actuarially determined contribution	<u>(130,970)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered payroll	 \$ 15,353,053
Contributions as a percentage of covered payroll	 0.85%

Notes to Schedule:

The actuarial method and assumptions used to set the actuarially determined contributions for the measurement period ending June 30, 2017 were derived from the June 30, 2017 actuarial valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Actuarial assumptions:	
Discount rate	6.50%
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return (net of administrative)	6.50%
Pre-Retirement Turnover	2009 CalPERS Experience Studies
Mortality rate table	RP2000 Table Mortality
Health Care Trend Rate	4.00%

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



Supplementary Information

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specific purposes.

Gas Tax Fund - This fund is used to account for revenues and expenditures apportioned under the Street and Highways Code of the State of California. Expenditures may be made for any street-related purpose in the City's system of streets, including maintenance thereof.

Air Quality Improvement Fund – This fund is used to account for revenues and expenditures relating to the reduction of vehicle pollution.

Street Improvement Fund – This fund is used to account for revenues and expenditures related to the rehabilitation of City streets.

Police Grants Fund – This fund is used to account for federal and state police grants, donations to Police Services and narcotic forfeiture monies.

Miscellaneous Grants Fund – This fund is used to account for various grants, including federal grants received from the Department of Housing and Urban Development (HUD). The HUD Grants are to be used for the development of a viable community by providing decent housing, a suitable living environment and expanding economic opportunities, principally for low and moderate income individuals.

Local Cable Infrastructure Fund – This fund is used to account for funds received from Local Cable Companies (video service franchises) used for equipment and infrastructure needs for public, educational, and government programming.

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general debt of the City.

Negocio Building Debt Service Fund – This fund is used to account for the accumulation of funds for the payment of interest and principal on Certificates of Participation. Proceeds from the COP were used for the purchase of the building located at 910 Negocio in the City of San Clemente. Debt service is financed by revenues generated from the lease of the building.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds.

Reserve Fund – This fund is used to account for expenditures of Capital Equipment Replacement, Facilities Maintenance Reserves, Park Asset Reserves and the Accrued Leave Reserve.

Developers Improvement Fund – This fund is used to account for the proceeds of settlements from developers and the future costs of maintaining and/or improving the streets or other infrastructure in the related development tracts.

Public Facilities Construction Fund - This capital projects fund is used to account for developer fees collected to provide for future public facilities necessitated by new development and expenditures for the construction of beach parking facilities, public safety buildings or equipment and public facilities.

Low/Moderate Income Housing Fund – This fund is used to account for the former Redevelopment Agency low and moderate income assets and agreements, including capital assistance loans for low to moderate income development.

Local Drainage Facilities Fund – This fund is used to account for the drainage fees collected to defray the cost of designing and constructing local drainage facilities and the expenditures for those purposes.

Regional Circulation Financing and Phasing Program (RCFPP) Fund – This fund is used to account for the established RCFPP traffic impact fee schedule to be assessed on new development on certain benefit zones within the City.

Park Acquisition and Development Capital Project Fund – This fund is used to account for the revenues received from developer fees and the expenditures for the acquisition, construction, improvement or renovation of City-owned parks.



CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds	
	Gas Tax	Air Quality Improvement
<u>ASSETS:</u>		
Cash and investments	\$ 5,402,179	\$ 299,376
Receivables (net of allowances for uncollectibles):		
Taxes receivable	-	-
Accounts receivable	-	13,221
Interest receivable	21,499	1,192
Due from other governments	152,504	-
Loans receivable	-	-
Total assets	<u>\$ 5,576,182</u>	<u>\$ 313,789</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 407,086	\$ 125,368
Accrued wages	-	-
Deposits payable	-	-
Due to other funds	-	-
Total liabilities	<u>407,086</u>	<u>125,368</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue - receivables	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>		
Restricted		
Capital projects	5,169,096	-
Other purposes	-	188,421
Committed		
Capital projects	-	-
Assigned		
Capital projects	-	-
Other purposes	-	-
Total fund balances	<u>5,169,096</u>	<u>188,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,576,182</u>	<u>\$ 313,789</u>

Special Revenue Funds				Debt Service Fund
Street Improvement	Police Grants	Miscellaneous Grants	Local Cable Infrastructure	Negocio Building
\$ 8,531,727	\$ 197,176	\$ -	\$ 564,074	\$ -
30	-	-	-	-
-	-	-	56,902	-
33,971	1,038	-	2,246	-
166,960	-	50,742	-	-
-	-	418,598	-	-
<u>\$ 8,732,688</u>	<u>\$ 198,214</u>	<u>\$ 469,340</u>	<u>\$ 623,222</u>	<u>\$ -</u>
\$ 40,000	\$ 8,333	\$ 19,914	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	31,397	-	-
<u>40,000</u>	<u>8,333</u>	<u>51,311</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
8,692,688	-	-	623,222	-
-	189,881	418,029	-	-
-	-	-	-	-
-	-	-	-	-
<u>8,692,688</u>	<u>189,881</u>	<u>418,029</u>	<u>623,222</u>	<u>-</u>
<u>\$ 8,732,688</u>	<u>\$ 198,214</u>	<u>\$ 469,340</u>	<u>\$ 623,222</u>	<u>\$ -</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2018

	Capital Projects Funds	
	Reserve	Developers Improvement
<u>ASSETS:</u>		
Cash and investments	\$ 10,410,473	\$ 5,850,199
Receivables (net of allowances for uncollectibles):		
Taxes receivable	-	-
Accounts receivable	-	154,858
Interest receivable	41,451	23,294
Due from other governments	-	-
Loans receivable	-	8,253,763
Total assets	\$ 10,451,924	\$ 14,282,114
<u>LIABILITIES:</u>		
Accounts payable	\$ 209,583	\$ -
Accrued wages	1,678	-
Deposits payable	-	175,101
Due to other funds	-	-
Total liabilities	211,261	175,101
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue - receivables	-	154,858
Total deferred inflows of resources	-	154,858
<u>FUND BALANCES:</u>		
Restricted		
Capital projects	-	13,952,155
Other purposes	-	-
Committed		
Capital projects	91,580	-
Assigned		
Capital projects	9,243,506	-
Other purposes	905,577	-
Total fund balances	10,240,663	13,952,155
Total liabilities, deferred inflows of resources and fund balances	\$ 10,451,924	\$ 14,282,114

Capital Projects Funds

Public Facilities Construction	Low/Moderate Income Housing	Local Drainage Facilities	RCFPP	Parks Acquisition and Development	Total Nonmajor Governmental Funds
\$ 7,576,990	\$ 310,357	\$ 3,617,604	\$ 1,956,302	\$ 1,729,419	\$ 46,445,876
-	-	-	-	-	30
-	-	-	-	-	224,981
30,169	1,236	14,404	7,789	6,886	185,175
-	-	-	-	-	370,206
-	2,434,330	-	-	-	11,106,691
<u>\$ 7,607,159</u>	<u>\$ 2,745,923</u>	<u>\$ 3,632,008</u>	<u>\$ 1,964,091</u>	<u>\$ 1,736,305</u>	<u>\$ 58,332,959</u>
\$ 4,163	\$ -	\$ 1,708	\$ 18,000	\$ 1,960	\$ 836,115
-	-	-	-	-	1,678
-	-	-	-	-	175,101
-	-	-	-	-	31,397
<u>4,163</u>	<u>-</u>	<u>1,708</u>	<u>18,000</u>	<u>1,960</u>	<u>1,044,291</u>
-	-	-	-	-	154,858
-	-	-	-	-	154,858
7,602,996	2,745,923	3,630,300	1,946,091	1,734,345	46,096,816
-	-	-	-	-	796,331
-	-	-	-	-	91,580
-	-	-	-	-	9,243,506
-	-	-	-	-	905,577
<u>7,602,996</u>	<u>2,745,923</u>	<u>3,630,300</u>	<u>1,946,091</u>	<u>1,734,345</u>	<u>57,133,810</u>
<u>\$ 7,607,159</u>	<u>\$ 2,745,923</u>	<u>\$ 3,632,008</u>	<u>\$ 1,964,091</u>	<u>\$ 1,736,305</u>	<u>\$ 58,332,959</u>

(Concluded)

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds	
	Gas Tax	Air Quality Improvement
Revenues:		
Taxes	\$ -	\$ -
Investment and rentals	28,205	1,181
Intergovernmental	2,839,103	149,815
Charges for services	-	-
Developer fees	-	-
Other	-	-
Total Revenues	<u>2,867,308</u>	<u>150,996</u>
Expenditures:		
Current:		
General government	-	-
Police	-	-
Public works	97,216	246,281
Community development	-	-
Beaches, parks and recreation	-	-
Capital outlay	2,605,395	22,492
Total Expenditures	<u>2,702,611</u>	<u>268,773</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>164,697</u>	<u>(117,777)</u>
Other Financing Sources (Uses):		
Transfers in	832,330	14,000
Transfers out	(468,551)	-
Total Other Financing Sources (Uses)	<u>363,779</u>	<u>14,000</u>
Net Change in Fund Balances	528,476	(103,777)
Fund Balance (Deficit) at Beginning of Year, as restated	<u>4,640,620</u>	<u>292,198</u>
Fund Balance (Deficit) at End of Year	<u>\$ 5,169,096</u>	<u>\$ 188,421</u>

Special Revenue Funds				Debt Service Fund
Street Improvement	Police Grants	Miscellaneous Grants	Local Cable Infrastructure	Negocio Building
\$ 301	\$ -	\$ -	\$ 219,345	\$ -
62,577	1,486	-	2,246	981
966,487	141,154	124,702	-	-
-	-	-	-	-
-	-	-	-	-
-	50	45,328	-	-
<u>1,029,365</u>	<u>142,690</u>	<u>170,030</u>	<u>221,591</u>	<u>981</u>
-	-	-	-	-
-	101,648	-	-	-
481,445	-	-	-	-
-	-	123,275	-	-
-	-	-	-	-
1,109,580	-	164	1,906	-
<u>1,591,025</u>	<u>101,648</u>	<u>123,439</u>	<u>1,906</u>	<u>-</u>
(561,660)	41,042	46,591	219,685	981
280,073	-	-	-	-
<u>(255,000)</u>	<u>-</u>	<u>(15,750)</u>	<u>-</u>	<u>(193,404)</u>
25,073	-	(15,750)	-	(193,404)
(536,587)	41,042	30,841	219,685	(192,423)
<u>9,229,275</u>	<u>148,839</u>	<u>387,188</u>	<u>403,537</u>	<u>192,423</u>
<u>\$ 8,692,688</u>	<u>\$ 189,881</u>	<u>\$ 418,029</u>	<u>\$ 623,222</u>	<u>\$ -</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2018

	Capital Projects Funds	
	Reserve	Developers Improvement
Revenues:		
Taxes	\$ -	\$ -
Investment and rentals	45,931	210,420
Intergovernmental	-	-
Charges for services	465,700	456,311
Developer fees	-	703,300
Other	22,689	-
Total Revenues	<u>534,320</u>	<u>1,370,031</u>
Expenditures:		
Current:		
General government	171,690	-
Police	-	-
Public works	-	14,840
Community development	-	-
Beaches, parks and recreation	-	-
Capital outlay	767,709	-
Total Expenditures	<u>939,399</u>	<u>14,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(405,079)</u>	<u>1,355,191</u>
Other Financing Sources (Uses):		
Transfers in	3,335,000	-
Transfers out	-	(456,310)
Total Other Financing Sources (Uses)	<u>3,335,000</u>	<u>(456,310)</u>
Net Change in Fund Balances	2,929,921	898,881
Fund Balance (Deficit) at Beginning of Year, as restated	<u>7,310,742</u>	<u>13,053,274</u>
Fund Balance (Deficit) at End of Year	<u>\$ 10,240,663</u>	<u>\$ 13,952,155</u>

