



City of San Clemente

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2012

CITY OF SAN CLEMENTE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



Prepared By:
Finance and Administrative Services
Pall Gudgeirsson, Assistant City Manager, Treasurer

CITY OF SAN CLEMENTE
 Comprehensive Annual Financial Report
 June 30, 2012

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INTRODUCTORY SECTION



City of San Clemente

100 Avenida Presidio
San Clemente CA 92672
Phone: 949-361-8200

December 18, 2012

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, 2012.

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 Teaman, Ramirez, and Smith, Inc., certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. 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, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis.

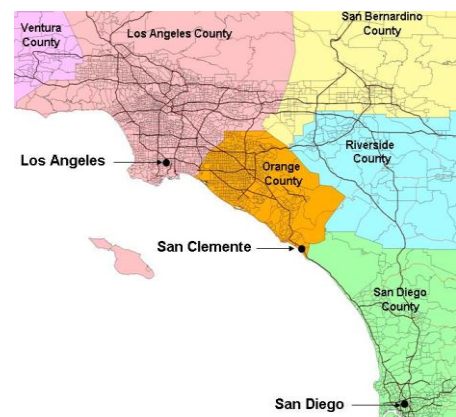
The City provides a full range of services which include general government, public safety (police, fire, and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf. In addition to general City activities, the Council is financially accountable for the *former* San Clemente Redevelopment Agency, which was dissolved during Fiscal Year 2012, and the San Clemente Public Financing Authority. 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 64,208, 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 1.5 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 development of Talega, which is approaching build out, increased property taxes significantly during the last ten years. Recently though, the overall instability in the economy (including the real estate market and housing) resulted in the City experiencing declines in both property and sales tax revenues. Property tax revenues have slowly begun to recover as the weakness in the housing market is starting to dissolve. Sales taxes should also improve as the result of a Target retail store which opened in October 2011.



Overall, the City of San Clemente finances are stable and will continue to remain positive due to the city's focus on capital planning and long-term financial planning.

Capital planning. Major capital projects completed during the last year which benefit the citizens of San Clemente include the Downtown Fire Station and Senior Center, the Upper Chiquita Reservoir Emergency Storage project, and the 45 acre Vista Hermosa Sports Park and San Clemente Aquatics Center.

Vista Hermosa Sports Park and San Clemente Aquatics Center



The largest capital project listed above is the sports park and aquatics center, which was completed in February 2012 and includes soccer fields, baseball fields, a football field, a pool complex, a universally accessible playground, and other park amenities. The operation of this park will be a significant impact to San Clemente's operating budget. Other projects completed during the year were the Downtown Fire Station and Senior Center which offers emergency response on the downtown side the freeway and relocated and expanded the senior center.

Capital projects in progress during the year include the expansion of Recycled Water production and the Ole Hanson Beach Club renovation. The recycled water expansion project is essentially three projects: expansion of the treatment facility, expanding a recycled water distribution system, and adding recycled water storage capacity. Overall, the recycled water project will lower the city's dependence on external water supplies whose costs continue to increase. The Ole Hanson Beach Club which was built in 1928 and is listed as a Historic Resource on the National Register of Historic Places has never undergone a complete restoration. This project incorporates a renovation of the building and pool complex while preserving the historic nature of the facility.

Long-term financial planning. The City conducts an annual long term financial strategic planning process, which is presented to the City Council for review and consideration each February. The plan is intended to be a well thought-out analysis of issues that may affect the finances of the City of San Clemente. The Long Term Financial Plan (the "LTFP") is extremely broad in scope and analyzes various critical issues facing the City, such as revenue and fee analysis and funding for major City facilities, as well as presentation of financial trends and a five-year financial forecast. The financial forecast provides a frame of reference for evaluating the City's financial condition as a basis of 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.

In addition to the LTFP, the City recently completed two studies to optimize the operating efficiency of the water and sewer utilities (Staffing Analysis) and develop rate structures which encourage conservation and maintain financial stability (Cost-of-Service Study). These studies provide a foundation for the long term strategic direction of the water and sewer utilities.

Other financial policies that affect the government's economic condition are:

Operating budget. Budgeted revenues are to be sufficient to support current operating expenditures and to maintain 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 2012. 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.

Cash management. Cash temporarily idle during the year was invested principally in federal agency and treasury securities and the State of California Local Agency Investment Fund (LAIF). The maturities of the investments do not exceed 5 years, with the average maturity not exceeding two years. The average return on the investments was 1.25% for the fiscal year.

Risk management. Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City is fully-funded for known liability and workers' compensation claims, and also for estimated claims incurred but not reported.

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

- **General Plan Update** – The General Plan, which was last updated in 1993, identifies goals, policies and implementation strategies for the City. The General Plan Update incorporates information from the strategic vision of the community and will develop the guiding principles for land use, urban design, housing, mobility, economic development, public health and safety, environmental resources, utilities, recreation and historic and cultural resources. This process is underway and should be completed by the end of calendar year 2012.
- **Facilities Management** – The City is performing evaluations of various City locations, taking into consideration the accessibility, use and the aging of city facilities. This process identified the Ole Hanson Beach Clubhouse and beach restrooms as strategic priorities for renovation or improvements, which are currently part of the City's capital plan.
- **Street Improvement Program/Assessment Renewal** – In July, 1995, the City Council adopted the Street Improvement Program through an additional property tax assessment which rehabilitated the City's streets, which expired in Fiscal Year 2012. The City is seeking to establish a Street Assessment District, under Proposition 218, to provide funds to maintain street conditions at the current pavement condition.
- **Sand Replenishment Project** – San Clemente has suffered severe erosion of beach sand in recent years, which has resulted in the loss of recreational beach, damage, destruction to beachfront facilities, and increased risk to beach patrons due the exposure of underlying rock base. The City and the Army Corps of Engineers are engaged in ways to identify and quantify the best way to protect the shoreline and develop a plan for sand replenishment.

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, 2011. This was the twenty-sixth 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 would not have been 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 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,

A handwritten signature in blue ink, appearing to read 'Pall Gudgeirsson', with a long horizontal flourish extending to the right.

Pall Gudgeirsson
Assistant City Manager, City Treasurer

CITY OF SAN CLEMENTE

PRINCIPAL OFFICIALS

CITY COUNCIL

Jim Evert, Mayor
Tim Brown, Mayor Pro Tem
Bob Baker
Lori Donchak
Jim Dahl

PLANNING COMMISSION

Nesa Anderson
Lewis Avera
Dan Bane
Michael Kaupp
Julia Darden
Barton Crandell
Donald Brown

PARKS AND RECREATION COMMISSION

Dagmar Foy
Chris McCormack
Bill Osier
Bill Thomas
Eric Swartz
Steven Streger
Thomas Wicks

CITY STAFF

George Scarborough, City Manager
Pall Gudgeirsson, Assistant City Manager/City Treasurer
Joanne Baade, City Clerk
Jeff Goldfarb, City Attorney
William E. Cameron, City Engineer/Public Works Director
Sharon Heider, Beaches, Parks & Recreation Director
James S. Holloway, Community Development Director
Lt. John Coppock, Chief of Police Services/Lieutenant
Rick Robinson, Division Fire Chief

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

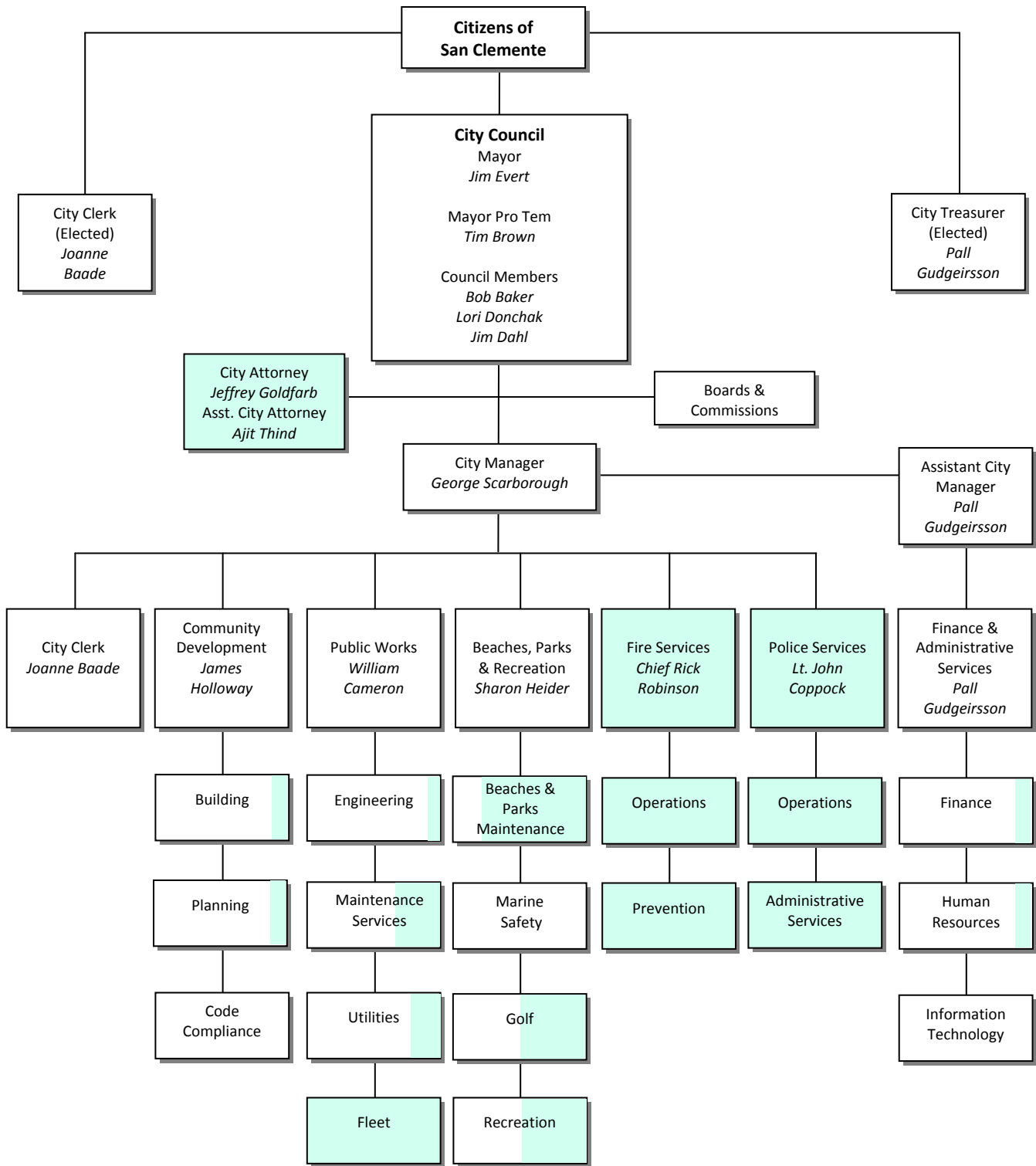


Linda C. Dandison

President

Jeffrey R. Evers

Executive Director



 Shading indicates contracted services

FINANCIAL SECTION

Independent Auditors' Report

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

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, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of San Clemente's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As explained in Note XI, the San Clemente Redevelopment Agency, previously reported as a blended component unit, was dissolved as of February 1, 2012, in accordance with State law and the related California Supreme Court decision.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

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

Jeaman Ramirez & Smith, Llc.

December 18, 2012

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 years ended June 30, 2012 and June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal beginning on page i and the City's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased \$3.2 million or 0.6% to \$477.2 million as a result of this year's operations.
- Governmental net assets total \$282.1 million.
- The total program revenues and general revenues were \$86.0 million.
- The total cost of all City programs, excluding program revenues, was \$87.4 million.
- During the year, the City's taxes and other governmental revenues exceeded expenditures by \$7.0 million.
- The General Fund reported excess revenues over expenditures of \$0.5 million.
- For the General Fund, actual resources were greater than the final budget by \$0.1 million and actual expenditures were \$7.1 million less than final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 statements 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. The Government-wide Financial Statements separate **Governmental Activities** that are principally supported by taxes and revenues from other agencies, from **Business-type Activities** that are intended to recover all, or a significant portion of their costs, through user fees and charges.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference reported as net assets. This statement is based on the fund activities and report governmental activities and business-type activities on the full accrual basis of accounting. These

statements are not presented as part of the budget process, but are used to allow users of the City's financial statements to access a government's operational and fiscal accountability at the end of each fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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). This statement also provides information on the net cost of each governmental function (activity) during the fiscal year and identifies the amount of general revenues needed to fully fund each governmental function.

The Governmental Activities of the City include General Government, Public Safety (Police and Fire), Public Works, Community Development, and Beaches, Parks and Recreation. The City's 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, but also all legal entities for which the City is financially accountable. Accordingly, the financial information for the City's 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. On December 29, 2011, the California Supreme Court upheld the dissolution of all California redevelopment agencies impacting the reporting entity of the City of San Clemente. The effect of this change is reported as an extraordinary item and further information is in the Notes to the Financial Statements. 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 (General Fund, Special Revenue, Debt Service and Capital Projects 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, Fund Financial Statements focus on short-term inflows and outflows of spendable resources. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. This information may be useful in evaluating the City's short-term financing requirements.

The focus of the Fund Financial Statements is narrower than that of the Government-wide Financial Statements. The various fund Balance Sheets and the Statement of Revenues, Expenditures and Changes in Fund Balances, require a reconciliation to facilitate the comparison

between fund statements and the government-wide statements. This reconciliation is 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 22 and 26, 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, this report also presents certain required supplementary information concerning the City's progress in funding its pension benefits to 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 assets and of changes in net assets are presented for the fiscal years ended June 30, 2012 and June 30, 2011.