Capital Projects Funds

Public Facilities Construction	Low/Moderate Income Housing	Local Drainage Facilities	RCFPP	Parks Acquisition and Development	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,646
44,777	53,589	22,824	23,479	10,292	507,988
-	-	-	-	-	4,221,261
-	-	-	-	-	922,011
275,161	-	8,424	202,861	102,973	1,292,719
-	-	-	-	18,835	86,902
<u>319,938</u>	<u>53,589</u>	<u>31,248</u>	<u>226,340</u>	<u>132,100</u>	<u>7,250,527</u>
-	-	-	-	-	171,690
-	-	-	-	-	101,648
-	-	-	16,120	-	855,902
3,950	-	45,696	-	-	172,921
-	-	-	-	14,080	14,080
<u>174,178</u>	<u>-</u>	<u>110,018</u>	<u>612,585</u>	<u>23,580</u>	<u>5,427,607</u>
<u>178,128</u>	<u>-</u>	<u>155,714</u>	<u>628,705</u>	<u>37,660</u>	<u>6,743,848</u>
<u>141,810</u>	<u>53,589</u>	<u>(124,466)</u>	<u>(402,365)</u>	<u>94,440</u>	<u>506,679</u>
-	62,563	-	-	-	4,523,966
<u>-</u>	<u>-</u>	<u>-</u>	<u>(817,740)</u>	<u>-</u>	<u>(2,206,755)</u>
<u>-</u>	<u>62,563</u>	<u>-</u>	<u>(817,740)</u>	<u>-</u>	<u>2,317,211</u>
141,810	116,152	(124,466)	(1,220,105)	94,440	2,823,890
<u>7,461,186</u>	<u>2,629,771</u>	<u>3,754,766</u>	<u>3,166,196</u>	<u>1,639,905</u>	<u>54,309,920</u>
<u>\$ 7,602,996</u>	<u>\$ 2,745,923</u>	<u>\$ 3,630,300</u>	<u>\$ 1,946,091</u>	<u>\$ 1,734,345</u>	<u>\$ 57,133,810</u>

(Concluded)

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 60,300	\$ 28,205	\$ (32,095)
Intergovernmental	3,594,436	2,839,103	(755,333)
Other	-	-	-
Total Revenues	3,654,736	2,867,308	(787,428)
Expenditures:			
Current:			
Public works	157,140	97,216	59,924
Capital outlay	7,392,078	2,605,395	4,786,683
Total Expenditures	7,549,218	2,702,611	4,846,607
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,894,482)	164,697	4,059,179
Other Financing Sources (Uses):			
Transfers in	1,014,590	832,330	(182,260)
Transfers out	(520,930)	(468,551)	52,379
Total Other Financing Sources (Uses)	493,660	363,779	(129,881)
Net Change in Fund Balance	(3,400,822)	528,476	3,929,298
Fund Balance, Beginning of Year	4,640,620	4,640,620	-
Fund Balance, End of Year	\$ 1,239,798	\$ 5,169,096	\$ 3,929,298

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Air Quality Improvement Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 3,000	\$ 1,181	\$ (1,819)
Intergovernmental	186,420	149,815	(36,605)
Other	-	-	-
Total Revenues	189,420	150,996	(38,424)
Expenditures:			
Current:			
Public works	236,570	246,281	(9,711)
Capital outlay	194,720	22,492	172,228
Total Expenditures	431,290	268,773	162,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	(241,870)	(117,777)	124,093
Other Financing Sources (Uses):			
Transfers in	14,000	14,000	-
Transfers out	(40,000)	-	40,000
Total Other Financing Sources (Uses)	(26,000)	14,000	40,000
Net Change in Fund Balance	(267,870)	(103,777)	164,093
Fund Balance, Beginning of Year	292,198	292,198	-
Fund Balance, End of Year	\$ 24,328	\$ 188,421	\$ 164,093

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Improvement Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ -	\$ 301	\$ 301
Investment and rentals	50,000	62,577	12,577
Intergovernmental	937,300	966,487	29,187
Other	-	-	-
Total Revenues	987,300	1,029,365	42,065
Expenditures:			
Current:			
Public works	661,840	481,445	180,395
Capital outlay	6,718,680	1,109,580	5,609,100
Total Expenditures	7,380,520	1,591,025	5,789,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,393,220)	(561,660)	5,831,560
Other Financing Sources (Uses):			
Transfers in	956,290	280,073	(676,217)
Transfers Out	(816,000)	(255,000)	561,000
Total Other Financing Sources (Uses)	140,290	25,073	(115,217)
Net Change in Fund Balance	(6,252,930)	(536,587)	5,716,343
Fund Balance, Beginning of Year	9,229,275	9,229,275	-
Fund Balance, End of Year	\$ 2,976,345	\$ 8,692,688	\$ 5,716,343

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Police Grants Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 1,000	\$ 1,486	\$ 486
Intergovernmental	100,000	141,154	41,154
Other	-	50	50
	<hr/>	<hr/>	<hr/>
Total Revenues	101,000	142,690	41,690
Expenditures:			
Police	111,690	101,648	10,042
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(10,690)	41,042	51,732
Fund Balance, Beginning of Year, as restated	212,283	148,839	(63,444)
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	\$ 201,593	\$ 189,881	\$ (11,712)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Miscellaneous Grants Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 623,780	\$ 124,702	(499,078)
Other	10,000	45,328	35,328
Total Revenues	<u>633,780</u>	<u>170,030</u>	<u>(463,750)</u>
Expenditures:			
Current:			
Community development	233,050	123,275	109,775
Capital outlay	355,890	164	355,726
Total Expenditures	<u>588,940</u>	<u>123,439</u>	<u>465,501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>44,840</u>	<u>46,591</u>	<u>1,751</u>
Other Financing Sources (Uses):			
Transfers out	<u>(17,760)</u>	<u>(15,750)</u>	<u>2,010</u>
Total Other Financing Sources (Uses)	<u>(17,760)</u>	<u>(15,750)</u>	<u>2,010</u>
Net Change in Fund Balance	27,080	30,841	3,761
Fund Balance, Beginning of Year	<u>387,188</u>	<u>387,188</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 414,268</u>	<u>\$ 418,029</u>	<u>\$ 3,761</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Cable Infrastructure Special Revenue Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 225,000	\$ 219,345	\$ (5,655)
Investment and rentals	-	2,246	2,246
Total Revenues	<u>225,000</u>	<u>221,591</u>	<u>(3,409)</u>
Expenditures:			
Capital outlay	443,900	1,906	441,994
Total Expenditures	<u>443,900</u>	<u>1,906</u>	<u>441,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(218,900)</u>	<u>219,685</u>	<u>438,585</u>
Net Change in Fund Balance	(218,900)	219,685	438,585
Fund Balance, Beginning of Year	<u>403,537</u>	<u>403,537</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 184,637</u>	<u>\$ 623,222</u>	<u>\$ 438,585</u>

CITY OF SAN CLEMENTE
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Negocio Building Debt Service Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ -	\$ 981	\$ 981
Total Revenues	<u>-</u>	<u>981</u>	<u>981</u>
Other Financing Sources (Uses):			
Transfers out	<u>(137,680)</u>	<u>(193,404)</u>	<u>(55,724)</u>
Net Change in Fund Balance	(137,680)	(192,423)	(54,743)
Fund Balance, Beginning of Year	<u>192,423</u>	<u>192,423</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 54,743</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (54,743)</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Reserve Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 30,000	\$ 45,931	\$ 15,931
Charges for services	465,700	465,700	-
Other	22,670	22,689	19
Total Revenues	<u>518,370</u>	<u>534,320</u>	<u>15,950</u>
Expenditures:			
Current:			
General government	260,000	171,690	88,310
Capital outlay	2,750,670	767,709	1,982,961
Total Expenditures	<u>3,010,670</u>	<u>939,399</u>	<u>2,071,271</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,492,300)	(405,079)	2,087,221
Other Financing Sources (Uses):			
Transfers in	3,785,000	3,335,000	(450,000)
Net Change in Fund Balance	1,292,700	2,929,921	1,637,221
Fund Balance, Beginning of Year	<u>7,310,742</u>	<u>7,310,742</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,603,442</u>	<u>\$ 10,240,663</u>	<u>\$ 1,637,221</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Developers Improvement Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 30,000	\$ 210,420	\$ 180,420
Charges for services	388,350	456,311	67,961
Developer fees	418,250	703,300	285,050
Other	454,860	-	(454,860)
	<u>1,291,460</u>	<u>1,370,031</u>	<u>78,571</u>
Total Revenues			
Expenditures:			
Current:			
Public Works	14,840	14,840	-
	<u>14,840</u>	<u>14,840</u>	<u>-</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,276,620</u>	<u>1,355,191</u>	<u>78,571</u>
Other Financing Sources (Uses):			
Transfers out	(674,780)	(456,310)	218,470
	<u>(674,780)</u>	<u>(456,310)</u>	<u>218,470</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	601,840	898,881	297,041
Fund Balance, Beginning of Year	<u>13,053,274</u>	<u>13,053,274</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 13,655,114</u>	<u>\$ 13,952,155</u>	<u>\$ 297,041</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Public Facilities Construction Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 60,000	\$ 44,777	\$ (15,223)
Developer fees	215,250	275,161	59,911
Total Revenues	<u>275,250</u>	<u>319,938</u>	<u>44,688</u>
Expenditures:			
Current:			
Community development	3,950	3,950	-
Capital outlay	424,286	174,178	250,108
Total Expenditures	<u>428,236</u>	<u>178,128</u>	<u>250,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,986)	141,810	294,796
Other Financing Sources:			
Transfers in	850,000	-	(850,000)
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>-</u>	<u>(850,000)</u>
Net Change in Fund Balance	697,014	141,810	(555,204)
Fund Balance, Beginning of Year	<u>7,461,186</u>	<u>7,461,186</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 8,158,200</u></u>	<u><u>\$ 7,602,996</u></u>	<u><u>\$ (555,204)</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Low/Moderate Income Housing Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 1,000	\$ 53,589	\$ 52,589
Total Revenues	<u>1,000</u>	<u>53,589</u>	<u>52,589</u>
Other Financing Sources (Uses):			
Transfers in	-	62,563	62,563
Total Other Financing Sources (Uses)	<u>-</u>	<u>62,563</u>	<u>62,563</u>
Net Change in Fund Balance	1,000	116,152	115,152
Fund Balance, Beginning of Year	<u>2,629,771</u>	<u>2,629,771</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,630,771</u>	<u>\$ 2,745,923</u>	<u>\$ 115,152</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Drainage Facilities Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 30,000	\$ 22,824	\$ (7,176)
Developer fees	500	8,424	7,924
Total Revenues	30,500	31,248	748
Expenditures:			
Current:			
Community Development	153,150	45,696	107,454
Capital outlay	729,190	110,018	619,172
Total Expenditures	882,340	155,714	726,626
Excess (Deficiency) of Revenues Over (Under) Expenditures	(851,840)	(124,466)	727,374
Other Financing Sources (Uses):			
Transfers out	-	-	-
Net Change in Fund Balance	(851,840)	(124,466)	727,374
Fund Balance, Beginning of Year	3,754,766	3,754,766	-
Fund Balance, End of Year	\$ 2,902,926	\$ 3,630,300	\$ 727,374

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
RCFPP Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 26,000	\$ 23,479	\$ (2,521)
Developer fees	117,960	202,861	84,901
Total Revenues	<u>143,960</u>	<u>226,340</u>	<u>82,380</u>
Expenditures:			
Current:			
Public works	16,120	16,120	-
Capital outlay	<u>1,632,400</u>	<u>612,585</u>	<u>1,019,815</u>
Total Expenditures	<u>1,648,520</u>	<u>628,705</u>	<u>1,019,815</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,504,560)	(402,365)	1,102,195
Other Financing Sources (Uses):			
Transfers out	<u>(960,000)</u>	<u>(817,740)</u>	<u>142,260</u>
Net Change in Fund Balance	(2,464,560)	(1,220,105)	1,244,455
Fund Balance, Beginning of Year	<u>3,166,196</u>	<u>3,166,196</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 701,636</u>	<u>\$ 1,946,091</u>	<u>\$ 1,244,455</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Parks Acquisition and Development Capital Project Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 8,000	\$ 10,292	\$ 2,292
Developer fees	23,600	102,973	79,373
Other	50,000	18,835	(31,165)
Total Revenues	81,600	132,100	50,500
Expenditures:			
Current:			
Beaches, parks, and recreation	14,080	14,080	-
Capital outlay	185,350	23,580	161,770
Total Expenditures	199,430	37,660	161,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,830)	94,440	212,270
Fund Balance, Beginning of Year	1,639,905	1,639,905	-
Fund Balance, End of Year	<u>\$ 1,522,075</u>	<u>\$ 1,734,345</u>	<u>\$ 212,270</u>



NONMAJOR PROPRIETARY FUNDS

Proprietary funds are used to account for City operations that are financed and operated in a manner similar to private business enterprises. The intent of the City in using this type of fund is to determine that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

Clean Ocean Fund – This fund is used to account for activities associated with managing ocean water runoff in compliance with the State of California clean ocean water quality program.

Solid Waste Management Fund – This fund is used to account for the activities associated with the collection, recycling, and disposal of residential and commercial solid waste within the City.

CITY OF SAN CLEMENTE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2018

	Clean Ocean	Solid Waste Management	Totals
ASSETS:			
Current Assets:			
Cash and investments	\$ 3,475,689	\$ 350,819	\$ 3,826,508
Receivables (net of allowances for uncollectible accounts)	496,619	24,200	520,819
Accrued interest	13,839	1,397	15,236
Total Current Assets	<u>3,986,147</u>	<u>376,416</u>	<u>4,362,563</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and equipment	54,741	-	54,741
Construction in progress	-	-	-
Total Capital Assets	<u>54,741</u>	<u>-</u>	<u>54,741</u>
Less accumulated depreciation	<u>(54,741)</u>	<u>-</u>	<u>(54,741)</u>
Net Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>3,986,147</u>	<u>376,416</u>	<u>4,362,563</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	507,316	1,753	509,069
Accrued wages	6,699	1,730	8,429
Compensated absences payable	4,270	1,880	6,150
Total Current Liabilities	<u>518,285</u>	<u>5,363</u>	<u>523,648</u>
Noncurrent Liabilities:			
Compensated absences payable	<u>16,067</u>	<u>7,071</u>	<u>23,138</u>
Total Liabilities	<u>534,352</u>	<u>12,434</u>	<u>546,786</u>
Net Position:			
Unrestricted	<u>3,451,795</u>	<u>363,982</u>	<u>3,815,777</u>
Total Net Position	<u>\$ 3,451,795</u>	<u>\$ 363,982</u>	<u>\$ 3,815,777</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Clean Ocean	Solid Waste Management	Totals
Operating Revenues:			
Charges for services	\$ 2,303,304	\$ 202,246	\$ 2,505,550
Other	334,773	9,343	344,116
Total Operating Revenues	<u>2,638,077</u>	<u>211,589</u>	<u>2,849,666</u>
Operating Expenses:			
Salaries and benefits	329,213	107,448	436,661
Cost of materials and supplies	44,231	13,014	57,245
Maintenance and other operating expenses	1,844,196	98,166	1,942,362
Total Operating Expenses	<u>2,217,640</u>	<u>218,628</u>	<u>2,436,268</u>
Operating Income (Loss)	<u>420,437</u>	<u>(7,039)</u>	<u>413,398</u>
Non-Operating Revenues (Expenses):			
Investment income	20,984	2,147	23,131
Grant income	-	16,777	16,777
Total Non-Operating Revenues	<u>20,984</u>	<u>18,924</u>	<u>39,908</u>
Income (Loss) Before Transfers	441,421	11,885	453,306
Transfers:			
Transfers out	<u>(554,110)</u>	<u>-</u>	<u>(554,110)</u>
Total Transfers	<u>(554,110)</u>	<u>-</u>	<u>(554,110)</u>
Change in Net Position	(112,689)	11,885	(100,804)
Net Position - Beginning of Year	<u>3,564,484</u>	<u>352,097</u>	<u>3,916,581</u>
Net Position - End of Year	<u>\$ 3,451,795</u>	<u>\$ 363,982</u>	<u>\$ 3,815,777</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Clean Ocean	Solid Waste Management	Totals
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,274,532	\$ 202,168	\$ 2,476,700
Cash paid to other suppliers for goods or services	(1,481,035)	(116,989)	(1,598,024)
Cash payment to employees	(324,776)	(107,722)	(432,498)
Cash from other operating revenues	334,773	9,343	344,116
Net Cash Provided by (Used for) Operating Activities	<u>803,494</u>	<u>(13,200)</u>	<u>790,294</u>
Cash Flows from Noncapital Financing Activities:			
Grant receipts	-	16,777	16,777
Cash paid to other funds	(554,110)	-	(554,110)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(554,110)</u>	<u>16,777</u>	<u>(537,333)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:			
Investment income received	16,389	1,745	18,134
Net Cash Provided by (Used for) Investing Activities	<u>16,389</u>	<u>1,745</u>	<u>18,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	265,773	5,322	271,095
Cash and Cash Equivalents at Beginning of Year	3,209,916	345,497	3,555,413
Cash and Cash Equivalents at End of Year	<u>\$ 3,475,689</u>	<u>\$ 350,819</u>	<u>\$ 3,826,508</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 420,437</u>	<u>\$ (7,039)</u>	<u>\$ 413,398</u>
Adjustments to Reconcile Operating Income to Net Cash Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(28,772)	(78)	(28,850)
Increase (decrease) in accounts payable	407,392	(5,809)	401,583
Increase (decrease) in accrued wages	1,980	71	2,051
Increase (decrease) in compensated absences	2,457	(345)	2,112
Total Adjustments	<u>383,057</u>	<u>(6,161)</u>	<u>376,896</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 803,494</u>	<u>\$ (13,200)</u>	<u>\$ 790,294</u>
Noncash investing, capital, and financing activities:			
Unrealized gain (loss) from investments	\$ (27,558)	\$ (2,718)	\$ (30,276)

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

Employee Benefits Fund – This fund is used to finance and account for employee unemployment insurance, life insurance and other benefits.

Central Services Fund – This fund is used to account for the cost of providing a variety of facilities or services to City departments, including central stores, central mailing and reprographic services.

Information Technology Fund – This fund is used to account for the costs associated with the City's technology structure and support systems and distribute these costs to the departments using the system on a pro rata basis. Included are costs for hardware and software maintenance, programming costs and some centralized supplies.

Fleet Maintenance Fund - This fund is used to account for the maintenance and replacement of City-owned vehicles and equipment.

Employee Medical Self-Insurance Fund – This fund is used to account for expenditures for medical benefits offered to all full-time and part-time benefited employees.

Workers' Compensation Self-Insurance Fund - This fund is used to account for the cost to provide Workers' Compensation insurance coverage to all City employees in compliance with State of California requirements.

General Liability Self-Insurance Fund – This fund is used to account for City-provided liability and property insurance. Coverage is provided through the City's participation in a joint powers agreement through the California Joint Powers Insurance Authority (CJPIA).

CITY OF SAN CLEMENTE
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Employee Benefits	Central Services
ASSETS:		
Current Assets:		
Cash and investments	\$ 298,314	\$ 272,471
Receivables (net of uncollectible allowance):		
Accounts	15,981	-
Accrued interest	-	1,085
Prepaid expense	-	-
Total Current Assets	314,295	273,556
Noncurrent Assets:		
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	383,241
Construction in progress	-	-
Total Capital Assets	-	383,241
Less accumulated depreciation	-	(272,376)
Net Capital Assets	-	110,865
Total Noncurrent Assets	-	110,865
Total Assets	314,295	384,421
DEFERRED OUTFLOWS OF RESOURCES:		
OPEB Pension deferral	-	-
LIABILITIES:		
Current Liabilities:		
Accounts payable	92,754	17,664
Accrued wages	225,594	942
Capital lease obligations	-	34,498
Compensated absences payable	-	647
Claims and judgements payable	-	-
Total Current Liabilities	318,348	53,751
Noncurrent Liabilities:		
Capitalized lease obligations	-	81,328
Compensated absences payable	-	2,433
Claims and judgments payable	-	-
OPEB obligation	-	-
Total Noncurrent Liabilities	-	83,761
Total Liabilities	318,348	137,512
Net Position:		
Net investment in capital assets	-	(4,961)
Unrestricted	(4,053)	251,870
Total Net Position	\$ (4,053)	\$ 246,909

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 527,424	\$ 5,816,786	\$ 81,383	\$ 1,613,923	\$ 4,136,358	\$ 12,746,659
-	9,513	10,065	-	88,040	123,599
2,100	23,288	324	6,426	16,470	49,693
-	10,450	-	-	-	10,450
<u>529,524</u>	<u>5,860,037</u>	<u>91,772</u>	<u>1,620,349</u>	<u>4,240,868</u>	<u>12,930,401</u>
-	443,134	-	-	-	443,134
635,550	391,920	-	-	-	1,027,470
706,868	5,839,646	-	-	-	6,929,755
-	-	-	-	-	-
<u>1,342,418</u>	<u>6,674,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,400,359</u>
<u>(508,337)</u>	<u>(5,149,678)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,930,391)</u>
<u>834,081</u>	<u>1,525,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,469,968</u>
<u>834,081</u>	<u>1,525,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,469,968</u>
<u>1,363,605</u>	<u>7,385,059</u>	<u>91,772</u>	<u>1,620,349</u>	<u>4,240,868</u>	<u>15,400,369</u>
-	-	130,970	-	-	130,970
30,560	62,462	13,721	7,240	42,669	267,070
10,016	-	-	-	3,095	239,647
-	-	-	-	-	34,498
17,705	-	-	-	10,306	28,658
-	-	-	335,708	78,083	413,791
<u>58,281</u>	<u>62,462</u>	<u>13,721</u>	<u>342,948</u>	<u>134,153</u>	<u>983,664</u>
-	-	-	-	-	81,328
66,605	-	-	-	38,770	107,808
-	-	-	322,544	75,019	397,563
-	-	975,558	-	-	975,558
<u>66,605</u>	<u>-</u>	<u>975,558</u>	<u>322,544</u>	<u>113,789</u>	<u>1,562,257</u>
<u>124,886</u>	<u>62,462</u>	<u>989,279</u>	<u>665,492</u>	<u>247,942</u>	<u>2,545,921</u>
834,081	1,525,022	-	-	-	2,354,142
<u>404,638</u>	<u>5,797,575</u>	<u>(766,537)</u>	<u>954,857</u>	<u>3,992,926</u>	<u>10,631,276</u>
<u>\$ 1,238,719</u>	<u>\$ 7,322,597</u>	<u>\$ (766,537)</u>	<u>\$ 954,857</u>	<u>\$ 3,992,926</u>	<u>\$ 12,985,418</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Employee Benefits	Central Services
Operating Revenues:		
Charges for current services	\$ -	\$ 592,331
Other	-	-
Total Operating Revenues	-	592,331
Operating Expenses:		
Salaries and benefits	-	51,697
Cost of materials and supplies	-	42,999
Depreciation	-	40,303
Workers compensation insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
Maintenance and other operating expenses	-	375,367
Total Operating Expenses	-	510,366
Operating Income (Loss)	-	81,965
Nonoperating Revenues (Expenses):		
Investment income	-	2,257
Interest and fiscal charges	-	(4,959)
Gain (loss) on sale of property	-	-
Total Nonoperating Revenues (Expenses)	-	(2,702)
Income (Loss) Before Transfers	-	79,263
Transfers:		
Transfers in	-	-
Transfers out	-	(75,000)
Total Transfers	-	(75,000)
Change in Net Position	-	4,263
Net Position - Beginning of Year, as restated	(4,053)	242,646
Net Position - End of Year	\$ (4,053)	\$ 246,909