Table 1
Net Assets
(in millions)

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business-type Activities <u>2012</u>	Business-type Activities <u>2011</u>	Total <u>2012</u>	Total <u>2011</u>
Current and other assets	\$ 101.6	\$ 113.5	\$ 49.5	\$ 54.6	\$151.1	\$168.1
Capital assets, net	<u>193.2</u>	<u>187.4</u>	<u>148.5</u>	<u>144.4</u>	<u>341.7</u>	<u>331.8</u>
Total assets	294.8	300.9	198.0	199.0	492.8	499.9
Current liabilities	8.1	11.3	2.3	2.4	10.4	13.7
Long-term liabilities	<u>4.6</u>	<u>5.2</u>	<u>0.6</u>	<u>0.6</u>	<u>5.2</u>	<u>5.8</u>
Total liabilities	12.7	16.5	2.9	3.0	15.6	19.5
Net assets:						
Invested in capital assets, net of related debt	191.3	184.9	148.5	144.4	339.8	329.3
Restricted	51.6	61.3	11.6	49.0	63.2	110.3
Unrestricted	<u>39.2</u>	<u>38.2</u>	<u>35.0</u>	<u>2.6</u>	<u>74.2</u>	<u>40.8</u>
Total Net Assets	<u>\$ 282.1</u>	<u>\$ 284.4</u>	<u>\$ 195.1</u>	<u>\$ 196.0</u>	<u>\$ 477.2</u>	<u>\$ 480.4</u>

City asset's exceeded liabilities by \$477.2 million at June 30, 2012 as compared to \$480.4 million at June 30, 2011. The change in net assets is primarily in the invested in capital assets category due to construction on a fire station, a sports park and a senior center.

By far the largest portion of the City's net assets (71 percent) reflects 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. The City uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the City's 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 City's total net assets decreased \$3.2 million during the current fiscal year. Net assets invested in capital assets increased \$10.5 million. The increase in the capital assets is due mostly to capital projects that were completed during the year including a fire station, senior center, and sports park. The business-type activities increases are due to the addition of reservoir capacity during the year. The restricted portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net assets decreased \$47.1 million due to removal of restrictions in the business type category and amounts being used for the construction projects mentioned above. The remaining unrestricted net assets balance of \$74.2 million may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$35.0 million is held by the business-type activities (with amounts set-aside for capital replacements) and \$39.2 million by the governmental activities.

The condensed summary of activities, which follows, shows that net assets decreased by \$3.2 million during the year.

Table 2
Summary of Activities
(in millions)

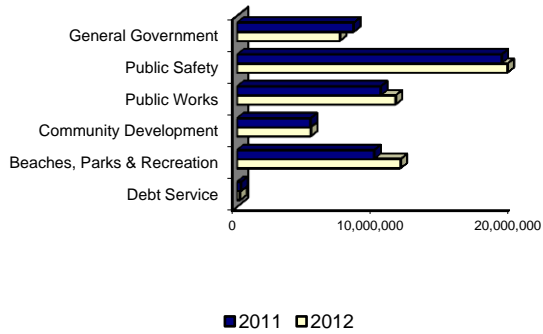
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business- type Activities <u>2012</u>	Business- type Activities <u>2011</u>	Total <u>2012</u>	Total <u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 10.4	\$ 10.1	\$ 30.2	\$ 27.4	\$ 40.6	\$ 37.5
Operating grants/contrib.	3.2	3.3	0.3	0.2	3.4	3.5
Capital grants/contrib.	2.7	5.7		1.1	2.7	6.8
General revenues:						
Property taxes	25.7	26.5			25.7	26.5
Sales taxes	7.1	6.7			7.1	6.7
Other taxes and fees	4.8	5.1			4.8	5.1
Other	1.3	1.0	0.4	0.7	1.7	1.7
Total revenues	55.2	58.4	30.8	29.4	86.0	87.8
Expenses:						
General government	7.5	8.5			7.5	8.5
Public safety	19.6	19.2			19.6	19.2
Public works	11.5	10.4			11.5	10.4
Community development	5.3	5.3			5.3	5.3
Beaches, parks & recreation	11.8	9.9			11.8	9.9
Interest and fiscal charges	0.2	0.3			0.2	0.3
Water			16.6	14.6	16.6	14.6
Sewer			10.6	10.7	10.6	10.7
Golf			2.2	2.1	2.2	2.1
Other			2.1	2.1	2.1	2.1
Total expenses	55.9	53.6	31.5	29.5	87.4	83.1
Net asset change before extra-ordinary items and transfers	(0.7)	4.8	(0.7)	(0.1)	(1.4)	4.7
Extraordinary item ¹	(1.8)	8.6	-	-	(1.8)	8.6
Transfers	0.2	0.5	(0.2)	(0.5)	-	-
Change in net assets	(2.3)	13.9	(0.9)	(0.6)	(3.2)	13.3
Net assets – July 1	<u>284.4</u>	<u>270.5</u>	<u>196.0</u>	<u>196.6</u>	<u>480.4</u>	<u>467.1</u>
Net assets – June 30	<u>\$ 282.1</u>	<u>\$ 284.4</u>	<u>\$ 195.1</u>	<u>\$ 196.0</u>	<u>\$ 477.2</u>	<u>\$ 480.4</u>

¹ Extraordinary item is a result of the dissolution of the San Clemente Redevelopment Agency.

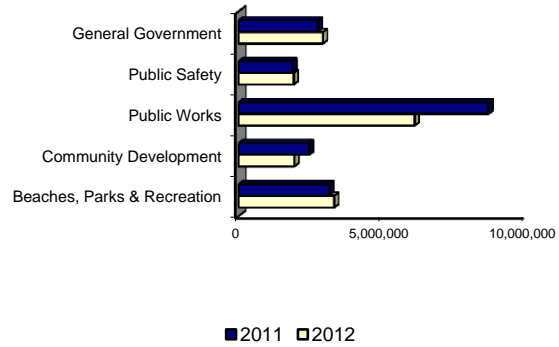
Governmental activities

Governmental activities decreased the City's net assets by \$2.3 million as compared to a \$13.9 million increase in the previous year. Revenues were \$55.2 million in Fiscal Year (FY) 2012 as compared to \$58.4 million in FY 2011. The City received less in capital grants during the year and experienced a minor decrease in property taxes. Expenses increased by \$2.3 million from the prior fiscal year, and expenses were \$0.7 more than revenues in the current year. Expense increases were due to increased fire contract costs, public works maintenance projects, and costs for a partial year of operating the new sports park.

Expenses – Governmental Activities



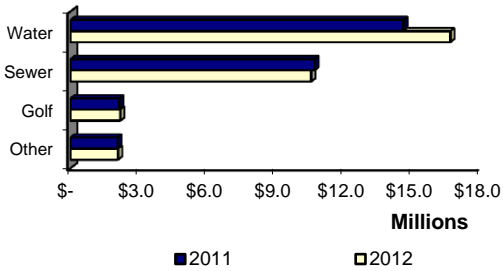
Program Revenues – Governmental Activities



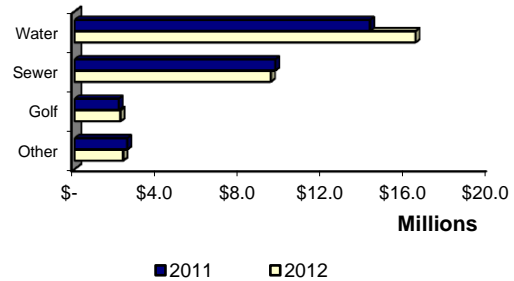
Business-type activities

Business-type activities net assets decreased by (\$0.9) million as compared to a decrease of (\$0.6) million in the previous year. The overall change is attributed to higher purchased water costs and lower income from capital contributions and investments. Investment income decreased by \$0.3 million and capital contributions were lower by \$1.0 million. Purchased water costs went from \$6.5 million to \$7.7 but was offset by higher revenues.

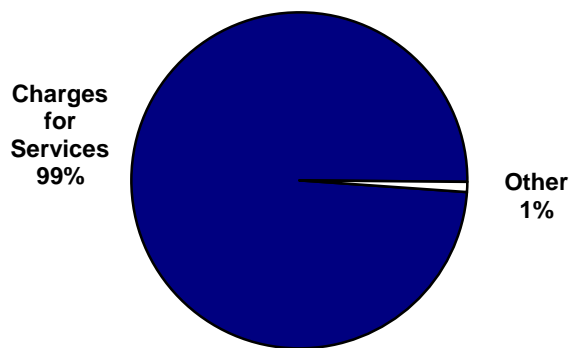
Expenses – Business-type activities



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 \$81.6 million. Unassigned fund balance, which is available for spending at the City's discretion, constitutes \$1.6 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 non-deferred loans receivable (\$3.9 million), 2) restricted based on legislation or under agreements with external parties (\$46.3 million), 3) committed based on a formal action of the City Council (\$18.2 million), or 4) assigned for specific purposes based on the appointed designee (\$11.6 million). Governmental fund balances, in total, decreased by \$6.6 million during the fiscal year due primarily to the capital project activity. A large portion of the other governmental fund balances were from development fees received which were restricted for the use of capital projects. These balances are now being drawn upon.

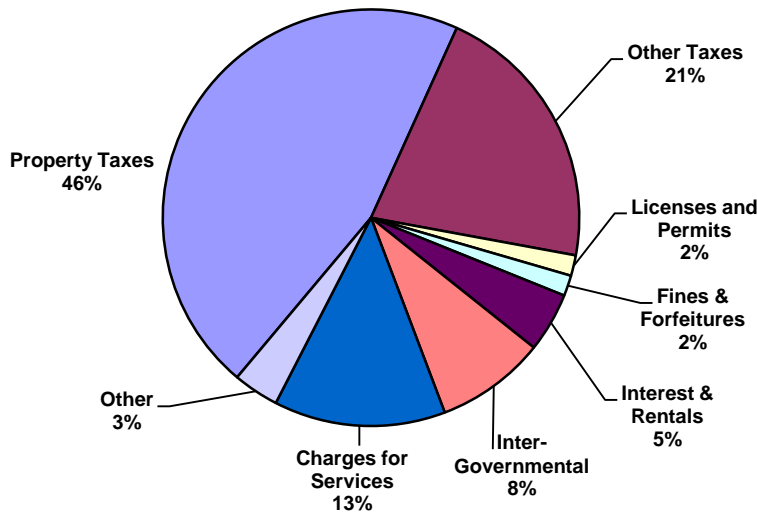
Governmental funds, in total, had \$56.3 million of revenues and taxes represented 67% of the revenues. FY 2011 governmental revenues were \$58.5 million. The decrease from the prior year was mostly in property taxes as a result of the dissolution of the redevelopment agency. Previously, the redevelopment agency received property taxes; however, based on the dissolution of the redevelopment agency these, property taxes are now being distributed to other governmental agencies, with only a small portion to the City. Total governmental fund expenditures were \$63.3 million in FY 2012 compared to last years amount of \$72.6 million, which was a decrease of \$9.3 million. This decrease occurred primarily in the capital outlay which went from \$25.6 million to \$13.8 million as a result of the completion of the following capital projects during the year: fire station, senior center, and the sports park including the aquatics center.

Other significant governmental fund activity that occurred during the year was the following:

- Redevelopment Agency dissolution, which is discussed more in the Notes to the Financial statements. This contributed to an overall decrease in tax revenues in governmental funds and resulted in the closure of a Low/Moderate Income Housing fund, a debt service fund, and a capital projects fund.
- Parks Acquisition and Development fund capital costs decreased to \$10.2 million from \$13.2 million in the prior year as the Vista Hermosa Sports Park and Aquatics Center was completed. This fund ended the year with \$0.7 million in fund balance, down from \$11.8 million from at the start of the year.
- Other significant changes in other governmental fund included the early payment of \$0.8 million of Certificates of Participation in the Negocio debt service fund, transfer of \$1 million of proceeds from a prior year land sale to the Reserve capital project fund.

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

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



<u>Function</u>	<u>2012</u> <u>Amounts</u>	<u>% of</u> <u>Total</u>	<u>2011</u> <u>Amounts</u>	<u>% of</u> <u>Total</u>
Property Taxes	\$ 25.7	46 %	\$ 27.4	47 %
Other Taxes	11.9	21 %	10.7	18 %
Licenses & Permits	0.9	2 %	1.9	3 %
Fines & Forfeitures	0.9	2 %	0.9	2 %
Interest & Rentals	2.6	5 %	2.8	5 %
Intergovernmental	4.8	8 %	5.8	10 %
Charges for Services	7.5	13 %	7.2	12 %
Other	1.8	3 %	1.8	3 %
	<u>\$ 56.3</u>	<u>100 %</u>	<u>\$ 58.5</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 assets of the Water, Sewer and Golf operations at the end of the year amounted to \$13.9 million, \$19.2 million and (\$0.8) million, respectively. In total, unrestricted net assets for all proprietary funds increased from the previous year. A large portion of these unrestricted net assets are set aside for infrastructure replacement. Total Enterprise Fund Net Assets decreased from \$195.9 million to \$195.2 million. Overall, net asset balances in the major proprietary funds remained stable during the fiscal year.

There were no significant changes to proprietary fund balances, with total net assets decreasing by 0.1%. Last year’s change in net assets was an increase of \$204,951 and this year’s decrease was (\$607,993). This decrease is a largely due to lower investment income (\$0.3 million) and lower capital grants (\$1.0 million) in total.

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 \$28.5 million. Unassigned fund balance represents \$1.5 million or 5% 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 \$47.1 million, when compared to the final budgeted amounts there was a \$0.6 million increase, with most of this reflected in taxes. Based on a review of revenue at mid-year the following revenues were adjusted upwards: property taxes by \$0.2 million, sales tax by \$0.1 million and other taxes by \$0.1 million.

The actual fiscal year revenues were comparable with the budgeted expectations. The largest variances were in taxes, investment/rental, and charges for services. Taxes were \$197,283 higher than budgeted, investment and rentals were \$158,939 lower than budget, and charges for services were \$208,408 higher than budget. Additional information on these revenues variances are summarized below:

- Property taxes were due to a receipt of property taxes which were previously allocated to the dissolved Redevelopment Agency. Sales taxes were higher based on taxable sales within the City.
- Investment income was down due to the unrealized loss on investments of \$106,221 and the continuing weak interest rate environment.
- Charges for services were due to higher recoveries on ambulance service charges and increased recreation service charges driven by the new sports park.

The budgeted expenditures increased from the original \$53.6 million to final budget amount of \$54.5 million in the General Fund. The major changes were in Beaches, Parks and Recreation and Capital Outlay. Beaches, Parks and Recreation costs increased to pay contract class instructors as a result of the higher recreation service charges revenue. Capital outlay's increase was primarily the result of a \$309,000 additional appropriation to complete street related work. Other changes from the original budgeted expenditures were minor during the year.

Actual expenditures in the General Fund ended the year \$7.1 million lower than the final budget, \$2.7 million of this amount will be reappropriated in FY 2013. Budget variances were obtained in multiple categories, as explained below:

- Capital outlay lower by \$2.7 million and public works lower by \$1.0 million as a result of projects that will be performed next fiscal year or savings achieved on projects.
- City General costs came in lower by \$1.4 million as result of the \$1.0 million payment being no longer required to maintain the dissolved Redevelopment Agency.
- Police savings from budget were due to vacancies during the course of the year.
- Beaches, Parks and Recreation came in lower than anticipated due to the new park opening which was delayed by one month resulting in additional savings.

Other financing sources (uses) include transfers in of \$1.7 million to support capital related activity. Transfers out totaled \$2.1 million with \$1.1 million transferred to a debt service fund for an early debt service payment and \$0.7 million transferred to support street projects.

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, 2012, amounts to \$341.7 million (net of accumulated depreciation) as compared to the June 30, 2011 total of \$331.7 million (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, equipment, and construction-in-progress. The net increase in the City's net investment in capital assets for the current fiscal year was \$10.0 million (\$5.8 million for governmental activities and \$4.2 million for business-type activities).

Major capital improvements during the fiscal year consisted primarily of a fire station, senior center, and a sports park (aquatics center and field facilities) that were moved from construction in progress. Construction in progress totaled \$9.7 million at June 30, 2012. The \$22.3 million decrease from the previous fiscal year is due to the assets (including buildings, fields, and pools) whose construction was completed. Depreciation expense during the fiscal year was \$6.4 million for governmental activities and \$4.4 million for business-type activities as compared to \$6.0 million and \$4.3 million respectively in the previous fiscal year.

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

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business- type Activities <u>2012</u>	Business- type Activities <u>2011</u>	Total <u>2012</u>	Total <u>2011</u>
Land	\$ 37.2	\$ 37.6	\$ 4.1	\$ 4.1	\$ 41.3	\$ 41.7
Infrastructure	92.4	92.2	64.9	61.4	157.3	153.6
Buildings & Improvements	57.9	29.2	71.3	71.4	129.2	100.6
Equipment	3.6	3.2	0.6	0.6	4.2	3.8
Construction-in- progress	<u>2.1</u>	<u>25.2</u>	<u>7.6</u>	<u>6.8</u>	<u>9.7</u>	<u>32.0</u>
Totals	<u>\$ 193.2</u>	<u>\$ 187.4</u>	<u>\$ 148.5</u>	<u>\$ 144.3</u>	<u>\$ 341.7</u>	<u>\$ 331.7</u>

During the year, land was moved from the capital assets to land held for resale in the governmental funds.

Long-term Liabilities. At the end of the current fiscal year, the City had total bonded debt of \$1.7 million outstanding and \$164,691 of capitalized lease obligations. A principal payment of \$0.8 million was made against the Certificates of Participation Bonds during the current fiscal year. Further information on the Long Term Liabilities can be found in the Notes to the Financial Statements, Long Term Liabilities (Note VII).

City of San Clemente
Outstanding Debt
(in millions)

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business-type Activities <u>2012</u>	Business-type Activities <u>2011</u>
Certificates of Participation	\$ 1.7	\$ 2.5	\$ -	\$ -
Capitalized Lease	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1.7</u>	<u>\$ 2.5</u>	<u>\$ -</u>	<u>\$ -</u>

SIGNIFICANT MATTERS

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 that previously had 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. (Further information is in Note XI-F).

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, 100 Avenida Presidio, San Clemente, CA 92672.



CITY OF SAN CLEMENTE
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 86,536,528	\$ 33,865,613	\$ 120,402,141
Receivables	6,203,037	3,894,654	10,097,691
Due from other governments	789,961	450,164	1,240,125
Inventories	-	356,565	356,565
Land held for resale	410,000	-	410,000
Internal balances	839,088	(839,088)	-
Prepaid items	118,568	-	118,568
Total Current Assets	<u>94,897,182</u>	<u>37,727,908</u>	<u>132,625,090</u>
Noncurrent Assets:			
Restricted cash and investments	351,043	11,817,235	12,168,278
Loans receivable	6,418,398	-	6,418,398
Non-depreciable capital assets	39,316,740	11,703,731	51,020,471
Depreciable capital assets (net of accumulated depreciation)	<u>153,845,688</u>	<u>136,825,014</u>	<u>290,670,702</u>
Total Noncurrent Assets	<u>199,931,869</u>	<u>160,345,980</u>	<u>360,277,849</u>
Total Assets	<u>294,829,051</u>	<u>198,073,888</u>	<u>492,902,939</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	4,150,808	1,873,987	6,024,795
Accrued wages	383,032	60,332	443,364
Unearned revenue	611,295	-	611,295
Deposits payable	1,320,978	212,599	1,533,577
Current portion of long-term obligations	<u>1,623,237</u>	<u>137,362</u>	<u>1,760,599</u>
Total Current Liabilities	<u>8,089,350</u>	<u>2,284,280</u>	<u>10,373,630</u>
Noncurrent Liabilities:			
Claims and judgments payable	890,082	-	890,082
Compensated absences	1,556,031	625,755	2,181,786
OPEB obligation	520,409	-	520,409
Noncurrent portion of long-term obligations	<u>1,687,026</u>	<u>-</u>	<u>1,687,026</u>
Total Noncurrent Liabilities	<u>4,653,548</u>	<u>625,755</u>	<u>5,279,303</u>
Total Liabilities	<u>12,742,898</u>	<u>2,910,035</u>	<u>15,652,933</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	191,342,737	148,528,745	339,871,482
Restricted for:			
Public facilities construction	16,175,237	11,604,636	27,779,873
Local drainage facilities	4,883,279	-	4,883,279
Developer improvements	3,975,712	-	3,975,712
Park acquisition and development	707,179	-	707,179
Other capital	16,422,526	-	16,422,526
Low and moderate income housing	9,404,809	-	9,404,809
Unrestricted	<u>39,174,674</u>	<u>35,030,472</u>	<u>74,205,146</u>
Total Net Assets	<u>\$ 282,086,153</u>	<u>\$ 195,163,853</u>	<u>\$ 477,250,006</u>

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,446,115	\$ 2,899,751	\$ 41,641	\$ -
Police	12,120,058	1,014,471	140,316	-
Fire	7,441,911	768,098	-	-
Public works	11,467,488	1,146,576	2,613,953	2,374,036
Community development	5,335,446	1,365,793	404,788	175,206
Beaches, parks & recreation	11,832,045	3,186,014	18,154	132,791
Interest and fiscal charges	232,635	-	-	-
Total governmental activities	55,875,698	10,380,703	3,218,852	2,682,033
Business-type activities:				
Water	16,649,645	16,424,826	34,000	796
Sewer	10,560,807	9,270,705	153,162	46,384
Golf	2,191,026	2,222,932	-	-
Nonmajor	2,080,649	2,286,446	61,766	-
Total business-type activities	31,482,127	30,204,909	248,928	47,180
Total	\$ 87,357,825	\$ 40,585,612	\$ 3,467,780	\$ 2,729,213

General Revenue

Taxes:

- Property taxes
- Sales taxes
- Sales taxes - in lieu
- Transient occupancy taxes
- Franchise taxes
- Other taxes

Investment earnings

Miscellaneous

Extraordinary items:

- Dissolution of the redevelopment agency

Transfers

Total General Revenue and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Accompanying Notes to the Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Net (Expense) Revenue	Governmental Activities	Business-type Activities	Total
\$ (4,504,723)	\$ (4,504,723)	\$ -	\$ (4,504,723)
(10,965,271)	(10,965,271)	-	(10,965,271)
(6,673,813)	(6,673,813)	-	(6,673,813)
(5,332,923)	(5,332,923)	-	(5,332,923)
(3,389,659)	(3,389,659)	-	(3,389,659)
(8,495,086)	(8,495,086)	-	(8,495,086)
<u>(232,635)</u>	<u>(232,635)</u>	<u>-</u>	<u>(232,635)</u>
<u>(39,594,110)</u>	<u>(39,594,110)</u>	<u>-</u>	<u>(39,594,110)</u>
(190,023)	-	(190,023)	(190,023)
(1,090,556)	-	(1,090,556)	(1,090,556)
31,906	-	31,906	31,906
<u>267,563</u>	<u>-</u>	<u>267,563</u>	<u>267,563</u>
<u>(981,110)</u>	<u>-</u>	<u>(981,110)</u>	<u>(981,110)</u>
<u>\$ (40,575,220)</u>	<u>(39,594,110)</u>	<u>(981,110)</u>	<u>(40,575,220)</u>
	25,704,056	-	25,704,056
	5,375,251	-	5,375,251
	1,694,225	-	1,694,225
	1,541,248	-	1,541,248
	2,229,194	-	2,229,194
	1,073,325	-	1,073,325
	1,147,655	365,245	1,512,900
	144,473	-	144,473
	(1,767,179)	-	(1,767,179)
	<u>178,765</u>	<u>(178,765)</u>	<u>-</u>
	<u>37,321,013</u>	<u>186,480</u>	<u>37,507,493</u>
	(2,273,097)	(794,630)	(3,067,727)
	<u>284,359,250</u>	<u>195,958,483</u>	<u>480,317,733</u>
	<u>\$ 282,086,153</u>	<u>\$ 195,163,853</u>	<u>\$ 477,250,006</u>

CITY OF SAN CLEMENTE
Balance Sheet
Governmental Funds
June 30, 2012

		Capital
	General	Developers Improvement
Assets:		
Cash and investments	\$ 28,058,878	\$ 9,428,611
Receivables:		
Taxes	4,424,632	-
Accounts	477,097	268,212
Accrued interest	253,114	52,227
Loans	1,778,343	4,132,449
Due from other funds	398,892	-
Due from other governments	259,321	-
Land held for resale	-	410,000
Prepaid items	22,400	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Total Assets	\$ 35,672,677	\$ 14,291,499
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 2,741,657	\$ 136,344
Accrued wages	185,808	-
Deferred revenue	2,705,239	2,690,008
Unearned revenue	475,042	-
Deposits payable	1,107,732	169,296
Due to other funds	-	-
Total Liabilities	7,215,478	2,995,648
Fund Balance (Deficit):		
Nonspendable	1,800,743	2,120,653
Restricted	-	9,175,198
Committed	17,754,373	-
Assigned	7,373,427	-
Unassigned	1,528,656	-
Total Fund Balance	28,457,199	11,295,851
Total Liabilities and Fund Balance	\$ 35,672,677	\$ 14,291,499

See Accompanying Notes to the Financial Statements.

Project Funds

Public Facilities Construction	Parks Acquisition and Development	Nonmajor Governmental Funds	Total Governmental Funds
\$ 16,304,921	\$ 1,243,189	\$ 24,449,385	\$ 79,484,984
-	-	1,160	4,425,792
-	-	364,274	1,109,583
90,316	6,886	135,814	538,357
-	-	507,606	6,418,398
-	-	-	398,892
-	-	530,640	789,961
-	-	-	410,000
-	-	-	22,400
-	-	351,043	351,043
<u>\$ 16,395,237</u>	<u>\$ 1,250,075</u>	<u>\$ 26,339,922</u>	<u>\$ 93,949,410</u>
\$ 220,000	\$ 542,896	\$ 298,405	\$ 3,939,302
-	-	859	186,667
-	-	507,606	5,902,853
-	-	136,253	611,295
-	-	43,950	1,320,978
-	-	398,892	398,892
<u>220,000</u>	<u>542,896</u>	<u>1,385,965</u>	<u>12,359,987</u>
-	-	-	3,921,396
16,175,237	707,179	20,275,734	46,333,348
-	-	442,650	18,197,023
-	-	4,209,482	11,582,909
-	-	26,091	1,554,747
<u>16,175,237</u>	<u>707,179</u>	<u>24,953,957</u>	<u>81,589,423</u>
<u>\$ 16,395,237</u>	<u>\$ 1,250,075</u>	<u>\$ 26,339,922</u>	<u>\$ 93,949,410</u>

CITY OF SAN CLEMENTE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Fund balances for governmental funds		\$ 81,589,423
Amounts reported for governmental activities in the statement of net assets 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 \$2,980,726.		
Governmental capital assets	260,865,457	
Less: accumulated depreciation	<u>(70,683,755)</u>	190,181,702
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 \$198,489.		
Certificates of participation	(1,655,000)	
Compensated absences	<u>(1,699,110)</u>	(3,354,110)
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	2,980,726	
Long term liabilities, current and noncurrent portion	(3,330,546)	
Other internal service assets (liabilities)	<u>8,022,522</u>	7,672,702
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.		5,902,853
Deferred charges represent costs that are prepayments in nature and are to be amortized over the period which the benefit is received.		
Broker commission	141,259	
Less: amortization	<u>(47,676)</u>	93,583
Net assets of governmental activities		<u><u>\$ 282,086,153</u></u>

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, 2012

	General	Capital Developers Improvement
Revenues:		
Taxes	\$ 36,030,333	\$ -
Licenses and permits	892,486	-
Fines and forfeits	879,981	-
Investment and rentals	1,882,701	90,055
Intergovernmental	815,526	-
Charges for services	7,281,898	8,969
Developers fees	-	85,475
Other	61,298	679,044
Total Revenues	<u>47,844,223</u>	<u>863,543</u>
Expenditures:		
Current:		
General government	6,848,223	-
Police	11,976,383	-
Fire	7,280,209	-
Public works	6,702,523	-
Community development	4,103,672	48,800
Beaches, parks and recreation	9,402,496	-
Capital outlay	1,064,305	269,217
Debt Service:		
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	<u>47,377,811</u>	<u>318,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>466,412</u>	<u>545,526</u>
Other Financing Sources (Uses):		
Transfers in	1,102,861	-
Transfers out	(2,085,331)	-
Total Other Financing Sources (Uses)	<u>(982,470)</u>	<u>-</u>
Extraordinary item - redevelopment agency dissolution	-	-
Net Change in Fund Balances	(516,058)	545,526
Fund Balances - Beginning of Year	<u>28,973,257</u>	<u>10,750,325</u>
Fund Balances - End of Year	<u>\$ 28,457,199</u>	<u>\$ 11,295,851</u>

See Accompanying Notes to the Financial Statements.