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 2,034,090	\$ 1,284,140	\$ 3,346,150	\$ 518,941	\$ 3,000,000	\$ 10,775,652
4,034	18,806	12,065	17,560	2,236,208	2,288,673
<u>2,038,124</u>	<u>1,302,946</u>	<u>3,358,215</u>	<u>536,501</u>	<u>5,236,208</u>	<u>13,064,325</u>
776,497	-	-	-	187,203	1,015,397
5,303	317,794	-	-	2,133	368,229
38,209	347,522	-	-	-	426,034
-	-	-	161,948	-	161,948
-	-	2,962,357	-	-	2,962,357
-	-	-	-	2,023,073	2,023,073
-	-	202,272	146,139	-	348,411
1,023,362	628,508	111,090	79,423	1,256,254	3,474,004
<u>1,843,371</u>	<u>1,293,824</u>	<u>3,275,719</u>	<u>387,510</u>	<u>3,468,663</u>	<u>10,779,453</u>
194,753	9,122	82,496	148,991	1,767,545	2,284,872
2,190	34,938	(667)	8,526	8,859	56,103
-	-	-	-	-	(4,959)
<u>(7,452)</u>	<u>18,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,973</u>
<u>(5,262)</u>	<u>53,363</u>	<u>(667)</u>	<u>8,526</u>	<u>8,859</u>	<u>62,117</u>
189,491	62,485	81,829	157,517	1,776,404	2,346,989
75,000	50,770	-	-	300,000	425,770
-	-	-	-	-	(75,000)
<u>75,000</u>	<u>50,770</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>350,770</u>
264,491	113,255	81,829	157,517	2,076,404	2,697,759
<u>974,228</u>	<u>7,209,342</u>	<u>(848,366)</u>	<u>797,340</u>	<u>1,916,522</u>	<u>10,287,659</u>
<u>\$ 1,238,719</u>	<u>\$ 7,322,597</u>	<u>\$ (766,537)</u>	<u>\$ 954,857</u>	<u>\$ 3,992,926</u>	<u>\$ 12,985,418</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Employee Benefits	Central Service
Cash Flows from Operating Activities:		
Cash received from customers	\$ 16,246	\$ 592,330
Cash paid to other suppliers of goods or services	(64,487)	(428,080)
Cash payment to employees	(3,277)	(51,755)
Cash from other operating revenues	-	-
Net Cash Provided by (Used for) Operating Activities	(51,518)	112,495
Cash Flows from Noncapital Financing Activities:		
Cash received from other funds	-	-
Cash paid to other funds	-	(75,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(75,000)
Cash Flows from Capital and Related Financing Activities:		
Purchase and construction of capital assets	-	-
Sale of capital assets	-	-
Payment on capital lease payable	-	(33,153)
Interest and fiscal charges	-	(4,959)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(38,112)
Cash Flows from Investing Activities:		
Investment income received (paid)	-	1,953
Net Cash Provided by (Used for) Investing Activities:	-	1,953
Net Increase (Decrease) in Cash and Cash Equivalents	(51,518)	1,336
Cash and Cash Equivalents at Beginning of Year	349,832	271,135
Cash and Cash Equivalents at End of Year	\$ 298,314	\$ 272,471

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 2,034,090	\$ 1,276,933	\$ 3,341,102	\$ 518,941	\$ 2,911,960	\$ 10,691,602
(1,043,866)	(1,018,842)	(2,068,593)	(517,685)	(3,605,865)	(8,747,418)
(781,292)	-	-	-	(174,434)	(1,010,758)
4,032	18,806	12,065	17,560	2,236,208	2,288,671
<u>212,964</u>	<u>276,897</u>	<u>1,284,574</u>	<u>18,816</u>	<u>1,367,869</u>	<u>3,222,097</u>
75,000	50,770	-	-	300,000	425,770
-	-	-	-	-	(75,000)
<u>75,000</u>	<u>50,770</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>350,770</u>
(342,315)	(364,376)	-	-	-	(706,691)
-	18,753	-	-	-	18,753
-	-	-	-	-	(33,153)
-	-	-	-	-	(4,959)
<u>(342,315)</u>	<u>(345,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(726,050)</u>
1,760	28,371	(915)	6,675	(501)	37,343
<u>1,760</u>	<u>28,371</u>	<u>(915)</u>	<u>6,675</u>	<u>(501)</u>	<u>37,343</u>
(52,591)	10,415	1,283,659	25,491	1,667,368	2,884,160
<u>580,015</u>	<u>5,806,371</u>	<u>(1,202,276)</u>	<u>1,588,432</u>	<u>2,468,990</u>	<u>9,862,499</u>
<u>\$ 527,424</u>	<u>\$ 5,816,786</u>	<u>\$ 81,383</u>	<u>\$ 1,613,923</u>	<u>\$ 4,136,358</u>	<u>\$ 12,746,659</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2018

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ -	\$ 81,965
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	40,302
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	16,246	-
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	(64,487)	(9,714)
Increase (decrease) in accrued wages	(3,277)	236
Increase (decrease) in OPEB Obligation	-	-
Increase (decrease) in compensated absences	-	(294)
Increase (decrease) in claims and judgments payable	-	-
Total Adjustments	(51,518)	30,530
Net Cash Provided by (Used for) Operating Activities	\$ (51,518)	\$ 112,495
Noncash investing, capital, and financing activities:		
Unrealized gain (loss) on investments	\$ -	\$ (2,102)

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 194,753	\$ 9,122	\$ 82,496	\$ 148,991	\$ 1,767,545	\$ 2,284,872
38,208	347,522	-	-	-	426,032
-	(7,207)	(5,048)	-	(88,040)	(84,049)
-	(10,450)	-	-	2,927	(7,523)
(15,202)	(62,090)	576	1,221	(408,287)	(557,983)
(3,454)	-	-	-	(72)	(6,567)
-	-	130,970	-	-	130,970
(1,341)	-	-	-	12,841	11,206
-	-	1,075,580	(131,396)	80,955	1,025,139
18,211	267,775	1,202,078	(130,175)	(399,676)	937,225
<u>\$ 212,964</u>	<u>\$ 276,897</u>	<u>\$ 1,284,574</u>	<u>\$ 18,816</u>	<u>\$ 1,367,869</u>	<u>\$ 3,222,097</u>
\$ (3,905)	\$ (45,168)	\$ (791)	\$ (12,505)	\$ (36,824)	\$ (101,294)

(Concluded)



AGENCY FUNDS

The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Agency funds are used to account for taxes received for special assessment debt for which the City is not obligated and monies that are held as part of a joint powers authority agreement.

99-1 AD Collection Fund – This fund is used to record collections and payments to the holders of the 1915 Assessment Bonds as they pertain to the 99-1 AD.

99-1 CFD Collection Fund – This fund is used to record collections and payments to the holders of the Mello-Roos Community Facilities Act Bonds.

2006-1 CFD Marblehead Collection Fund – This fund is used to record debt collections and debt payments related to the Marblehead development under the Mello-Roos Community Facilities Act.

Reassessment District No 2016-1 Limited Obligation Refunding Bonds Collection Fund – This fund is used to refinancing of prior bonds and to record collections and the payment to the holders of the Limited Obligation Refunding Bonds previously issued to finance public improvements benefiting parcels within the Reassessment District.

Coastal Animal Service Authority Fund – This fund is used to record the assets and liabilities of the joint powers authority that provides and operates an animal sheltering facility located within the City of San Clemente and performs animal control services for the City of San Clemente and the City of Dana Point.

CITY OF SAN CLEMENTE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>99-1 AD COLLECTION</u>				
Assets				
Cash and investments	\$ 87,929	\$ 108,257	\$ 119,132	\$ 77,054
Accrued interest receivable	57	-	23	34
Total Assets	<u>\$ 87,986</u>	<u>\$ 108,257</u>	<u>\$ 119,155</u>	<u>\$ 77,088</u>
Liabilities				
Accounts payable	\$ 377	\$ 57,220	\$ 57,220	\$ 377
Payable to bondholders	87,609	51,037	61,935	76,711
Total Liabilities	<u>\$ 87,986</u>	<u>\$ 108,257</u>	<u>\$ 119,155</u>	<u>\$ 77,088</u>
<u>99-1 CFD COLLECTION</u>				
Assets				
Cash and investments	\$ 877,254	\$ 1,031,412	\$ 1,023,800	\$ 884,866
Taxes receivable	11,500	1,169	11,500	1,169
Accrued interest receivable	1,192	3,151	-	4,343
Total Assets	<u>\$ 889,946</u>	<u>\$ 1,035,732</u>	<u>\$ 1,035,300</u>	<u>\$ 890,378</u>
Liabilities				
Accounts payable	\$ 443	\$ 418,692	\$ 418,697	\$ 438
Payable to bondholders	889,503	608,737	608,300	889,940
Total Liabilities	<u>\$ 889,946</u>	<u>\$ 1,027,429</u>	<u>\$ 1,026,997</u>	<u>\$ 890,378</u>
<u>2006-1 CFD MARBLEHEAD</u>				
Assets				
Cash and investments	\$ 28,945,512	\$ 6,974,403	\$ 14,254,744	\$ 21,665,171
Taxes receivable	7,637	4,395	7,637	4,395
Accrued interest receivable	4,650	2,794	-	7,444
Total Assets	<u>\$ 28,957,799</u>	<u>\$ 6,981,592</u>	<u>\$ 14,262,381</u>	<u>\$ 21,677,010</u>
Liabilities				
Accounts payable	\$ 760	\$ 3,097,548	\$ 3,097,534	\$ 774
Payable to bondholders	28,957,039	3,627,116	10,907,919	21,676,236
Total Liabilities	<u>\$ 28,957,799</u>	<u>\$ 6,724,664</u>	<u>\$ 14,005,453</u>	<u>\$ 21,677,010</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>RAD COLLECTION</u>				
Assets				
Cash and investments	\$ 1,272,734	\$ 1,973,542	\$ 1,939,543	\$ 1,306,733
Taxes receivable	8,324	7,684	8,324	7,684
Accrued interest receivable	2,348	390	-	2,738
Total Assets	<u>\$ 1,283,406</u>	<u>\$ 1,981,616</u>	<u>\$ 1,947,867</u>	<u>\$ 1,317,155</u>
Liabilities				
Accounts payable	\$ 876	\$ 887,809	\$ 888,310	\$ 375
Payable to bondholders	1,282,530	941,702	907,452	1,316,780
Total Liabilities	<u>\$ 1,283,406</u>	<u>\$ 1,829,511</u>	<u>\$ 1,795,762</u>	<u>\$ 1,317,155</u>
<u>COASTAL ANIMAL SERVICES AUTHORITY</u>				
Assets				
Cash and investments	\$ 317,969	\$ 1,675,562	\$ 1,602,076	\$ 391,455
Accounts receivable	52,912	137,242	52,832	137,322
Total Assets	<u>\$ 370,881</u>	<u>\$ 1,812,804</u>	<u>\$ 1,654,908</u>	<u>\$ 528,777</u>
Liabilities				
Accounts payable	\$ 71,987	\$ 1,087,720	\$ 1,100,727	\$ 58,980
Accrued wages	29,014	767,275	767,347	28,942
Deposits payable	269,880	335,174	164,199	440,855
Total Liabilities	<u>\$ 370,881</u>	<u>\$ 2,190,169</u>	<u>\$ 2,032,273</u>	<u>\$ 528,777</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 31,501,398	\$ 11,763,176	\$ 18,939,295	\$ 24,325,279
Taxes receivable	27,461	13,248	27,461	13,248
Accounts receivable	52,912	137,242	52,832	137,322
Accrued interest receivable	8,247	6,335	23	14,559
Total Assets	<u>\$ 31,590,018</u>	<u>\$ 11,920,001</u>	<u>\$ 19,019,611</u>	<u>\$ 24,490,408</u>
Liabilities				
Accounts payable	\$ 74,443	\$ 5,548,989	\$ 5,562,488	\$ 60,944
Accrued wages	29,014	767,275	767,347	28,942
Deposits payable	269,880	335,174	164,199	440,855
Payable to bondholders	31,216,681	5,228,592	12,485,606	23,959,667
Total Liabilities	<u>\$ 31,590,018</u>	<u>\$ 11,880,030</u>	<u>\$ 18,979,640</u>	<u>\$ 24,490,408</u>