Project Funds			
Public Facilities Construction	Parks Acquisition and Development	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,544,156	\$ 37,574,489
-	-	-	892,486
-	-	-	879,981
159,053	(138,447)	621,743	2,615,105
-	-	4,014,954	4,830,480
-	-	236,850	7,527,717
13,317	67,524	3,755	170,071
2,836	203,714	809,056	1,755,948
<u>175,206</u>	<u>132,791</u>	<u>7,230,514</u>	<u>56,246,277</u>
-	-	460,551	7,308,774
13,549	-	121,367	12,111,299
-	-	-	7,280,209
-	-	422,165	7,124,688
65,422	-	941,770	5,159,664
-	18,830	-	9,421,326
559,022	10,172,453	1,728,643	13,793,640
-	-	830,000	830,000
-	-	226,089	226,089
<u>637,993</u>	<u>10,191,283</u>	<u>4,730,585</u>	<u>63,255,689</u>
<u>(462,787)</u>	<u>(10,058,492)</u>	<u>2,499,929</u>	<u>(7,009,412)</u>
60,940	-	4,439,569	5,603,370
-	(1,000,000)	(2,137,444)	(5,222,775)
<u>60,940</u>	<u>(1,000,000)</u>	<u>2,302,125</u>	<u>380,595</u>
-	-	(1,767,179)	(1,767,179)
(401,847)	(11,058,492)	3,034,875	(8,395,996)
16,577,084	11,765,671	21,919,082	89,985,419
<u>\$ 16,175,237</u>	<u>\$ 707,179</u>	<u>\$ 24,953,957</u>	<u>\$ 81,589,423</u>

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, 2012

Net change in fund balances - total governmental funds: \$ (8,395,996)

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 depreciation exceeded capital outlays in the current period, as listed below:

Capital outlay	13,793,640	
Other maintenance activities included in capital outlay above	(1,669,837)	
Gain (loss) on removal of capital asset	(466,154)	
Depreciation expense (net of Internal Service Funds of \$631,660)	<u>(5,801,385)</u>	5,856,264

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. (304,017)

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.

Principal repayments	830,000	
Compensated absences change (governmental)	<u>(40,858)</u>	789,142

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	(6,114,077)	
Current year deferral	<u>5,902,853</u>	(211,224)

Some expenditures reported in the governmental funds provide benefits to future periods. This amount represents a commission that will be amortized over the future periods. (7,266)

Change in net assets of governmental activities \$ (2,273,097)

See Accompanying Notes to the Financial Statements.



CITY OF SAN CLEMENTE
Statement of Net Assets
Proprietary Funds
June 30, 2012

Assets:	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Current Assets:			
Cash and investments	\$ 12,696,384	\$ 18,422,504	\$ 159,570
Receivables	2,050,216	1,211,883	1,338
Accrued interest	88,563	149,268	884
Inventory, at cost	300,041	9,222	47,302
Due from other governments	414,637	35,527	-
Prepays	-	-	-
Current restricted assets:			
Cash and investments:			
Water deposits	212,599	-	-
Developer impact fee reserves	3,079,471	8,525,165	-
Total Current Assets	18,841,911	28,353,569	209,094
Capital Assets:			
Land	3,660,761	410,298	2,011
Water, sewer and storm lines	26,821,262	68,839,374	-
Utility assets	27,753,863	83,600,904	-
Buildings	205,662	234,370	6,423,954
Improvements other than buildings	-	-	3,266,622
Machinery and equipment	635,625	623,321	966,159
Construction in progress	2,535,163	4,892,982	-
Subtotal	61,612,336	158,601,249	10,658,746
Less accumulated depreciation	(20,028,537)	(59,364,921)	(3,152,644)
Capital Assets (net of accumulated depreciation)	41,583,799	99,236,328	7,506,102
Noncurrent Assets:			
Advance to other funds	-	-	-
Total Noncurrent Assets	41,583,799	99,236,328	7,506,102
Total Assets	60,425,710	127,589,897	7,715,196

See Accompanying Notes to Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 2,587,155	\$ 33,865,613	\$ 7,051,544
378,171	3,641,608	91,274
14,331	253,046	38,031
-	356,565	-
-	450,164	-
-	-	2,585
-	212,599	-
-	11,604,636	-
<u>2,979,657</u>	<u>50,384,231</u>	<u>7,183,434</u>
-	4,073,070	-
-	95,660,636	-
-	111,354,767	-
-	6,863,986	443,134
-	3,266,622	411,227
54,741	2,279,846	5,552,101
202,516	7,630,661	-
<u>257,257</u>	<u>231,129,588</u>	<u>6,406,462</u>
<u>(54,741)</u>	<u>(82,600,843)</u>	<u>(3,425,736)</u>
<u>202,516</u>	<u>148,528,745</u>	<u>2,980,726</u>
-	-	750,000
<u>202,516</u>	<u>148,528,745</u>	<u>3,730,726</u>
<u>3,182,173</u>	<u>198,912,976</u>	<u>10,914,160</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	\$ 1,340,656	\$ 256,387	\$ 57,229
Accrued wages	26,014	21,708	8,062
Long-term liabilities, current portion	40,700	56,468	35,475
Total Current Liabilities			
Payable from Current Assets	<u>1,407,370</u>	<u>334,563</u>	<u>100,766</u>
Payable from Restricted Assets:			
Deposits payable	<u>212,599</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>1,619,969</u>	<u>334,563</u>	<u>100,766</u>
Noncurrent Liabilities:			
Capitalized lease obligations	-	-	-
OPEB obligation	-	-	-
Compensated absences payable	185,411	257,241	161,607
Claims and judgments payable	-	-	-
Advances from other funds	-	-	750,000
Total Noncurrent Liabilities	<u>185,411</u>	<u>257,241</u>	<u>911,607</u>
Total Liabilities	<u>1,805,380</u>	<u>591,804</u>	<u>1,012,373</u>
Net Assets:			
Invested in capital assets, net of related debt	41,583,799	99,236,328	7,506,102
Restricted for capital projects	3,079,471	8,525,165	
Unrestricted	<u>13,957,060</u>	<u>19,236,600</u>	<u>(803,279)</u>
Total Net Assets	<u>\$ 58,620,330</u>	<u>\$ 126,998,093</u>	<u>\$ 6,702,823</u>

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

Net assets of business-type activities

See Accompanying Notes to the Financial Statements.

Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 219,715	\$ 1,873,987	\$ 211,506
4,548	60,332	196,365
4,719	137,362	1,222,397
<u>228,982</u>	<u>2,071,681</u>	<u>1,630,268</u>
-	212,599	-
<u>228,982</u>	<u>2,284,280</u>	<u>1,630,268</u>
-	-	127,026
-	-	520,409
21,496	625,755	162,761
-	-	890,082
-	750,000	-
<u>21,496</u>	<u>1,375,755</u>	<u>1,700,278</u>
<u>250,478</u>	<u>3,660,035</u>	<u>3,330,546</u>
202,516	148,528,745	2,816,035
-	11,604,636	-
<u>2,729,179</u>	<u>35,119,560</u>	<u>4,767,579</u>
<u>\$ 2,931,695</u>	195,252,941	<u>\$ 7,583,614</u>
	<u>(89,088)</u>	
	<u>\$ 195,163,853</u>	

(Concluded)

CITY OF SAN CLEMENTE
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 15,530,976	\$ 9,252,446	\$ 1,971,203
Concessions	-	-	203,632
Other	893,850	18,259	48,097
Total Operating Revenues	<u>16,424,826</u>	<u>9,270,705</u>	<u>2,222,932</u>
Operating Expenses:			
Salaries and benefits	2,628,089	2,379,627	860,271
Cost of purchased water	7,730,757	-	-
Cost of materials and supplies	646,882	841,865	140,513
Depreciation	968,964	3,144,024	324,780
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	4,643,708	4,167,408	845,897
Total Operating Expenses	<u>16,618,400</u>	<u>10,532,924</u>	<u>2,171,461</u>
Operating Income (Loss)	<u>(193,574)</u>	<u>(1,262,219)</u>	<u>51,471</u>
Non-Operating Revenues (Expenses):			
Investment income	98,973	248,387	(3,048)
Grant income	34,000	153,162	-
Interest and fiscal charges	-	-	(12,000)
Gain (Loss) on sale of capital assets	-	-	-
Total Non-Operating Revenues (Expenses)	<u>132,973</u>	<u>401,549</u>	<u>(15,048)</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>(60,601)</u>	<u>(860,670)</u>	<u>36,423</u>
Transfers in	81,210	431,110	17,200
Transfers out	(32,955)	(48,040)	-
Total Transfers	<u>48,255</u>	<u>383,070</u>	<u>17,200</u>
Capital grants	-	15,456	-
Capital contributions	796	30,928	-
Total Capital Contributions	<u>796</u>	<u>46,384</u>	<u>-</u>
Change in Net Assets	(11,550)	(431,216)	53,623
Net Assets - Beginning of Year	<u>58,631,880</u>	<u>127,429,309</u>	<u>6,649,200</u>
Net Assets - End of Year	<u>\$ 58,620,330</u>	<u>\$ 126,998,093</u>	<u>\$ 6,702,823</u>

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

Change in net assets of business-type activities

See Accompanying Notes to the Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 1,945,858	\$ 28,700,483	\$ 8,658,407
-	203,632	-
340,588	1,300,794	132,185
<u>2,286,446</u>	<u>30,204,909</u>	<u>8,790,592</u>
465,151	6,333,138	900,335
-	7,730,757	-
86,710	1,715,970	591,799
-	4,437,768	631,660
-	-	3,547,425
-	-	1,183,706
1,523,624	11,180,637	2,150,605
<u>2,075,485</u>	<u>31,398,270</u>	<u>9,005,530</u>
<u>210,961</u>	<u>(1,193,361)</u>	<u>(214,938)</u>
20,933	365,245	42,300
61,766	248,928	-
-	(12,000)	(8,057)
-	-	6,650
<u>82,699</u>	<u>602,173</u>	<u>40,893</u>
<u>293,660</u>	<u>(591,188)</u>	<u>(174,045)</u>
3,600	533,120	44,330
(516,110)	(597,105)	(360,940)
<u>(512,510)</u>	<u>(63,985)</u>	<u>(316,610)</u>
-	15,456	-
-	31,724	-
<u>-</u>	<u>47,180</u>	<u>-</u>
(218,850)	(607,993)	(490,655)
3,150,545		8,074,269
<u>\$ 2,931,695</u>		<u>\$ 7,583,614</u>
	<u>(186,637)</u>	
	<u>\$ (794,630)</u>	

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Cash Flows from Operating Activities:			
Cash received from customers	\$ 15,010,210	\$ 9,381,243	\$ 1,974,070
Cash paid to other suppliers for goods or services	(12,460,030)	(5,622,700)	(990,609)
Cash payment to employees	(2,658,455)	(2,392,067)	(860,962)
Cash from rents and concessions	-	-	203,632
Cash from other operating revenues	893,850	18,259	48,097
Net Cash Provided by (Used for) Operating Activities	<u>785,575</u>	<u>1,384,735</u>	<u>374,228</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	151,910	431,110	767,200
Cash paid to other funds	(103,655)	(48,040)	(2,634,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>48,255</u>	<u>383,070</u>	<u>(1,866,800)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants	34,796	184,090	-
Purchase and construction of capital assets	(6,829,963)	(1,437,076)	(115,165)
Cash proceeds from sale of capital assets	-	-	-
Payment on capital lease payable	-	-	-
Interest and fiscal charges	-	-	(12,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(6,795,167)</u>	<u>(1,252,986)</u>	<u>(127,165)</u>
Cash Flows from Investing Activities:			
Maturity (purchase) of investments	3,354,058	(628,225)	956,604
Investment income received	153,276	270,600	7,680
Net Cash Provided by (Used for) Investing Activities	<u>3,507,334</u>	<u>(357,625)</u>	<u>964,284</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,454,003)	157,194	(655,453)
Cash and Cash Equivalents at Beginning of Year	<u>8,849,385</u>	<u>10,621,873</u>	<u>719,281</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,395,382</u>	<u>\$ 10,779,067</u>	<u>\$ 63,828</u>
Reconciliation of Cash Equivalents to the balance sheet:			
Cash and cash equivalents	\$ 6,395,382	\$ 10,779,067	\$ 63,828
Investments	9,593,072	16,168,602	95,742
Total cash and investments per the balance sheet	<u>\$ 15,988,454</u>	<u>\$ 26,947,669</u>	<u>\$ 159,570</u>

See Accompanying Notes to the Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 1,977,459	\$ 28,342,982	\$ 8,731,602
(1,562,310)	(20,635,649)	(7,616,057)
(474,068)	(6,385,552)	(1,008,963)
-	203,632	-
340,588	1,300,794	-
<u>281,669</u>	<u>2,826,207</u>	<u>106,582</u>
43,600	1,393,820	44,330
<u>(556,110)</u>	<u>(3,341,805)</u>	<u>(1,110,940)</u>
<u>(512,510)</u>	<u>(1,947,985)</u>	<u>(1,066,610)</u>
-	218,886	-
(186,289)	(8,568,493)	(395,990)
-	-	19,060
-	-	(41,574)
-	(12,000)	(6,546)
<u>(186,289)</u>	<u>(8,361,607)</u>	<u>(425,050)</u>
216,736	3,899,173	746,934
26,123	457,679	56,127
<u>242,859</u>	<u>4,356,852</u>	<u>803,061</u>
(174,271)	(3,126,533)	(582,017)
<u>1,209,133</u>	<u>21,399,672</u>	<u>3,402,635</u>
<u>\$ 1,034,862</u>	<u>\$ 18,273,139</u>	<u>\$ 2,820,618</u>
\$ 1,034,862	\$ 18,273,139	\$ 2,820,618
1,552,293	27,409,709	4,230,926
<u>\$ 2,587,155</u>	<u>\$ 45,682,848</u>	<u>\$ 7,051,544</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (193,574)	\$ (1,262,219)	\$ 51,471
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	968,965	3,144,024	324,780
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(520,766)	128,797	8,742
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventories	10,200	5,303	3,303
Increase (decrease) in accounts payable	540,417	(618,730)	(7,502)
Increase (decrease) in accrued wages	(33,532)	(33,140)	(12,758)
Increase (decrease) in deposits payable	10,699	-	(5,875)
Increase (decrease) in OPEB obligation	-	-	-
Increase (decrease) in compensated absences	3,166	20,700	12,067
Increase (decrease) in claims & judgments payable	-	-	-
Total Adjustments	979,149	2,646,954	322,757
Net Cash Provided by (Used for) Operating Activities	\$ 785,575	\$ 1,384,735	\$ 374,228
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	\$ -	\$ 15,456	\$ -
Unrealized gain (loss) from investments	(127,043)	(96,428)	(18,565)
Borrowing under capital lease	-	-	-

See Accompanying Notes to the Financial Statements.

<u>Enterprise Funds</u>		<u>Internal Service</u>
<u>Nonmajor</u>	<u>Totals</u>	
<u>\$ 210,961</u>	<u>\$ (1,193,361)</u>	<u>\$ (214,938)</u>
-	4,437,769	631,660
31,601	(351,626)	(58,990)
-	-	553
-	18,806	-
48,024	(37,791)	(108,573)
(7,682)	(87,112)	(121,043)
-	4,824	-
-	-	109,700
(1,235)	34,698	11,424
-	-	(143,211)
<u>70,708</u>	<u>4,019,568</u>	<u>321,520</u>
<u>\$ 281,669</u>	<u>\$ 2,826,207</u>	<u>\$ 106,582</u>

\$ -	\$ 15,456	\$ -
(14,448)	(256,484)	(40,738)
-	-	188,336

(Concluded)

CITY OF SAN CLEMENTE
Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust	RDA Successor Agency Trust
Assets:		
Cash and investments	\$ -	\$ 3,076,674
Taxes receivable	-	-
Accounts receivable	-	5,500
Accrued interest receivable	-	17,041
Loan receivable	-	125,530
Restricted cash and investments	-	-
Restricted cash and investments with fiscal agents	-	-
Investments, at fair value:		
Group annuity contract	7,276,610	-
Dodge & Cox International mutual fund	5,456,977	-
Russell 1000 Index mutual fund	12,732,946	-
PIMCO Total Return Bond mutual fund	7,297,239	-
Russell 2000 Index mutual fund	1,818,992	-
U.S. Government Treasury Inflation Bond mutual fund	1,818,992	-
	36,401,756	3,224,745
Total Assets	36,401,756	3,224,745
Liabilities:		
Accounts payable	\$ -	\$ 1,249,594
Accrued wages	-	286
Loan from the City of San Clemente	-	1,778,343
Payable to bondholders	-	-
	-	3,028,223
Total Liabilities	-	3,028,223
Net Assets:		
Held in trust for pension benefits and for other purposes	\$ 36,401,756	\$ 196,522

See Accompanying Notes to the Financial Statements.

Agency
Funds

\$ -
17,613
32,629
10,291
-
932,549
2,180,320
-
-
-
-
-
-

\$ 3,173,402

\$ 40,645
16,044
-
3,116,713

\$ 3,173,402

CITY OF SAN CLEMENTE
Statement of Changes in Plan Net Assets
Pension Trust Fund - Fiduciary Fund
For the Year Ended June 30, 2012

Contributions:	
Employer	\$ 2,242,906
Employee	<u>951,536</u>
Total Contributions	<u>3,194,442</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	853,684
Investment expenses	<u>(112,559)</u>
Total Investment Income (Loss)	<u>741,125</u>
Total Additions	<u>3,935,567</u>
Deductions:	
Benefits	677,844
Administrative expenses	<u>30,000</u>
Total Deductions	<u>707,844</u>
Change in net assets	3,227,723
Net assets - Beginning of Year	<u>33,174,033</u>
Net assets - End of Year	<u><u>\$ 36,401,756</u></u>

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Changes in Net Assets
Successor Agency to the San Clemente Redevelopment Agency Private Purpose Trust Fund
For the Year Ended June 30, 2012

Additions:	
Investment income	<u>\$ 5,943</u>
Deductions:	
Program expenses of former redevelopment agency	513,319
Administrative expenses	49,758
Payment to the County of Orange	<u>1,161,479</u>
Total Deductions	<u>1,724,556</u>
Extraordinary gain (loss)	<u>1,915,135</u>
Change in net assets	196,522
Net assets - Beginning of Year	<u>-</u>
Net assets - End of Year	<u><u>\$ 196,522</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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic 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. The more significant of the City's policies are described as follows:

A. Description of the 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.

As required by generally accepted accounting principles, these financial statements present the City and its component units, and 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 financial statements of the City include the financial activities of the City, the San Clemente Redevelopment Agency (the "Agency") and the San Clemente Public Financing Authority ("PFA"). The City has accounted for the 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 interfund data of the City. The accounting policies of the City, the Agency and the PFA conform to generally accepted accounting principles applicable to governments.

The 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. (See Note XI-F., regarding the dissolution of the Agency on February 1, 2012.)

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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 of the City and the Agency 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 is reported as an Agency fund since proceeds were used to refund a conduit debt, which are not obligations of the City. Separate financial statements for the PFA may be obtained from the City.

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 XI-C.

B. Government-wide and Fund Financial Statements – Basis of presentation:

Government-wide Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 assets, which is equity, is reported in the following categories: invested in capital assets, net of related debt, represents the City's equity interest in the capital assets; restricted assets are net assets whose use is not subject to the City's own discretion; and, unrestricted net assets 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.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Fund Financial Statements: The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statement for each fund category – governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major 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 is used to account for all financial resources except those required to be accounted for in another fund.

Developers Improvement Capital Project Fund – This capital projects 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 Capital Project 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.

Parks Acquisition and Development Capital Project Fund – This capital projects 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.

The City reports the following major enterprise funds:

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

Sewer Utility Fund - The sewer utility fund is used to account for the financial activity of the City's sewer utility. 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 is used to account for the operation and maintenance of the City owned 18-hole golf course. 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, 2012

Additionally, the City reports the following fund types:

Internal Service Funds - The 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.

Fiduciary Funds - The fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governments. These funds included the Pension Trust fund, Successor Agency Trust fund, and the Agency funds. The Pension Trust fund accumulates resources for benefits for all non-public safety employees of the City. The Successor Agency Trust fund holds assets and accumulates resources to pay enforceable obligations and administrative costs of former Redevelopment Agency after the date of dissolution. 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.

During the course of operations the government has activity between funds for various purposes. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 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.

C. 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.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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 at the time liabilities are incurred, regardless of when the related cash flows take place. 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as 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 recognized as expenditures to the extent they have matured. 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 Successor Agency Trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations, therefore, they have no measurement focus.

The City applies all applicable GASB pronouncements in accounting and reporting for its operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

D. Assets, Liabilities, and Net Assets:

1. Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the propriety funds consider all cash and investments that are maturing within 90 days to be cash equivalents, including amounts invested by fiscal agents, as the deposits can be accessed at any time. Also, the City invests a substantial amount of its portfolio in the California Local Agency Investment Fund, which can be converted to cash within 24 hours notice and is considered a cash and cash equivalent.

2. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for an investment contract that is reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as interest income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

3. Inventories:

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventory in the enterprise funds consists of expendable supplies held for consumption.

4. 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.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

5. 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 estimated fair value on the date donated. 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 assets.

Depreciation has been provided using the straight-line method 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

6. 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, 2012 is recorded as a liability. Unpaid compensated absences in proprietary fund types are recorded as a liability in those funds as vested benefits accrue to the employees.

7. 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 is an estimate for "incurred but not reported claims" ("IBNR"), are recorded in an internal service fund.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

8. Net Assets/Fund Balance:

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and Fund Balance on governmental fund statements. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Further information is reported in Note X.

9. Prepays:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

10. 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.

II. 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 most capital project funds have legally adopted budgets as well as the Negocio Building and debt service funds. The capital project funds adopt project length budgets. The City does not adopt annual budgets for the 99-1 A.D. Capital Improvements Capital Project Fund. The City made supplemental budgetary appropriations during the fiscal year of \$10.6 million.

B. Excess of Expenditures Over Appropriations:

The Parks Acquisition and Development Capital Project Fund expenditures exceeded appropriations by \$213,083 due to capital outlay costs change orders that were subsequently approved by the City Council.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

III. CASH AND INVESTMENTS:

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

Statement of net assets:	
Cash and investments - unrestricted	\$ 120,402,141
Cash and investments - restricted:	
Cash and investments	11,817,235
Cash and investments held by bond trustee	351,043
Fiduciary funds:	
Cash and investments	4,009,223
Cash and investments held by bond trustee	2,180,320
Pension trust investments	<u>36,401,756</u>
Total cash and investments	<u><u>\$ 175,161,718</u></u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 5,000
Deposits with financial institutions	586,916
Investments held by City and bond trustee	138,168,046
Pension trust investments	<u>36,401,756</u>
Total cash and investments	<u><u>\$ 175,161,718</u></u>

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

The following table identifies the investment types that are 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 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. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities:	5 years	75%	30%
Federal Farm Credit Bank (FFCB)			
Federal Home Loan Bank (FHLB)			
Federal Home Loan Mortgage Corp. (FHLMC)			
Federal National Mortgage Assoc. (FNMA)			
Banker's Acceptances	180 days	30%	None
Medium-Term Notes	5 years	15%	\$ 2 Million
Money Market Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50 Million
Commercial Paper	270 days	15%	10%
Orange County Investment Pool	N/A	10%	None
Repurchase Agreements	1 year	30%	10%
Insured Certificates of Deposit	5 years	30%	10%

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

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by 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 the investment types that are 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 of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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:

Investment Type	Total Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury securities	\$ 17,268,754	\$ 9,125,116	\$ 8,143,638	\$ -
Federal Agency securities:				
Federal Farm Credit Bank	18,100,592	4,040,164	2,017,852	12,042,576
Federal Home Loan Bank	13,934,052	3,705,044	6,190,266	4,038,742
Federal Home Loan Mortgage Corp.	19,178,665	3,827,850	3,193,924	12,156,891
Federal National Mortgage Assoc.	21,268,330	6,184,187	4,067,650	11,016,493
LAIF	43,877,478	43,877,478	-	-
Medium Term Note	2,008,812	-	-	2,008,812
Held by bond trustee:				
Money market funds	1,720,330	1,720,330	-	-
U.S. Treasury securities*	479,629	-	-	-
LAIF	331,404	331,404	-	-
Total	\$ 138,168,046	\$ 72,811,573	\$ 23,613,330	\$ 41,263,514

*Final maturity is 03/08/2017

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 and Moody's.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum</u> <u>Rating</u>	<u>Exempt From</u> <u>Rating</u>	<u>Ratings as of Year End</u>	
				<u>AAA/AAA</u>	<u>AA2/AA+</u>
U.S. Treasury securities	\$ 17,268,754	N/A	\$ 17,268,754	\$ -	\$ -
Federal agency securities:					
FFCB	18,100,592	N/A	18,100,592	-	-
FHLB	13,934,052	N/A	13,934,052	-	-
FHLMC	19,178,665	N/A	19,178,665	-	-
FNMA	21,268,330	N/A	21,268,330	-	-
LAIF	43,877,478	N/A	43,877,478	-	-
Medium Term Notes	2,008,812	A2/A	-	-	2,008,812
Held by Bond trustee:					
Money market funds	1,720,330	N/A	-	1,720,330	-
U.S. Treasury securities	479,629	N/A	479,629	-	-
Local agency investment fund	331,404	N/A	331,404	-	-
	<u>\$ 138,168,046</u>		<u>\$ 134,438,904</u>	<u>\$ 1,720,330</u>	<u>\$ 2,008,812</u>

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of City Investments</u>
U.S. Treasury	U.S. Treasury securities	\$ 17,268,754	12%
Federal Farm Credit Bank	Federal agency securities	18,100,592	13%
Federal Home Loan Bank	Federal agency securities	13,934,052	10%
Federal Home Loan Mortgage Corp	Federal agency securities	19,178,665	14%
FNMA	Federal agency securities	21,268,330	15%

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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 having a value of 150% of the 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: \$2,449,226 of the City's deposits with financial institutions in excess of federal depository insurance limits is held in collateralized accounts.