(Concluded)



STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	162
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	174
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	180
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	186
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	188

CITY OF SAN CLEMENTE

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 160,753,531	\$ 164,975,785	\$ 184,880,908	\$ 191,342,737
Restricted	70,789,068	72,358,104	61,254,366	51,568,742
Unrestricted	36,234,606	33,143,594	38,223,976	39,174,674
Total governmental activities net position	\$ 267,777,205	\$ 270,477,483	\$ 284,359,250	\$ 282,086,153
Business-type activities				
Net investment in capital assets	\$ 148,073,703	\$ 145,862,033	\$ 144,382,566	\$ 148,528,745
Restricted	44,132,042	48,219,563	49,019,121	11,604,636
Unrestricted	5,255,209	2,535,183	2,556,796	35,030,472
Total business-type activities net position	\$ 197,460,954	\$ 196,616,779	\$ 195,958,483	\$ 195,163,853
Primary Government				
Net investment in capital assets	\$ 308,827,234	\$ 310,837,818	\$ 329,263,474	\$ 339,871,482
Restricted	114,921,110	120,577,667	110,273,487	63,173,378
Unrestricted	41,489,815	35,678,777	40,780,772	74,205,146
Total primary government net position	\$ 465,238,159	\$ 467,094,262	\$ 480,317,733	\$ 477,250,006

Source: City of San Clemente

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 186,634,872	\$ 184,058,187	\$ 201,351,891	\$ 205,339,450	\$ 223,978,174	\$ 222,799,987
56,226,561	57,569,626	44,901,878	47,600,483	47,171,145	47,048,005
37,714,193	37,285,652	18,847,703	21,772,655	23,088,837	23,633,735
<u>\$ 280,575,626</u>	<u>\$ 278,913,465</u>	<u>\$ 265,101,472</u>	<u>\$ 274,712,588</u>	<u>\$ 294,238,156</u>	<u>\$ 293,481,727</u>
\$ 152,088,828	\$ 159,890,481	\$ 154,510,084	\$ 153,436,537	\$ 156,462,970	\$ 156,608,320
10,969,269	6,738,924	10,732,930	10,180,595	9,762,504	10,177,637
35,940,828	38,291,531	37,944,233	41,377,385	35,642,252	34,219,326
<u>\$ 198,998,925</u>	<u>\$ 204,920,936</u>	<u>\$ 203,187,247</u>	<u>\$ 204,994,517</u>	<u>\$ 201,867,726</u>	<u>\$ 201,005,283</u>
\$ 338,723,700	\$ 343,948,668	\$ 355,988,336	\$ 358,775,987	\$ 380,441,144	\$ 379,408,307
67,195,830	64,308,550	55,634,808	57,781,078	56,933,649	57,225,642
73,655,021	75,577,183	56,665,575	63,150,040	58,731,089	57,853,061
<u>\$ 479,574,551</u>	<u>\$ 483,834,401</u>	<u>\$ 468,288,719</u>	<u>\$ 479,707,105</u>	<u>\$ 496,105,882</u>	<u>\$ 494,487,010</u>

CITY OF SAN CLEMENTE

CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2009	2010	2011
Expenses			
Governmental activities:			
General government	\$ 8,590,506	\$ 8,197,612	\$ 8,453,237
Police	11,643,872	12,295,976	12,051,622
Fire	6,646,647	6,931,220	7,074,900
Public works	9,651,386	10,665,664	10,407,140
Community development	6,372,669	7,524,036	5,327,603
Beaches, parks & recreation	10,258,139	10,173,361	9,926,388
Interest and fiscal charges	302,728	284,613	307,354
Total governmental activities expenses	<u>53,465,947</u>	<u>56,072,482</u>	<u>53,548,244</u>
Business-type activities:			
Water	14,918,006	15,128,156	14,604,342
Sewer	10,410,640	9,739,844	10,706,741
Golf	2,286,334	2,163,580	2,135,370
Non-major activities	1,808,289	1,982,432	2,070,131
Total business-type activities expenses	<u>29,423,269</u>	<u>29,014,012</u>	<u>29,516,584</u>
Total primary government expenses	<u>82,889,216</u>	<u>85,086,494</u>	<u>83,064,828</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	2,674,407	2,408,851	2,742,791
Police	1,167,198	977,562	1,060,857
Fire	793,180	823,135	681,144
Public works	800,669	879,257	1,277,324
Community development	1,412,939	1,619,726	1,456,230
Beaches, parks & recreation	2,482,348	2,831,200	2,835,372
Operating grants and contributions	2,670,368	3,373,731	3,287,276
Capital grants and contributions	10,049,727	4,463,625	5,694,883
Total governmental activities program revenues	<u>22,050,836</u>	<u>17,377,087</u>	<u>19,035,877</u>
Business-type activities:			
Charges for services:			
Water	12,447,776	12,485,605	13,885,865
Sewer	8,132,002	8,358,121	8,977,702
Golf	2,132,715	2,023,047	2,137,694
Other	2,010,211	1,985,289	2,362,352
Operating grants and contributions	-	-	190,241
Capital grants and contributions	3,025,094	769,923	1,100,855
Total business-type activities program revenues	<u>27,747,798</u>	<u>25,621,985</u>	<u>28,654,709</u>
Total primary government program revenues	<u>51,484,743</u>	<u>51,484,743</u>	<u>51,484,743</u>
Net (expense)/revenue:			
Governmental activities	(31,415,111)	(38,695,395)	(34,512,367)
Business-type activities	(1,675,471)	(3,392,027)	(861,875)
Total primary government net expense	<u>\$ (33,090,582)</u>	<u>\$ (42,087,422)</u>	<u>\$ (35,374,242)</u>

		Fiscal Year						
		2012	2013	2014	2015	2016	2017	2018
\$	7,446,115	\$ 6,194,743	\$ 5,949,601	\$ 6,368,117	\$ 6,121,431	\$ 7,158,985	\$ 8,602,034	
	12,120,058	12,141,456	12,838,046	12,743,914	12,366,392	14,722,453	15,026,061	
	7,441,911	7,723,477	7,885,566	8,148,750	8,914,593	10,098,953	9,385,402	
	11,467,488	10,729,698	17,118,629	10,529,453	16,568,456	18,795,135	20,680,433	
	5,335,446	8,027,685	6,258,785	16,481,854	5,802,124	6,120,224	6,247,084	
	11,832,045	13,092,862	14,159,882	14,026,927	9,295,623	9,299,173	10,708,326	
	232,635	147,897	137,661	127,508	118,421	392,285	4,959	
	<u>55,875,698</u>	<u>58,057,818</u>	<u>64,348,170</u>	<u>68,426,523</u>	<u>59,187,040</u>	<u>66,587,208</u>	<u>70,654,299</u>	
	16,649,645	17,583,799	18,199,173	19,582,215	18,092,980	17,944,864	20,571,400	
	10,560,807	10,956,256	10,754,071	11,379,835	11,727,190	16,124,175	13,297,015	
	2,191,026	2,274,584	2,169,419	2,123,894	2,113,187	2,058,702	2,407,448	
	2,080,649	1,839,962	1,785,248	1,926,412	1,797,162	1,787,867	2,395,488	
	<u>31,482,127</u>	<u>32,654,601</u>	<u>32,907,911</u>	<u>35,012,356</u>	<u>33,730,519</u>	<u>37,915,608</u>	<u>38,671,351</u>	
	<u>87,357,825</u>	<u>90,712,419</u>	<u>97,256,081</u>	<u>103,438,879</u>	<u>92,917,559</u>	<u>104,502,816</u>	<u>109,325,650</u>	
	2,899,751	398,141	408,238	750,760	944,933	430,676	459,817	
	1,014,471	887,830	777,499	772,733	641,074	601,355	492,692	
	768,098	834,182	697,683	1,096,348	1,266,510	1,467,867	1,339,525	
	1,146,576	998,914	1,514,742	1,714,658	1,067,956	1,261,103	1,379,539	
	1,365,793	1,669,416	2,256,562	2,589,286	2,891,114	2,426,953	3,203,357	
	3,186,014	3,472,211	3,481,050	3,446,630	3,832,390	4,205,277	5,057,789	
	3,218,852	4,773,534	4,213,191	3,355,485	5,058,133	3,187,026	2,115,847	
	2,682,033	1,221,842	7,579,481	19,527,260	7,119,635	23,318,080	6,611,844	
	<u>16,281,588</u>	<u>14,256,070</u>	<u>20,928,446</u>	<u>33,253,160</u>	<u>22,821,745</u>	<u>36,898,337</u>	<u>20,660,410</u>	
	16,424,826	18,479,553	21,338,919	20,564,951	18,231,654	18,207,039	21,333,272	
	9,270,705	10,071,581	10,284,887	10,308,250	10,686,769	9,976,298	10,333,756	
	2,222,932	2,179,625	2,292,262	2,319,582	2,236,018	2,162,780	2,325,817	
	2,286,446	2,306,379	2,296,222	2,765,093	2,821,254	2,767,285	2,849,666	
	248,928	56,500	17,121	-	17,298	16,798	16,777	
	47,180	3,439,735	2,478,027	787,143	1,156,583	1,677,633	702,674	
	<u>30,501,017</u>	<u>36,533,373</u>	<u>38,707,438</u>	<u>36,745,019</u>	<u>35,149,576</u>	<u>34,807,833</u>	<u>37,561,962</u>	
	<u>46,782,605</u>	<u>50,789,443</u>	<u>59,635,884</u>	<u>69,998,179</u>	<u>57,971,321</u>	<u>71,706,170</u>	<u>58,222,372</u>	
	(39,594,110)	(43,801,748)	(43,419,724)	(35,173,363)	(36,365,295)	(29,688,871)	(49,993,889)	
	(981,110)	3,878,772	5,799,527	1,732,663	1,419,057	(3,107,775)	(1,109,389)	
\$	<u>(40,575,220)</u>	<u>(39,922,976)</u>	<u>(37,620,197)</u>	<u>(33,440,700)</u>	<u>(34,946,238)</u>	<u>(32,796,646)</u>	<u>(51,103,278)</u>	