As of June 30, 2012, 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>Reported Amount</u>
U.S. Treasury securities	\$ 17,268,754
Federal agency securities:	
Federal Farm Credit Bank	18,100,592
Federal Home Loan Bank	13,934,052
Federal Home Loan Mortgage Corp	19,178,665
Federal National Mortgage Association	21,268,330

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, 2012, 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, 2012

As of June 30, 2012, the City had \$43,877,478 invested in LAIF and \$331,404 held by a Bond Trustee invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset Backed Securities. The LAIF fair value factor of 1.001219643 was used to calculate the fair value of the investments in LAIF.

Investments in Pension Trust fund:

The City of San Clemente Employees' Retirement Plan (CSCERP) pension trust investments are not covered by the City's Investment Policy. Investments consist of equity mutual funds, fixed income mutual funds, and an annuity contract. Specific guidelines for the funds are detailed in the prospectus, or declaration of Trust for each individual fund. The target asset allocation of the investment portfolio is an allocation of 55% in equities and 45% in fixed income investments. The City uses an investment advisory firm to assist with the management and oversight of the pension fund investments.

A summary of the investments held and the percentage of the pension investment portfolio at June 30, 2012 follows:

<u>Pension Trust Fund Investments</u>	<u>Fair value</u>	<u>Percent of Pension Portfolio</u>
<i>Equity Investments (55% of pension investments)</i>		
Dodge & Cox International mutual fund	\$ 5,456,977	15%
Russell 1000 Index mutual fund	12,732,946	35%
Russell 2000 Index mutual fund	1,818,992	5%
<i>Fixed Income Investments (45% of pension investments)</i>		
Group annuity contract	7,276,610	20%
PIMCO Total Return Bond mutual fund	7,297,239	20%
US Government Treasury Inflation Bond mutual fund	1,818,992	5%
Total pension trust investments (fair value)	<u>\$ 36,401,756</u>	<u>100%</u>

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.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

IV. RECEIVABLES:

Receivables, including restricted amounts, at June 30, 2012 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Interest</u>	<u>Loans</u>	<u>Total</u>
Governmental Activities:					
General fund	\$ 4,424,632	\$ 477,097	\$ 253,114	\$ 1,778,343	\$ 6,933,186
Developers improvement fund	-	268,212	52,227	4,132,449	4,452,888
Public facilities fund	-	-	90,316	-	90,316
Parks acquisition and development fund	-	-	6,886	-	6,886
Nonmajor funds	1,160	364,274	135,814	507,606	1,008,854
Internal service funds	-	91,274	38,031	-	129,305
	<u>\$ 4,425,792</u>	<u>\$ 1,200,857</u>	<u>\$ 576,388</u>	<u>\$ 6,418,398</u>	<u>\$ 12,621,435</u>
	<u>Accounts</u>	<u>Interest</u>	<u>Total</u>		
Business-type Activities:					
Water utility	\$ 2,050,216	\$ 88,563	\$ 2,138,779		
Sewer utility	1,211,883	149,268	1,361,151		
Golf course	1,338	884	2,222		
Nonmajor funds	<u>378,171</u>	<u>14,331</u>	<u>392,502</u>		
	<u>\$ 3,641,608</u>	<u>\$ 253,046</u>	<u>\$ 3,894,654</u>		

Loans receivable in governmental activities consist of a \$1,778,343 amount due from the Redevelopment Agency Successor Agency which is subject to approval by the State of California and \$4,640,055 of affordable housing loans, which includes some loans that have been transferred from the Redevelopment Agency upon dissolution whose transfer was approved by the State of California during the fiscal year.

V. CAPITAL ASSETS:

The City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. 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.

During the year, in the governmental activity capital assets, the Redevelopment Agency property held at time of the Agency dissolution was transferred to the City through the Successor Agency Trust. The properties transferred to the City are considered public use assets by the City and include the pier and a grassy parkway area. In addition, \$410,000 of land was reclassified from capital assets to land held for resale in the Developers Improvement Fund.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

A summary of changes in capital asset activity for the year ended June 30, 2012 is as follows:

<u>Governmental Activities</u>	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 37,604,934	\$ -	\$ (410,000)	\$ 37,194,934
Construction in progress	25,219,084	13,619,547	(36,716,825)	2,121,806
 Total Capital Assets, Not Being Depreciated	 62,824,018	 13,619,547	 (37,126,825)	 39,316,740
Capital Assets, Being Depreciated:				
Buildings	16,768,331	10,887,159	(150,000)	27,505,490
Improvements other than buildings	32,992,486	19,600,854	-	52,593,340
General equipment	7,576,497	1,206,497	(757,059)	8,025,935
Infrastructure	136,191,449	4,110,897	(471,933)	139,830,413
 Total Capital Assets, Being Depreciated	 193,528,763	 35,805,407	 (1,378,992)	 227,955,178
Less Accumulated Depreciation For:				
Buildings	(9,398,802)	(488,314)	115,000	(9,772,116)
Improvements other than buildings	(11,160,514)	(1,334,191)	-	(12,494,705)
General equipment	(4,425,626)	(719,140)	736,663	(4,408,103)
Infrastructure	(44,001,931)	(3,891,400)	458,765	(47,434,566)
 Total Accumulated Depreciation	 (68,986,873)	 (6,433,045)	 1,310,428	 (74,109,490)
 Net Capital Assets, Being Depreciated	 124,541,890	 29,372,362	 (68,564)	 153,845,688
 Governmental Activities Capital Assets	 \$ 187,365,908	 \$ 42,991,909	 \$ (37,195,389)	 \$ 193,162,428

Construction in progress consists of various street improvement projects. Construction in progress capitalized during the year consisted of the Vista Hermosa Sports Park, Downtown Fire Station and Senior Center.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

A summary of property, plant and equipment at June 30, 2012 for the City's business-type activities is as follows:

<u>Business-type Activities</u>	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 4,073,070	\$ -	\$ -	\$ 4,073,070
Construction in progress	6,804,788	8,480,225	(7,654,352)	7,630,661
 Total Capital Assets, Not Being Depreciated	 10,877,858	 8,480,225	 (7,654,352)	 11,703,731
Capital Assets, Being Depreciated:				
Buildings	6,863,986	-	-	6,863,986
Water, sewer, storm lines	94,105,997	1,554,639	-	95,660,636
Utility assets	105,273,199	6,081,568	-	111,354,767
Improvements other than buildings	3,266,622	-	-	3,266,622
Machinery and equipment	2,181,630	121,867	(23,651)	2,279,846
 Total Capital Assets, Being Depreciated	 211,691,434	 7,758,074	 (23,651)	 219,425,857
Less Accumulated Depreciation For:				
Buildings	(912,587)	(147,729)	-	(1,060,316)
Water, sewer, storm lines	(30,000,214)	(1,370,470)	-	(31,370,684)
Utility assets	(43,835,272)	(2,536,703)	-	(46,371,975)
Improvements other than buildings	(1,824,201)	(246,398)	-	(2,070,599)
Machinery and equipment	(1,614,452)	(136,468)	23,651	(1,727,269)
 Total Accumulated Depreciation	 (78,186,726)	 (4,437,768)	 23,651	 (82,600,843)
 Net Capital Assets, Being Depreciated	 133,504,708	 3,320,306	 -	 136,825,014
 Business-type Activities Capital Assets	 \$ 144,382,566	 \$ 11,800,531	 \$ (7,654,352)	 \$ 148,528,745

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-Type Activities
Governmental activities		
General government	\$ 137,787	\$ -
Police	7,773	
Fire	161,702	
Public works	3,668,994	
Community development	138,987	
Beaches, parks and recreation	1,686,142	
Internal service	631,660	
Water	-	968,964
Sewer	-	3,144,024
Golf	-	324,780
 Total depreciation expense	 \$ 6,433,045	 \$ 4,437,768

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

VI. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS:

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 funding for the Agency to consolidate 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	\$ 398,892

Advances from/to other funds:

Advances to	Advances from	Amount
RDA Successor Agency	General fund	\$ 1,778,343
Golf fund	Workers' Compensation fund	750,000
Total		\$ 2,528,343

On July 1, 2002, the Agency and the City entered into an agreement to advance to the Agency \$3,420,690 at a rate of 2.9% per annum. This advance plus accrued interest was to be repaid to the City from future tax increment revenues. However, on February 1, 2012 the Redevelopment Agency was dissolved and the outstanding loan amount of \$1,778,343, upon approval by the State may be reimbursed to the General Fund.

The Golf Fund advance from the Workers' Compensation Self-Insurance Internal Service Fund of \$750,000 provided funds for construction costs of the Golf Course Clubhouse. This advance is being fully amortized over five years bearing an interest rate of 2%.

Interest and principal payments on the Workers' Compensation loan are as follows:

Year June 30,	Principal	Interest	Total
2013	\$ 144,119	\$ 15,000	\$ 159,119
2014	147,001	12,118	159,119
2015	149,941	9,178	159,119
2016	152,940	6,179	159,119
2017	155,999	3,120	159,119
Totals	\$ 750,000	\$ 45,595	\$ 795,595

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Interfund Transfers:

Transfers In	Transfers Out							Total
	General Fund	Parks Acq. and Develop.	Nonmajor Governmental Fund	Water Utility Fund	Sewer Utility Fund	Nonmajor Proprietary Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 718,951	\$ 25,000	\$ 25,000	\$ 173,110	\$ 160,800	\$ 1,102,861
Public Facilities								
Construction	-	-	-	-	-	-	60,940	60,940
Nonmajor								
Governmental								
Funds	2,011,701	1,000,000	1,418,493	3,915	3,960	-	1,500	4,439,569
Water Utility Fund	16,710	-	-	-	11,000	-	53,500	81,210
Sewer Utility Fund	35,510	-	-	-	-	343,000	52,600	431,110
Golf	-	-	-	-	-	-	17,200	17,200
Nonmajor								
Proprietary								
Funds	-	-	-	-	-	-	3,600	3,600
Internal Service								
Funds	21,410	-	-	4,040	8,080	-	10,800	44,330
Total	\$2,085,331	\$1,000,000	\$ 2,137,444	\$ 32,955	\$ 48,040	\$ 516,110	\$ 360,940	\$ 6,180,820

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.

During the year ended June 30, 2012 General Fund transfers included significant transfers of \$734,260 to the Street Improvement Special Revenue Fund for funding of street related capital projects and a significant transfer of \$1,101,651 to the Negocio Debt Service Fund to provide funds for debt service, operations, and maintenance costs, and other transfers to non-major funds of \$175,790 for various purposes. The Parks Acquisition and Development Fund had a significant transfer of \$1,000,000 to the Reserve Fund to set aside funds for park asset replacement.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

VII. LONG TERM LIABILITIES:

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.

The City, under the provisions in the Lease-leaseback agreement, has guaranteed to make the 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 amount of the pledged revenue cannot currently be estimated. However, the City received Motor Vehicle Fee amounts of \$34,454 from the State of California directly and \$5,082,283 of property taxes in Lieu of the Motor Vehicle Fee through the County during the fiscal year. The debt service principal and interest payments under the Lease-leaseback totaled \$1,024,105 during Fiscal Year 2012. The Bond Reserve is fully funded at June 30, 2012.

\$ 1,655,000

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 \$196,802. The terms of the leases include 60 monthly payments which include interest. The last lease matures in October 2016. The monthly lease payments are \$417 and \$3,322. The lease payable amounts are recorded on the statement of net assets with the amount applicable to governmental-type activities.

\$ 164,691

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

3. Compensated Absences:

The City's policies relating to compensated absences are described in Note I-C6. This liability will be paid in future years from future resources primarily from the general fund.

\$1,897,599

Annual Amortization Requirements of Governmental Long-Term Liabilities:

The annual requirements to amortize the Certificates of Participation and Capitalized Lease Obligations, as of June 30, 2012 are as follows:

Year Ending June 30,	Certificates of Participation		Capitalized Lease Obligations	
	Principal	Interest	Principal	Interest
2013	\$ 95,000	\$ 140,675	\$ 37,665	7,214
2014	105,000	132,600	38,932	5,111
2015	115,000	123,674	36,612	3,258
2016	125,000	113,900	38,317	1,553
2017	135,000	103,275	13,165	124
2018-2022	860,000	324,275	-	-
2023-2025	220,000	18,700	-	-
Totals	<u>\$ 1,655,000</u>	<u>\$ 957,099</u>	<u>\$ 164,691</u>	<u>\$ 17,260</u>

Business-type:

1. Compensated Absences:

The City's policies relating to compensated absences are described in Note I-C6. Compensated absences at June 30, 2012 were obligations of the following funds:

Water Utility Fund	\$ 226,111
Sewer Utility Fund	313,709
Golf Course Fund	197,082
Nonmajor Enterprise Funds	<u>26,215</u>
Total	<u>\$ 763,117</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Changes in Long-term Liabilities

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	\$ 2,485,000	\$ -	\$ 830,000	\$ 1,655,000	\$ 95,000
Capital lease obligations	17,929	177,958	31,196	164,691	37,665
Claims and judgments payable (Note VIII)	2,182,296	973,069	1,116,279	2,039,086	1,149,004
Compensated absences	1,845,318	845,903	793,622	1,897,599	341,568
Governmental Activities Long-term Liabilities	<u>\$ 6,530,543</u>	<u>\$ 1,996,930</u>	<u>\$ 2,771,097</u>	<u>\$ 5,756,376</u>	<u>\$ 1,623,237</u>

<u>Business-type Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 728,419	\$ 300,444	\$ 265,746	\$ 763,117	\$ 137,362
Business-type Activities Long-term Liabilities	<u>\$ 728,419</u>	<u>\$ 300,444</u>	<u>\$ 265,746</u>	<u>\$ 763,117</u>	<u>\$ 137,362</u>

VIII. 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 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other 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 9-member Executive Committee. Copies of the Authority annual 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 (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

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 a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. 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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

insurance protection in the amount of \$177,236,425. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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 \$93,475,735. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The City 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 fiscal year 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

At June 30, 2012, 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 claims and general liability claims for the past two fiscal years.

	Beginning Balance	Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2010-2011	\$ 1,005,597	\$ 2,264,318	\$ (1,087,619)	\$ 2,182,296
2011-2012	2,182,296	973,069	(1,116,279)	2,039,086

For the past three years, covered claims have not exceeded the City’s insurance coverage and there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. As any changes in the estimate are determined adjustments are recorded for the amount of the claim.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

IX. PENSION AND RETIREMENT BENEFITS:

A. PENSION PLANS:

The City has two retirement plans, the California Public Employees' Retirement System (PERS) and the City of San Clemente Employees' Retirement Plan (CSCERP). All permanent employees are covered by CSCERP except public safety personnel who participate in PERS.

California Public Employees' Retirement System (PERS):

Plan Description: PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. California Government Code allows PERS to create risk pools and mandate public agency participation in those pools. PERS assigns plans to risk pools based on their service retirement formula and with plans with less than 100 active members. The City has less than 100 active safety members and was assigned to the 3% at 55 PERS Risk Pool, which is a cost sharing multiple-employer defined benefit pension plan administered by PERS.

Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools. These risk sharing pools are used to dramatically reduce or eliminate the large fluctuations in the employer's contribution rates caused by unexpected demographic events. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of the PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants in PERS are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf, except for 2.8% which is paid by the employee. The City is required to contribute an employer contribution at an actuarially determined rate, which is 32.546% of annual covered payroll for marine safety personnel which was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The contribution requirements of plan members and the City are established and may be amended by PERS.

The City's required contributions to PERS for the years ended June 30, 2012, 2011, and 2010 were \$130,126, \$139,168, and \$151,500, respectively. These contributions were equal to 100% of the required contributions for each year.

City of San Clemente Employees' Retirement Plan (CSCERP):

Plan Description: CSCERP is a single-employer defined benefit pension plan and is included in the City's financial statements. At July 1, 2011, the plan had 178 active participants and 97 inactive participants with vested benefits. The plan currently is paying benefits to 88 participants. Stand-alone financial statements are not issued for the CSCERP.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Funding Policy: CSCERP participant employee contributions are 7% of their annual covered salary and the City makes these contributions on behalf of the employees, except for 0.8% which is paid by the employee. The City additionally contributes 16.5% of annual covered payroll, an actuarially determined rate, based on the July 1, 2011 actuarial report.

Annual Pension Cost and Net Pension Obligation: For 2012, the City's annual pension costs were \$3,194,442 for CSCERP and were equal to the City's required and actual contributions. A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the fiscal year ended June 30, 2012 is as follows:

	CSCERP
Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Average remaining period	20 year amortization period
Asset valuation method	5 year smoothed market
Investment rate of return	7.25%
Projected salary increases	4.5%
Inflation rate	2.0%
Payroll growth	4.5%
Individual salary growth	4.5%

Trend Information and Schedule of Funding Progress:

SIX-YEAR TREND INFORMATION FOR CSCERP

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 2,236,356	100%	\$ -
6/30/08	2,343,464	100%	-
6/30/09	2,550,674	100%	-
6/30/10	2,776,165	100%	-
6/30/11	2,526,667	100%	-
6/30/12	3,194,442	100%	-

SCHEDULE OF FUNDING PROGRESS - CSCERP

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
CSCERP:						
07/01/09	\$ 25,911,607	\$ 35,704,653	\$ (9,793,046)	72.6%	\$ 13,031,637	75.1%
07/01/11	32,284,398	46,678,961	(14,394,563)	69.2%	12,798,598	112.5%
07/01/12*	36,170,712	52,775,327	(16,604,615)	68.5%	13,542,229	122.6%

*Most recent information available

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

B. Other Post Employment Benefits (OPEB):

Plan Description: The City provides that retirees may elect to continue their health care insurance benefits through the City through a single-employer plan. This benefit coverage is mandated by the City’s participation in the Public Employees Medical and Coverage Health Agreement (“PEMCHA”) which is administered through PERS. In order to qualify for this coverage, eligible employees must complete up to ten years of service with the City and retire from the City. A separate financial statement is not issued.

Funding Policy: The City through PEMCHA is required to pay a minimum employer contribution for retiree coverage. During the year ended June 30, 2012 the City paid \$30,297 of the health insurance benefit with the remaining cost of \$151,238 paid by the retirees. Employers under GASB accounting principles are required to report the annual cost of OPEB’s and record any outstanding obligations and commitments in the same manner as they do for pensions.

This annual OPEB actuarial cost does not require that the unfunded liabilities actually be funded, only that employers account for the unfunded accrued liability and compliance in meeting the Annual Required Contribution (ARC). The ARC is the sum of the present value of future benefits being earned by current employees plus amortization of benefits already earned by current and former employees but not yet provided for. The amortization of benefits previously earned (unfunded actuarial liabilities) is being amortized over a closed amortization period of thirty years. An open thirty year amortization is being used for any residual unfunded actuarial accrued liabilities.

Annual Pension Cost and Net OPEB Obligation:

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer. The following table shows the components of the City’s annual OPEB cost for the year:

Annual required contribution (ARC)	\$ 125,312
Interest on net OPEB obligation	14,685
Contributions made	<u>(30,297)</u>
Increase in net OPEB obligation	109,700
Net OPEB obligation - beginning of year	<u>410,709</u>
Net OPEB obligation - end of year	<u><u>\$ 520,409</u></u>

The percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	\$132,678	17.5%	\$ 299,709
06/30/2011	160,004	30.6%	410,709
06/30/2012	139,997	21.6%	520,409

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Funded Status and Funding Progress:

As of May 1, 2012, the date of the latest actuarial valuation, there were 185 active employees and 16 retirees. The present value of all expected future benefits based on certain actuarial assumptions was \$2,011,080 as of June 30, 2012. The City is currently funding the program on a pay-as-you-go basis. The Net Pension Obligation (NPO) is accrued in the amount of \$520,409 as a part of the liabilities in the Employee Medical Insurance Internal Service Fund. This amount has not been placed into a trust; however, amounts are available in the Employee Medical Insurance Internal Service Fund.

The projection of future benefit payments for the OPEB liability involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. These actuarial estimates are subject to continual revision as results are compared to past expectation and new estimates are made about the future along with the substantive plan in effect at the time of each valuation and on the sharing of costs between the employee and plan members. The actuarial methods and assumptions used in the May 1, 2010 and May 1, 2012 are summarized as follows:

ACTUARIAL ASSUMPTIONS

Actuarial cost method	Entry age normal
Interest rate assumption	5%
Projected salary increase assumption	3%
Healthcare cost trend rate	4%
Health inflation assumption	4%
Mortality table	UP94 Mortality Table
Retirement rates	CalPERS 2% at 55 table
Turnover rates	CalPERS Turnover rates for Miscellaneous and Public Safety

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
11/01/2007	\$ -	\$1,270,647	\$1,270,647	0.0%	\$15,357,889	8.27%
05/01/2010	-	\$1,784,217	\$1,784,217	0.0%	\$13,401,356	13.31%
05/01/2012*	-	\$1,432,716	\$1,432,716	0.0%	\$13,708,188	10.45%

* Most recent information available

C. Deferred Compensation:

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan permits all City employees to defer a portion of their salary until future years. Employees are allowed to borrow up to one-half of their balance. As of January 1, 1999, the City has formally established a trust in accordance with

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Internal Revenue Code Section 457(g) for all of its deferred compensation assets which are not included on the City's Statement of Net Assets.

X. FUND BALANCE:

The City has adopted the provisions of GASB 54, which establishes Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance Classification based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification. Information on fund type definitions are presented in Note 1B, which includes the Low and Moderate Income Housing Special Revenue fund.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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 placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources are used for specific purposes stipulated in the 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, ordinances and resolutions. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (city ordinance/resolution) it employed previously to commit those amounts.

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

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

Spending Policy

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) as they are needed when expenditures are incurred. When unrestricted resources are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed for expenditures incurred.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Minimum Fund Balance Policy

The governing body has formally adopted through Council action a minimum fund balance policy for the General Fund as part of the City's fiscal policy. The City's fiscal policy is adopted through the Long Term Financial Plan. This minimum fund balance consists of two amounts which are committed by the Council. The first amount is a fixed \$10 million adopted by Council and can only be drawn upon through a formal action of the City Council, such as a Resolution or Ordinance. The second amount is equal to 9% of the operating expenditures of the General Fund. This amount was \$4.4 million as of June 30, 2012. The total committed amount for Sustainability and Emergency is \$14.4 million and is to provide and maintain service levels in the event of financial difficulty or other distress.

Fund Balances	General Fund	Developers Improvement	Public Facilities Construction	Park Acq. & Development	Non-major Funds	Total
<i>Nonspendable:</i>						
Loans	\$ 1,778,343	\$ 1,710,653	\$ -	\$ -	\$ -	\$ 3,488,996
Land held for resale	-	410,000	-	-	-	410,000
Prepays	22,400	-	-	-	-	22,400
<i>Restricted for:</i>						
Affordable housing	-	4,354,754	-	-	-	4,354,754
Park development	-	-	-	707,179	-	707,179
Highways/streets	-	-	-	-	15,726,732	15,726,732
Drainage	-	844,732	-	-	4,038,547	4,883,279
Other capital projects	-	3,975,712	16,175,237	-	-	20,150,949
Other purposes	-	-	-	-	510,455	510,455
<i>Committed to:</i>						
Sustainability/Emergency	14,367,000	-	-	-	-	14,367,000
Capital projects	177,053	-	-	-	442,650	619,703
La Pata Vista Hermosa	2,514,120	-	-	-	-	2,514,120
Other purposes	696,200	-	-	-	-	696,200
<i>Assigned to:</i>						
Capital projects	2,193,767	-	-	-	3,369,930	5,563,697
Other purposes	1,029,240	-	-	-	152,520	1,181,760
Debt service	-	-	-	-	687,032	687,032
Future budget	4,150,420	-	-	-	-	4,150,420
<i>Unassigned</i>	1,528,656	-	-	-	26,091	1,554,747
TOTAL FUND BALANCE	\$ 28,457,199	\$ 11,295,851	\$ 16,175,237	\$ 707,179	\$ 24,953,957	\$ 81,589,423

XI. OTHER NOTE DISCLOSURES:

A. Leases

The City has entered into two operating lease contracts whereby the City leases two floors of an office building that is used for Community Development operations to third parties. The first lease commenced on June 16, 2010, with a lease term of five year and an option to extend for five years. The future minimum rentals to be received from the aforementioned operating lease as of June 30, 2012 are as follows:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

Fiscal Year	Amount
2013	\$ 245,681
2014	253,051
2015	261,293

The second lease commenced on August 1, 2012, with a lease term of five years. The future minimum rentals to be received under this operating lease as of June 30, 2012 are as follows:

Fiscal Year	Amount
2013	\$ 99,994
2014	113,630
2015	118,588
2016	123,547
2017	128,505

The City has also entered into another operating lease that is currently in default where the allowance for uncollectible is equal to the amount currently due.

B. 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 remits monies to the bondholders. The City has no obligation or duty to pay any delinquency out of any available City funds. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements.

Issue	Amount of Issue	Outstanding June 30, 2012
City of San Clemente 99-1 Assessment District	\$ 1,150,000	\$ 330,000
City of San Clemente 99-1 Community Facilities District	5,755,000	5,005,000
City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds	14,235,000	12,680,000

C. Joint Powers Agreement:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

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.

D. Commitments and Contingencies

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 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.

In addition, the City has outstanding commitments in the amount of \$8.8 million as of June 30, 2012 related to construction and other contractual arrangements.

E. State of California Impacts

The State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments. Under the provisions of Proposition 1A and as part of the 2009 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount due to the City was \$2,175,000 and is recorded as a property tax receivable.

The borrowing by the State of California was recognized as a receivable in the financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected in fiscal year 2013). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied.

F. 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 that

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-04.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City including the outstanding loan of \$1.8 million are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that could resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2012

G. Extraordinary Gain /(Loss):

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities at January 31, 2012 in the private-purpose trust fund as an extraordinary gain (or loss).

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

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

Total extraordinary gain on transfer of liabilities to the Successor Agency	
Private Purpose Trust Fund from the governmental funds	\$ 1,767,179
Recognition of revenue on assets previously deferred assets	147,956
Total extraordinary gain on the net assets transferred to the Successor Agency	\$ 1,915,135

H. Subsequent Events:

On August 1, 2012, the City made an affordable housing loan to Meta Housing for the purpose of ensuring long-term affordable housing in the amount of \$3.0 million from funds held for affordable housing purposes in the Developers Improvement Fund. The loan agreement is for a period of 55 years.

In June 2012, the Governmental Accounting Standards Board approved Statement No. 68 that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in the pension statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Statement No. 68 is effective for periods beginning after June 15, 2014.

In December 2012, the City authorized contracts for construction of recycled water facilities in the amount totaling \$18 million.

Required Supplementary Information

CITY OF SAN CLEMENTE
Required Supplementary Information
June 30, 2012

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. 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.

The Developers Improvement Capital Project Fund, the Public Facilities Construction Capital Project Fund and the Parks Acquisition and Development Capital Project Fund major funds have legally adopted budgets. These capital project fund budgetary schedules are presented in the supplementary information section.