(Continued)

CITY OF SAN CLEMENTE
 CHANGES IN NET POSTION
 Last Ten Fiscal Years (Continued)
 (accrual basis of accounting)

	2009	Fiscal Year 2010	2011
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
Property taxes	\$ 27,676,009	\$ 27,114,216	\$ 26,543,254
Sales taxes	4,530,994	4,965,641	5,095,486
Sales taxes - in lieu	2,014,780	1,308,380	1,604,663
Transient occupancy taxes	1,309,644	1,371,937	1,460,880
Franchise taxes	2,246,570	2,166,871	2,199,894
Other taxes	1,250,768	1,353,846	1,411,471
Investment earnings	2,155,014	2,152,699	827,900
Miscellaneous	42,135	722,562	150,904
Gain (Loss) on sale of capital assets	-	-	13,403,427
Pension side fund payment	-	-	(4,754,163)
Dissolution of the redevelopment agency	-	-	-
Transfers	365,757	239,521	450,418
Total governmental activities	<u>41,591,671</u>	<u>41,395,673</u>	<u>48,394,134</u>
Business-type activities:			
Investment earnings	2,208,881	1,406,190	653,997
Gain (Loss) on sale of capital assets	-	-	-
Miscellaneous	1,418,489	1,381,183	-
Transfers	(365,757)	(239,521)	(450,418)
Total business-type activities	<u>3,261,613</u>	<u>2,547,852</u>	<u>203,579</u>
Total primary government	<u>\$ 44,853,284</u>	<u>\$ 43,943,525</u>	<u>\$ 48,597,713</u>
Change in Net Assets			
Governmental activities	10,176,560	2,700,278	13,881,767
Business-type activities	1,586,142	(844,175)	(658,296)
Total primary government	<u>\$ 11,762,702</u>	<u>\$ 1,856,103</u>	<u>\$ 13,223,471</u>

Notes:

¹ The State of California initiated the "triple flip" which caused shifts in property tax, sales taxes and motor vehicle fees (other taxes).

The City of San Clemente implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: City of San Clemente

	2012	2013	2014	Fiscal Year 2015	2016	2017	2018
\$	25,704,056	\$ 25,613,417	\$ 25,938,562	\$ 27,574,540	\$ 29,588,442	\$ 31,038,475	\$ 32,766,143
	5,375,251	5,837,066	5,907,313	6,161,540	8,471,708	9,526,134	9,637,366
	1,694,225	1,743,745	2,130,322	2,108,680	593,774	-	-
	1,541,248	1,587,576	1,781,354	2,220,437	2,332,712	2,798,585	2,805,716
	2,229,194	2,203,002	2,280,321	2,402,021	2,420,553	2,559,189	2,612,101
	1,073,325	1,103,570	1,066,122	1,109,944	1,297,956	1,284,469	1,356,260
	1,147,655	3,950,829	2,533,185	1,019,290	915,646	1,119,283	292,346
	144,473	76,641	26,662	156,497	132,510	709,834	37,584
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	(1,767,179)	-	-	-	-	-	-
	178,765	175,375	93,722	346,834	223,110	178,470	307,893
	<u>37,321,013</u>	<u>42,291,221</u>	<u>41,757,563</u>	<u>43,099,783</u>	<u>45,976,411</u>	<u>49,214,439</u>	<u>49,815,409</u>
	365,245	131,675	216,206	289,571	611,323	159,454	296,909
	-	-	-	-	-	-	546,558
	-	-	-	-	-	-	-
	(178,765)	(175,375)	(93,722)	(346,834)	(223,110)	(178,470)	(307,893)
	186,480	(43,700)	122,484	(57,263)	388,213	(19,016)	535,574
\$	<u>37,507,493</u>	<u>\$ 42,247,521</u>	<u>\$ 41,880,047</u>	<u>\$ 43,042,520</u>	<u>\$ 46,364,624</u>	<u>\$ 49,195,423</u>	<u>\$ 50,350,983</u>
	(2,273,097)	(1,510,527)	(1,662,161)	7,926,420	9,611,116	19,525,568	(178,480)
	(794,630)	3,835,072	5,922,011	1,675,400	1,807,270	(3,126,791)	(573,815)
\$	<u>(3,067,727)</u>	<u>\$ 2,324,545</u>	<u>\$ 4,259,850</u>	<u>\$ 9,601,820</u>	<u>\$ 11,418,386</u>	<u>\$ 16,398,777</u>	<u>\$ (752,295)</u>

(Concluded)

CITY OF SAN CLEMENTE

GOVERNMENTAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Total
2008-2009	27,784,818	6,627,774	1,309,644	2,260,966	659,279	38,642,481
2009-2010	25,236,787	5,924,020	1,371,937	2,186,180	717,306	35,436,230
2010-2011	26,677,176	6,979,049	1,460,880	2,199,894	781,700	38,098,699
2011-2012	25,812,484	7,074,047	1,541,248	2,288,084	858,626	37,574,489
2012-2013	27,849,666	7,452,871	1,587,576	2,264,288	863,703	40,018,104
2013-2014	25,943,613	7,932,300	1,781,354	2,341,247	829,504	38,828,018
2014-2015	27,578,425	8,032,575	2,220,437	2,471,224	866,760	41,169,421
2015-2016	29,305,520	8,987,220	2,332,712	2,420,553	1,125,711	44,171,716
2016-2017	31,098,009	9,931,846	2,798,585	2,611,748	1,059,264	47,499,452
2017-2018	32,830,754	9,735,366	2,805,716	2,442,737	1,351,480	49,166,053

Note:

This schedule provides more detail information on the tax category by major tax type.

In FY 2009-2010, the State of California borrowed \$2.2 million, which was paid back by the State of California in FY 2012-2013.

Source: City of San Clemente

CITY OF SAN CLEMENTE

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Motor Vehicle Tax	Total
2008-2009	27,676,009	6,545,774	1,309,644	2,246,570	1,016,497	234,271	39,028,765
2009-2010	27,114,216	6,274,021	1,371,937	2,166,871	1,149,918	203,928	38,280,891
2010-2011	26,543,254	6,700,149	1,460,880	2,199,894	1,098,104	313,367	38,315,648
2011-2012	25,704,056	7,069,476	1,541,248	2,229,194	1,038,871	34,454	37,617,299
2012-2013	25,613,417	7,580,811	1,587,576	2,203,002	1,068,321	35,249	38,088,376
2013-2014	25,938,562	8,037,635	1,781,354	2,280,321	1,036,949	29,173	39,103,994
2014-2015	27,574,540	8,270,220	2,220,437	2,402,021	1,081,764	28,180	41,577,162
2015-2016	29,588,442	9,065,482	2,332,712	2,420,553	1,271,569	26,387	44,705,145
2016-2017	31,038,475	9,526,134	2,798,585	2,559,189	1,254,792	29,677	47,206,852
2017-2018	32,766,143	9,637,366	2,805,716	2,612,101	1,321,532	34,728	49,177,586

Note:

This schedule provides more detail information on the tax category by major tax type.

Source: City of San Clemente

CITY OF SAN CLEMENTE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011*	2012
General fund				
Reserved	\$ 5,023,665	\$ 4,649,496	\$ -	\$ -
Unreserved	20,070,766	18,836,396	-	-
Total general fund	<u>\$ 25,094,431</u>	<u>\$ 23,485,892</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds				
Reserved	\$ 79,749,708	\$ 69,850,312	\$ -	\$ -
Unreserved, reported in:			-	-
Special revenue funds	4,370,589	6,190,722	-	-
Capital projects funds	(11,345,685)	(1,218,011)	-	-
Debt service funds	486,740	(2,545,344)	-	-
Total all other governmental funds	<u>\$ 73,261,352</u>	<u>\$ 72,277,679</u>	<u>\$ -</u>	<u>\$ -</u>
General fund			2011	2012
Nonspendable			\$ 2,169,291	\$ 1,800,743
Committed			18,923,274	17,754,373
Assigned			3,770,456	7,373,427
Unassigned			4,110,236	1,528,656
Total general fund			<u>\$ 28,973,257</u>	<u>\$ 28,457,199</u>
All other governmental funds				
Nonspendable			\$ 2,351,847	\$ 2,120,653
Restricted			31,352,050	46,333,348
Committed			11,792,319	442,650
Assigned			17,517,914	4,209,482
Unassigned			(2,001,968)	26,091
Total all other governmental funds			<u>\$ 61,012,162</u>	<u>\$ 53,132,224</u>

* Based on GASB 54, Fund Balance descriptions were changed to reflect new classifications in FY 2011.

Source: City of San Clemente

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2013	2014	2015	2016	2017	2018
\$ 2,001,530	\$ 2,006,484	\$ 1,915,086	\$ 1,653,502	\$ 2,509,597	\$ 2,233,368
17,450,954	16,751,483	19,081,173	16,263,527	14,016,387	14,420,443
7,060,897	7,225,178	4,015,657	9,070,803	9,418,192	10,083,367
3,592,488	3,850,648	4,673,038	1,648,449	4,421,779	3,189,426
<u>\$ 30,105,869</u>	<u>\$ 29,833,793</u>	<u>\$ 29,684,954</u>	<u>\$ 28,636,281</u>	<u>\$ 30,365,955</u>	<u>\$ 29,926,604</u>
\$ 2,120,653	\$ 1,671,798	\$ 9,933,254	\$ -	\$ -	\$ -
47,664,547	41,112,201	34,945,212	49,053,639	47,062,622	46,893,147
77,643	59,265	48,563	23,705	96,053	91,580
4,356,356	4,438,029	4,337,695	4,374,003	7,214,689	10,149,083
-	5,956,604	(32,142)	-	-	-
<u>\$ 54,219,199</u>	<u>\$ 53,237,897</u>	<u>\$ 49,232,582</u>	<u>\$ 53,451,347</u>	<u>\$ 54,373,364</u>	<u>\$ 57,133,810</u>

CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 38,642,481	\$ 35,436,230	\$ 38,098,699	\$ 37,574,489
Licenses and permits	1,714,112	2,083,840	1,903,617	892,486
Fines and forfeits	1,033,082	820,170	931,685	879,981
Interest and rentals	5,700,804	3,998,962	2,780,497	2,615,105
Intergovernmental	6,987,223	5,975,543	5,767,169	4,830,480
Charges for services	6,664,560	6,905,663	7,150,212	7,527,717
Developers fees	203,899	238,620	700,150	170,071
Other	168,956	892,015	1,152,865	1,755,948
Total revenues	<u>61,115,117</u>	<u>56,351,043</u>	<u>58,484,894</u>	<u>56,246,277</u>
Expenditures				
General government	7,311,045	7,740,422	7,274,138	7,308,774
Police	11,658,831	12,344,203	12,046,529	12,111,299
Fire	6,484,946	6,769,519	6,913,198	7,280,209
Public works	6,477,525	6,995,428	6,863,269	7,124,688
Community development	5,561,874	6,139,496	4,723,758	5,159,664
Beaches, parks and recreation	9,113,582	8,699,948	8,378,274	9,421,326
Capital outlay	13,515,137	9,353,222	25,632,719	13,793,640
Debt service:				
Property tax shift	504,204	1,052,656	348,788	-
Principal retirements	105,000	115,000	125,000	830,000
Interest and fiscal charges	291,444	279,293	304,411	226,089
Total expenditures	<u>61,023,588</u>	<u>59,489,187</u>	<u>72,610,084</u>	<u>63,255,689</u>
Excess of revenues over (under) expenditures	91,529	(3,138,144)	(14,125,190)	(7,009,412)
Other financing sources (uses)				
Sale of capital assets	35,000	70,952	13,449,123	-
Transfers in	5,154,595	5,967,593	14,490,883	5,603,370
Transfers out	(5,800,958)	(5,492,613)	(14,838,805)	(5,222,775)
Total other financing sources (uses)	<u>(611,363)</u>	<u>545,932</u>	<u>13,101,201</u>	<u>380,595</u>
Pension side fund payment	-	-	(4,754,163)	-
Redevelopment agency dissolution	-	-	-	(1,767,179)
Net change in fund balances	<u>\$ (519,834)</u>	<u>\$ (2,592,212)</u>	<u>\$ (5,778,152)</u>	<u>\$ (8,395,996)</u>
Debt service as a percentage of noncapital expenditures	1%	1%	1%	2%

Source: City of San Clemente

Fiscal Year						
	2013	2014	2015	2016	2017	2018
\$	40,018,104	\$ 38,828,018	\$ 41,169,421	\$ 44,171,716	\$ 47,499,452	\$ 49,166,053
	1,042,511	1,534,484	1,787,045	1,945,118	1,679,051	2,050,638
	776,634	690,083	673,346	596,246	533,413	537,137
	2,441,657	2,778,297	2,267,203	3,091,081	3,083,044	3,583,220
	3,800,465	4,116,782	4,595,852	4,436,712	4,312,721	4,996,307
	5,090,503	5,722,098	7,384,801	7,434,014	6,812,143	7,302,530
	1,607,964	6,571,642	920,591	1,150,197	917,738	1,292,719
	552,873	451,993	346,524	1,495,784	1,903,481	177,870
	<u>55,330,711</u>	<u>60,693,397</u>	<u>59,144,783</u>	<u>64,320,868</u>	<u>66,741,043</u>	<u>69,106,474</u>
	4,962,425	5,366,069	6,116,994	7,400,704	7,390,332	8,568,506
	12,111,439	12,820,497	13,139,840	12,282,853	13,969,172	14,820,377
	7,478,736	7,658,531	8,170,808	8,687,558	8,974,200	9,293,075
	6,553,374	11,986,832	6,401,382	10,761,232	11,137,408	12,571,097
	7,757,417	6,203,011	16,327,068	5,390,017	5,745,947	5,169,651
	10,209,081	10,695,841	11,658,520	6,214,570	6,093,381	6,606,598
	3,059,286	6,622,108	8,951,082	9,411,552	8,767,026	9,763,968
	-	-	-	-	-	-
	95,000	105,000	115,000	125,000	1,215,000	-
	140,683	132,608	123,678	116,400	388,028	-
	<u>52,367,441</u>	<u>61,590,497</u>	<u>71,004,372</u>	<u>60,389,886</u>	<u>63,680,494</u>	<u>66,793,272</u>
	2,963,270	(897,100)	(11,859,589)	3,930,982	3,060,549	2,313,202
	-	-	-	-	-	-
	3,617,669	1,763,604	2,591,784	3,841,952	6,277,187	5,881,091
	(3,845,294)	(2,119,882)	(3,033,950)	(4,602,842)	(6,686,045)	(5,873,198)
	<u>(227,625)</u>	<u>(356,278)</u>	<u>(442,166)</u>	<u>(760,890)</u>	<u>(408,858)</u>	<u>7,893</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u><u>2,735,645</u></u>	<u><u>\$ (1,253,378)</u></u>	<u><u>\$ (12,301,755)</u></u>	<u><u>\$ 3,170,092</u></u>	<u><u>\$ 2,651,691</u></u>	<u><u>\$ 2,321,095</u></u>
	0%	0%	0%	0%	3%	0%

CITY OF SAN CLEMENTE

ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	City		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured Value	Unsecured Value		
2008 - 2009	12,583,294,477	271,743,872	12,855,038,349	1.00%
2009 - 2010	12,385,008,657	246,328,189	12,631,336,846	1.00%
2010 - 2011	12,203,096,799	227,107,241	12,430,204,040	1.00%
2011 - 2012	12,125,854,115	230,055,391	12,355,909,506	1.00%
2012 - 2013	12,218,790,644	206,465,908	12,425,256,552	1.00%
2013 - 2014	12,547,787,645	200,734,451	12,748,522,096	1.00%
2014 - 2015	13,371,545,438	211,419,301	13,582,964,739	1.00%
2015 - 2016	14,245,614,867	201,818,644	14,447,433,511	1.00%
2016 - 2017	15,045,607,490	224,270,282	15,269,877,772	1.00%
2017 - 2018	15,857,802,031	221,162,837	16,078,964,868	1.00%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price for 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 limitation described above.

Source: Orange County Auditor Controller's Office

Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Taxable Actual Value
12,855,038,349	100%
12,631,336,846	100%
12,430,204,040	100%
12,355,909,506	100%
15,313,474,511	123%
18,175,939,699	143%
19,988,958,962	147%
21,671,150,267	150%
23,362,912,991	153%
25,243,974,843	157%

CITY OF SAN CLEMENTE

PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS (1)
(per \$100 of assessed value)

Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Metropolitan Water District	\$ 0.0043	\$ 0.0043	\$ 0.0037	\$ 0.0037
Capistrano Unified School District (various issues)	0.0097	0.0108	0.0111	0.0110
Total Basic Tax Levy per Article 13A of California State Constitution	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
	<u>\$ 1.0140</u>	<u>\$ 1.0151</u>	<u>\$ 1.0148</u>	<u>\$ 1.0147</u>

Note:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Capistrano Unified School District bonds.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 0.0035	\$ 0.0035	\$ 0.0035	\$ 0.0035	\$ 0.0035	\$ 0.0035
0.0117	0.0097	0.0090	0.0085	0.0084	0.0080
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>\$ 1.0152</u>	<u>\$ 1.0132</u>	<u>\$ 1.0125</u>	<u>\$ 1.0120</u>	<u>\$ 1.0119</u>	<u>\$ 1.0115</u>

CITY OF SAN CLEMENTE
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT AND NINE YEARS AGO

Taxpayer	Type of Business	2018			2009		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Villa San Clemente LLC	Real Estate	\$ 117,369,478	1	0.73%	\$ 61,700,103	3	0.48%
Marblehead Development Partners LLC	Real Estate	111,931,957	2	0.70%	-		
WNG San Clemente 368 LLC	Real Estate	103,215,037	3	0.64%	-		
Bre Silver MF San Clemente CA	Real Estate	63,756,854	4	0.40%	-		
Bre Properties Inc	Real Estate	63,213,923	5	0.39%	60,241,227	4	0.47%
Centro Watt Operating Owner I LLC	Real Estate	51,483,773	6	0.32%	40,367,872	6	0.31%
BEX Portfolio Inc	Real Estate	32,426,733	7	0.20%	-		
Talega Village Center LLC	Retail	31,035,132	8	0.19%	-		
Target Corporation	Retail	29,823,626	9	0.19%	-		
Olen Properties Corporation	Real Estate	26,362,694	10	0.16%	-		
Suncal Marblehead LLC	Real Estate	-			123,352,712	1	0.96%
Seacrest Apartment Holding Co	Real Estate	-			89,337,300	2	0.70%
SAF Whispering Winds LLC	Real Estate	-			49,301,201	5	0.38%
Jerone F. Forster Trust	Real Estate	-			30,241,063	7	0.24%
Cox Communications Inc. Orange	Public Utilities	-			25,896,642	8	0.20%
Batido I LLC	Medical	-			23,730,300	9	0.18%
Raymond Taccolini Trust	Real Estate	-			21,782,238	10	0.17%
		<u>\$ 630,619,207</u>		<u>3.92%</u>	<u>\$ 525,950,658</u>		<u>4.09%</u>

Source: Orange County Assessor's Office

CITY OF SAN CLEMENTE

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	
		Amount	Percent of Levy		Amount	Percent of Levy	Amount	Percent of Levy
2008 - 2009	32,849,831	32,289,655	98.29%	313,380	32,603,035	99.25%	939,392	2.86%
2009 - 2010	30,873,785	28,108,722	91.04%	675,969	28,784,691	93.23%	633,052	2.05%
2010 - 2011	30,847,755	30,201,236	97.90%	239,066	30,440,302	98.68%	465,959	1.51%
2011 - 2012	30,356,687	29,507,606	97.20%	24,860	29,532,466	97.28%	531,576	1.75%
2012 - 2013	30,608,681	29,905,604	97.70%	444,271	30,349,875	99.15%	451,927	1.48%
2013 - 2014	29,183,272	28,631,594	98.11%	400,661	29,032,256	99.48%	449,978	1.54%
2014 - 2015	30,636,198	30,084,737	98.20%	433,010	30,517,747	99.61%	419,422	1.37%
2015 - 2016	31,126,117	30,379,271	97.60%	355,377	30,734,648	98.74%	1,194,948	3.84%
2016 - 2017	34,980,713	34,922,313	99.83%	294,822	35,217,135	100.68%	257,450	0.74%
2017 - 2018	36,877,029	36,576,103	99.18%	288,426	36,864,529	99.97%	301,131	0.82%

Source: Orange County Auditor Controller's Office

CITY OF SAN CLEMENTE

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Certificates of Participation	Capital Leases	State Revolving Fund Loan			
2008 - 2009	2,725,000	91,953	-	2,816,953	0.09%	41
2009 - 2010	2,610,000	56,062	-	2,666,062	0.10%	39
2010 - 2011	2,485,000	17,929	-	2,502,929	0.09%	39
2011 - 2012	1,655,000	164,691	-	1,819,691	0.07%	28
2012 - 2013	1,560,000	127,026	-	1,687,026	0.05%	26
2013 - 2014	1,455,000	88,094	-	1,543,094	0.05%	24
2014 - 2015	1,340,000	57,273	14,494,395	15,891,668	0.52%	243
2015 - 2016	1,215,000	17,703	13,863,037	15,095,740	0.47%	228
2016 - 2017	-	148,979	13,267,421	13,416,400	0.40%	203
2017 - 2018	-	115,826	12,658,702	12,774,528	0.36%	195

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Amount excludes special assessment debt for which the City is not liable and acts only as a conduit.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SAN CLEMENTE

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	State Revolving Fund Loan					
		Operations and Maintenance, Exclusive of Depreciation (2)	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage (3)
				Principal	Interest	Totals	
2008 - 2009	Not applicable			-	-	-	-
2009 - 2010	Not applicable			-	-	-	-
2010 - 2011	Not applicable			-	-	-	-
2011 - 2012	Not applicable			-	-	-	-
2012 - 2013	Not applicable			-	-	-	-
2013 - 2014	Not applicable			-	-	-	-
2014 - 2015	20,727,188	18,172,216	2,554,972	631,358	269,244	900,602	2.8
2015 - 2016	18,505,017	16,637,346	1,867,671	595,616	304,987	900,603	2.1
2016 - 2017	18,982,260	16,274,681	2,707,579	608,719	291,883	900,602	3.0
2017 - 2018	20,931,603	18,414,487	2,517,116	622,111	278,491	900,602	2.8

Notes:

(1) "Net Revenues" is defined as all Revenues received less the Operations and Maintenance Costs for the Fiscal Year.

(2) "Operations and Maintenance Costs" include all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System, but exclude depreciation replacement and obsolescence charges or reserves and amortization of intangibles.

(3) The City Net Revenues shall equal the debt service on the Obligations. Future debt may be issued if it is not senior to the State Revolving Fund debt and at least 1.2 times the highest years debt service and other additional conditions are met.

Source: City Finance Department

CITY OF SAN CLEMENTE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2018

Assessed valuation was \$16,078,964,868 in FY 2017-18

	%	Debt
	<u>Applicable</u>	<u>June 30, 2018</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.586%	\$ 355,116
Capistrano Unified School District School Facilities Improvement District No. 1	22.07%	5,406,882
Santa Margarita Water District CFD No. 99-1	100%	65,650,000
Capistrano Unified School District Community Facilities District No. 90-2	100%	69,860,000
City of San Clemente Communtiy Facilities District No. 99-1	100%	3,875,000
City of San Clemente Communtiy Facilities District No. 2006-1	100%	54,635,000
City of San Clemente 1915 Act Bonds	100%	9,015,000
TOTAL OVERLAPPING TAX AND ASSESSED DEBT		<u>\$ 208,796,998</u>
OVERLAPPING GENERAL FUND DEBT:		
<u>Overlapping:</u>		
Orange County General Fund Obligations	2.884%	6,066,407
Orange County Pension Obligations	2.884%	11,061,997
Orange County Board of Education Certificates of Participation	2.884%	403,472
Capistrano Unified School District Certificates of Participation	18.777%	5,580,916
<u>Direct (1):</u>		
City of San Clemente Certificates of Participation	100%	-
City of San Clemente Capital Leases	100%	115,826
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 23,228,618</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 232,025,616</u>
TOTAL CITY DIRECT DEBT (1)		\$ 115,826
TOTAL OVERLAPPING DEBT		\$ 231,909,790
COMBINED DIRECT AND OVERLAPPING DEBT		\$ 232,025,616

Notes:

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assess property balue. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assets value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.30%
Total Direct Debt	0.00%
Combined Total Debt	1.44%

Source: California Municipal Statistics



CITY OF SAN CLEMENTE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 12,855,038,349	\$ 12,631,336,846	\$ 12,430,204,040	\$ 12,355,909,506
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	3,213,759,587	3,157,834,212	3,107,551,010	3,088,977,377
Debt limit percentage	15%	15%	15%	15%
Debt limit	482,063,938	473,675,132	466,132,652	463,346,606
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 482,063,938</u>	<u>\$ 473,675,132</u>	<u>\$ 466,132,652</u>	<u>\$ 463,346,606</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
Orange County Tax Assessor's Office

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 12,425,256,552	\$ 12,748,522,096	\$ 13,582,964,739	\$ 13,666,850,501	\$ 14,447,433,531	\$ 14,761,937,790	
25%	25%	25%	25%	25%	25%	25%
3,106,314,138	3,187,130,524	3,395,741,185	3,416,712,625	3,611,858,383	3,690,484,448	
15%	15%	15%	15%	15%	15%	15%
465,947,121	478,069,579	509,361,178	512,506,894	541,778,757	553,572,667	
-	-					
<u>\$ 465,947,121</u>	<u>\$ 478,069,579</u>	<u>\$ 509,361,178</u>	<u>\$ 512,506,894</u>	<u>\$ 541,778,757</u>	<u>\$ 553,572,667</u>	
0%	0%	0%	0%	0%	0%	0%

CITY OF SAN CLEMENTE

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (2)	Median Age (5)	Percentage High School Grad or Higher (5)	School Enrollment (3)	Unemployment Rate (4)
2008 - 2009	68,234	3,025,836	44,345	40	94%	9,659	6.40%
2009 - 2010	68,763	2,751,758	40,018	39	95%	9,700	7.56%
2010 - 2011	63,743	2,890,823	45,509	39	94%	9,743	7.40%
2011 - 2012	64,208	2,787,333	43,411	39	95%	9,757	6.50%
2012 - 2013	64,542	3,091,175	47,894	40	94%	9,244	5.30%
2013 - 2014	64,874	3,068,865	47,305	40	96%	9,799	4.70%
2014 - 2015	65,399	3,051,648	46,662	40	96%	9,674	3.60%
2015 - 2016	66,245	3,241,792	48,936	41	95%	9,433	3.70%
2016 - 2017	65,975	3,383,938	51,291	38	95%	9,392	3.30%
2017 - 2018	65,543	3,575,647	54,554	42	95%	9,407	2.80%

- Sources: (1) State Department of Finance and 2010 U.S. Census
 (2) Office of Economic Development
 (3) California Department of Education/Local Unified School District
 (4) State of California Employment Development Department
 (5) U.S. Census Bureau

CITY OF SAN CLEMENTE

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Capistrano Unified School District (CUSD)	861	1	2.67%			
Fisherman's Restaurants	265	2	0.82%	197	6	0.72%
Ralphs	243	3	0.75%	206	4	0.75%
ICU Medical	225	4	0.70%	108	10	0.40%
Glaukos Corp	210	5	0.65%			
City of San Clemente	203	6	0.63%	208	3	0.76%
Target Retail Store	200	7	0.62%			
Walmart	195	8	0.61%	225	2	0.82%
Albertsons	177	9	0.55%	205	5	0.75%
Lowe's Home Improvement	175	10	0.54%	130	8	0.48%
Saddleback Memorial Medical Center				339	1	1.24%
San Clemente High School				169	7	0.62%
Bunker Energy Suspension				120	9	0.44%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: State Economic Development Department
 City of San Clemente
 MuniServices, LLC

CITY OF SAN CLEMENTE

FULL-TIME EQUIVALENT CITY
GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Function										
General government	34	34	33	32	32	32	32	31	26	26
Public safety										
Police (contract)	57	57	55	55	55	54	52	50	50	50
Fire (contract)	43	43	43	42	42	42	50	50	42	45
Marine Safety	7	7	7	7	7	7	7	7	7	7
Community Development										
Engineering	24	22	22	20	20	20	20	21	21	19
Building	15	14	14	11	11	11	14	13	13	13
Code Compliance	5	5	5	5	5	5	5	5	5	6
Planning	12	12	12	10	11	11	10	10	9	10
Administration	3	3	4	3	2	2	2	3	4	4
Public Works	3	3	3	3	3	3	3	3	2	3
Maintenance	17	18	19	18	18	18	26	25	25	25
Beaches, Parks, and Recreation	27	27	27	28	27	27	19	18	18	19
Water	23	25	25	25	25	25	25	26	26	27
Sewer	23	20	21	20	19	19	19	19	20	21
Clean Ocean	4	4	4	3	3	3	3	3	3	3
Storm Drain Utility	2	3	3	3	3	3	3	3	3	3
Solid Waste	1	1	1	1	1	1	1	1	1	1
Golf Course	10	9	9	9	9	9	9	9	10	9
Total	<u>309</u>	<u>306</u>	<u>303</u>	<u>294</u>	<u>293</u>	<u>292</u>	<u>300</u>	<u>297</u>	<u>286</u>	<u>291</u>

Source: City of San Clemente Budget



CITY OF SAN CLEMENTE
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	149.68	134.00	134.00	136.00	136.00
Streetlights	3,357	3,360	3,404	3,419	3,428
Traffic signals	74	74	74	74	74
Beaches, parks and recreation					
Parks	20	19	19	20	20
Swimming pools	1	1	1	3	3
Libraries	1	1	1	1	1
Community centers	1	1	1	1	1
Municipal golf courses	1	1	1	1	1
Water					
Water mains (miles)	206.40	206.40	206.40	206.40	206.40
Fire hydrants	2,281	2,281	2,281	2,281	2,281
Maximum daily capacity (Acre Feet)*	263.92	263.92	263.92	263.92	263.92
Sewer					
Sanitary sewers (miles)	174.60	174.60	174.60	174.60	174.60
Storm sewers (miles)	62.50	62.50	62.50	62.50	62.50
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976

* This was changed retrospectively from thousands of gallons to acre feet in fiscal year 2017.
One acre foot equals 325851.43188913 gallons.

Source: City of San Clemente

Fiscal Year					
2014	2015	2016	2017	2018	
1	1	1	1	1	1
3	3	3	3	3	3
136.00	137.00	137.00	138.00	138.00	138.00
3,433	3,503	3,615	3,654	3,705	3,705
76	80	80	81	81	81
20	21	25	22	23	23
3	4	4	4	4	4
-	-	-	-	-	-
1	1	1	1	1	1
1	1	1	1	1	1
213.10	213.10	213.10	212.80	230.00	230.00
2,281	2,281	2,302	2,362	2,376	2,376
263.92	263.92	263.92	263.92	263.92	263.92
154.00	154.00	163.70	171.80	180.00	180.00
62.50	62.50	62.50	77.00	77.00	77.00
6,976	6,976	6,976	6,976	6,976	6,976

CITY OF SAN CLEMENTE

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Number of calls for service **	25,351	26,233	25,008	23,651	24,082
Number of traffic collision reports **	450	404	426	257	487
Parking citations issued	22,528	17,855	18,591	17,851	13,713
Fire					
Number of fire calls	70	72	49	72	55
Number of emergency medical calls	2,159	2,418	2,084	2,540	2,137
Inspections	968	1,361	696	171	917
Highways and streets					
Street resurfacing (miles)	4.24	3.50	2.83	1.79	0.69
Beaches, parks and recreation					
Number of recreation classes, activities, and clinics*	514	452	359	519	507
Total experiences in classes, activities, and clinics*	89,464	104,879	106,809	129,682	106,497
Total number of facility rentals*	1,169	694	664	825	916
Golf rounds played	95,190	91,834	89,117	90,118	88,177
Water					
New customers	27	7	34	27	8
Average daily consumption (Acre Feet) ***	30.88	27.41	24.30	27.77	21.60
Sewer					
New customers	19	3	5	4	6
Average daily sewage treatment (thousands of gallons)	4,050	3,971	4,060	3,883	3,859

* The change in amounts during 2007 was due to changes in performance measurement reporting.

** No data was available prior to 2008.

*** This was changed retrospectively from thousands of gallons to acre feet in fiscal year 2017.

One acre foot equals 325851.43188913 gallons.

**** Recreation system changed from CLASS to Rec1 at the beginning of FY 2018.

Source: City of San Clemente

Fiscal Year				
2014	2015	2016	2017	2018
23,729	26,217	28,089	31,632	30,515
371	377	354	321	472
13,698	15,231	14,012	7,735	12,250
44	71	83	69	78
2,175	3,317	3,559	3,846	3,825
899	1,256	1,702	1,332	1,782
4.29	5.31	3.87	3.48	9.02
482	493	522	609	2,320 ****
111,219	173,175	146,196	144,206	17,259 ****
1,068	1,087	1,051	1,159	7,971 ****
84,838	80,091	78,768	77,974	82,514
11	33	206	82	107
28.52	25.51	21.08	22.59	24.59
9	26	179	81	104
3,787	3,441	3,192	3,063	3,284