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 35,468,050	\$ 35,833,050	\$ 36,030,333	\$ 197,283
Licenses and permits	996,190	971,190	892,486	(78,704)
Fines and forfeits	935,400	941,400	879,981	(61,419)
Investment and rentals	1,973,730	2,041,640	1,882,701	(158,939)
Intergovernmental	757,110	881,350	815,526	(65,824)
Charges for services	6,941,410	7,073,490	7,281,898	208,408
Other	71,000	51,000	61,298	10,298
Total Revenues	47,142,890	47,793,120	47,844,223	51,103
Expenditures:				
General government:				
Administration				
City council	247,700	248,440	226,714	21,726
City manager	581,290	586,810	564,741	22,069
City clerk	729,680	734,620	648,785	85,835
Finance and administrative services	2,950,760	3,009,840	2,927,281	82,559
City general	3,881,400	3,860,180	2,480,702	1,379,478
Police	12,518,160	12,480,160	11,976,383	503,777
Fire	7,306,270	7,306,270	7,280,209	26,061
Public works	7,611,110	7,669,460	6,702,523	966,937
Community development	4,460,620	4,581,430	4,103,672	477,758
Beaches, parks and recreation	10,099,520	10,238,540	9,402,496	836,044
Capital outlay	3,247,350	3,779,760	1,064,305	2,715,455
Total Expenditures	53,633,860	54,495,510	47,377,811	7,117,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,490,970)	(6,702,390)	466,412	7,168,802
Other Financing Sources (Uses):				
Transfers in	1,306,910	1,749,910	1,102,861	(647,049)
Transfers out	(1,377,670)	(2,225,731)	(2,085,331)	140,400
Total Other Financing Sources (Uses)	(70,760)	(475,821)	(982,470)	(506,649)
Net Change in Fund Balance	(6,561,730)	(7,178,211)	(516,058)	6,662,153
Fund Balance, Beginning of Year	28,973,257	28,973,257	28,973,257	-
Fund Balance, End of Year	\$ 22,411,527	\$ 21,795,046	\$ 28,457,199	\$ 6,662,153

Supplementary Information

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 113,000	\$ 90,055	\$ (22,945)
Charges for services	112,000	8,969	(103,031)
Developer fees	1,330,500	85,475	(1,245,025)
Other	1,238,190	679,044	(559,146)
Total Revenues	<u>2,793,690</u>	<u>863,543</u>	<u>(1,930,147)</u>
Expenditures:			
Current:			
Community development	6,020,550	48,800	5,971,750
Capital outlay	1,415,470	269,217	1,146,253
Total Expenditures	<u>7,436,020</u>	<u>318,017</u>	<u>7,118,003</u>
Net Change in Fund Balance	(4,642,330)	545,526	5,187,856
Fund Balance, Beginning of Year	<u>10,750,325</u>	<u>10,750,325</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 6,107,995</u></u>	<u><u>\$ 11,295,851</u></u>	<u><u>\$ 5,187,856</u></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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 225,700	\$ 159,053	\$ (66,647)
Developer fees	57,740	13,317	(44,423)
Other		2,836	2,836
Total Revenues	283,440	175,206	(108,234)
Expenditures:			
Current:			
Public safety	60,940	13,549	47,391
Community development	116,430	65,422	51,008
Capital outlay	3,305,150	559,022	2,746,128
Total Expenditures	3,482,520	637,993	2,844,527
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,199,080)	(462,787)	2,736,293
Other Financing Sources:			
Transfers in	60,940	60,940	-
Transfers out	(45,000)	-	45,000
Total Other Financing Sources (Uses)	15,940	60,940	45,000
Net Change in Fund Balance	(3,183,140)	(401,847)	2,781,293
Fund Balance, Beginning of Year	16,577,084	16,577,084	-
Fund Balance, End of Year	\$ 13,393,944	\$ 16,175,237	\$ 2,781,293

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 221,000	\$ (138,447)	\$ (359,447)
Developer fees	34,600	67,524	32,924
Other	-	203,714	203,714
	<u>255,600</u>	<u>132,791</u>	<u>(122,809)</u>
Total Revenues			
Expenditures:			
Current:			
Beaches, parks, and recreation	18,830	18,830	-
Capital outlay	9,959,370	10,172,453	(213,083)
	<u>9,978,200</u>	<u>10,191,283</u>	<u>(213,083)</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,722,600)	(10,058,492)	(335,892)
Other Financing Sources (Uses):			
Transfers out	(1,000,000)	(1,000,000)	-
	<u>(10,722,600)</u>	<u>(11,058,492)</u>	<u>(335,892)</u>
Net Change in Fund Balance			
Fund Balance, Beginning of Year	11,765,671	11,765,671	-
Fund Balance, End of Year	<u>\$ 1,043,071</u>	<u>\$ 707,179</u>	<u>\$ (335,892)</u>



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.

The Gas Tax 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.

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

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

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

The Miscellaneous Grants 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.

The Redevelopment Agency (RDA) Low and Moderate Income Housing Fund is used to account for the 20% set aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing, as required by Section 33334.2 of the Health and Safety Code.

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.

The Negocio Building Debt Service 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.

Redevelopment Debt Service Fund is used to account for the accumulation of funds for the payment of interest and principal on advances from the City and other long-term debt. Debt service is financed through property tax revenues.

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.

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

The Local Drainage Facilities 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.

The Regional Circulation Financing and Phasing Program (RCFPP) Fund is used to account for the revenues received from developer traffic impact fees and expenditures for roadway improvements to accommodate new development.

The Redevelopment Project Capital Project Fund is used to account for the proceeds of notes, advances and other forms of indebtedness, and the expenditure of these funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the San Clemente Redevelopment Agency.

The 99-1 AD Capital Improvements Fund is used to account for the proceeds of Assessment District bonds and the expenditures which are incurred in connection with the improvements within the district.

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds		
	Gas Tax	Air Quality Improvement	Street Improvement
Assets:			
Cash and investments	\$ 5,693,964	\$ 405,597	\$ 6,520,123
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	1,160
Accounts	343,852	-	-
Accrued interest	31,540	2,247	36,116
Loans	-	-	-
Due from other governments	335,442	19,738	-
Restricted assets:			
Cash and investments with fiscal agent	-	-	-
Total Assets	\$ 6,404,798	\$ 427,582	\$ 6,557,399
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 237,284	\$ -	\$ -
Accrued wages	-	-	-
Deferred revenue	-	-	-
Unearned revenue	115,831	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Total Liabilities	353,115	-	-
Fund Balances (Deficits):			
Restricted for:			
Capital projects	6,051,683	-	6,557,399
Other purposes	-	427,582	-
Committed to:			
Capital projects	-	-	-
Assigned to:			
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	-	-	-
Total Fund Balances (Deficits)	6,051,683	427,582	6,557,399
Total Liabilities and Fund Balances	\$ 6,404,798	\$ 427,582	\$ 6,557,399

Special Revenue Funds			Debt Service Funds		
Police Grants	Miscellaneous Grants	RDA Low/Moderate Income Housing	Negocio Building	Redevelopment	
\$ 84,890	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	
-	-	-	20,422	-	
535	-	-	320	-	
-	507,606	-	-	-	
2,418	173,042	-	-	-	
-	-	-	351,043	-	
<u>\$ 87,843</u>	<u>\$ 680,648</u>	<u>\$ -</u>	<u>\$ 371,785</u>	<u>\$ -</u>	
\$ 17,295	\$ 24,529	\$ -	\$ 17,759	\$ -	
-	859	-	-	-	
-	507,606	-	-	-	
-	-	-	20,422	-	
-	-	-	43,950	-	
-	135,329	-	263,563	-	
<u>17,295</u>	<u>668,323</u>	<u>-</u>	<u>345,694</u>	<u>-</u>	
-	-	-	-	-	
70,548	12,325	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	26,091	-	
<u>70,548</u>	<u>12,325</u>	<u>-</u>	<u>26,091</u>	<u>-</u>	
<u>\$ 87,843</u>	<u>\$ 680,648</u>	<u>\$ -</u>	<u>\$ 371,785</u>	<u>\$ -</u>	

(Continued)

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2012

	Capital Projects Funds		
	Reserve	Local Drainage Facilities	RCFPP
Assets:			
Cash and investments	\$ 4,628,035	\$ 4,016,300	\$ 3,100,476
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Accrued interest	25,635	22,247	17,174
Loans	-	-	-
Due from other governments	-	-	-
Restricted Assets:			
Cash and investments with fiscal agent	-	-	-
Total Assets	\$ 4,653,670	\$ 4,038,547	\$ 3,117,650
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,538	\$ -	\$ -
Accrued wages	-	-	-
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Total Liabilities	1,538	-	-
Fund Balances (Deficits):			
Restricted for:			
Capital projects	-	4,038,547	3,117,650
Other purposes	-	-	-
Committed to:			
Capital projects	442,650	-	-
Assigned to:			
Capital projects	3,369,930	-	-
Other purposes	839,552	-	-
Unassigned	-	-	-
Total Fund Balances (Deficits)	4,652,132	4,038,547	3,117,650
Total Liabilities and Fund Balances	\$ 4,653,670	\$ 4,038,547	\$ 3,117,650

<u>Capital Projects Funds</u>			
<u>Redevelopment Project</u>	<u>99-1 AD Capital Improvements</u>		<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$	24,449,385
-	-		1,160
-	-		364,274
-	-		135,814
-	-		507,606
-	-		530,640
-	-		351,043
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>26,339,922</u>
\$ -	\$ -	\$	298,405
-	-		859
-	-		507,606
-	-		136,253
-	-		43,950
-	-		398,892
-	-		1,385,965
-	-		19,765,279
-	-		510,455
-	-		442,650
-	-		3,369,930
-	-		839,552
-	-		26,091
-	-		24,953,957
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>26,339,922</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, 2012

	Special Revenue Funds		
	Gas Tax	Air Quality Improvement	Street Improvement
Revenues:			
Taxes	\$ -	\$ -	\$ 15,937
Investment and rentals	57,302	3,995	80,015
Intergovernmental	3,260,230	89,961	-
Charges for services	-	-	-
Developer fees	-	-	-
Other	-	-	715,887
Total Revenues	3,317,532	93,956	811,839
Expenditures:			
Current:			
General government	-	-	-
Police	-	-	-
Public works	128,071	-	226,994
Community development	-	5,645	-
Capital outlay	1,091,323	-	324,618
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,219,394	5,645	551,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,098,138	88,311	260,227
Other Financing Sources (Uses):			
Transfers in	118,032	-	1,365,285
Transfers out	(1,322,121)	-	-
Total Other Financing Sources (Uses)	(1,204,089)	-	1,365,285
Extraordinary gain (loss)	-	-	-
Net Change in Fund Balances	894,049	88,311	1,625,512
Fund Balance (Deficit) at Beginning of Year	5,157,634	339,271	4,931,887
Fund Balance (Deficit) at End of Year	\$ 6,051,683	\$ 427,582	\$ 6,557,399

Special Revenue Funds			Debt Service Funds	
Police Grants	Miscellaneous Grants	RDA Low/Moderate Income Housing	Negocio Building	Redevelopment
\$ -	\$ -	\$ -	\$ -	\$ 1,528,219
1,440	17	12,217	327,500	20,034
140,743	338,976	-	-	-
-	-	-	-	-
-	-	-	-	-
4,133	24,905	-	156	-
<u>146,316</u>	<u>363,898</u>	<u>12,217</u>	<u>327,656</u>	<u>1,548,253</u>
-	-	-	334,859	-
121,367	-	-	-	-
-	-	-	-	-
-	214,789	103,406	-	14,016
-	11,625	-	62,734	-
-	-	-	830,000	-
-	-	-	194,105	31,984
<u>121,367</u>	<u>226,414</u>	<u>103,406</u>	<u>1,421,698</u>	<u>46,000</u>
<u>24,949</u>	<u>137,484</u>	<u>(91,189)</u>	<u>(1,094,042)</u>	<u>1,502,253</u>
-	600	306,544	1,101,651	-
-	(122,222)	-	-	(693,101)
-	(121,622)	306,544	1,101,651	(693,101)
-	-	(2,321,985)	-	995,564
<u>24,949</u>	<u>15,862</u>	<u>(2,106,630)</u>	<u>7,609</u>	<u>1,804,716</u>
<u>45,599</u>	<u>(3,537)</u>	<u>2,106,630</u>	<u>18,482</u>	<u>(1,804,716)</u>
<u>\$ 70,548</u>	<u>\$ 12,325</u>	<u>\$ -</u>	<u>\$ 26,091</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, 2012

	Capital Projects Funds		
	Reserve	Local Drainage Facilities	RCFPP
Revenues:			
Taxes	\$ -	\$ -	\$ -
Investment and rentals	54,187	37,032	24,068
Intergovernmental	-	-	125,845
Charges for services	236,850	-	-
Developer fees	-	152	3,603
Other	52,064	-	-
Total Revenues	343,101	37,184	153,516
Expenditures:			
Current:			
General government	125,692	-	-
Police	-	-	-
Public works	-	-	67,100
Community development	-	8,050	-
Capital outlay	55,418	-	111,640
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	181,110	8,050	178,740
Excess (Deficiency) of Revenues Over (Under) Expenditures	161,991	29,134	(25,224)
Other Financing Sources (Uses):			
Transfers in	1,160,000	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	1,160,000	-	-
Extraordinary gain (loss)	-	-	-
Net Change in Fund Balances	1,321,991	29,134	(25,224)
Fund Balance (Deficit) at Beginning of Year	3,330,141	4,009,413	3,142,874
Fund Balance (Deficit) at End of Year	\$ 4,652,132	\$ 4,038,547	\$ 3,117,650

<u>Capital Projects Funds</u>		
<u>Redevelopment Project</u>	<u>99-1 AD Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 1,544,156
3,594	342	621,743
59,199	-	4,014,954
-	-	236,850
-	-	3,755
-	11,911	809,056
<u>62,793</u>	<u>12,253</u>	<u>7,230,514</u>
-	-	460,551
-	-	121,367
-	-	422,165
336,890	258,974	941,770
71,285	-	1,728,643
-	-	830,000
-	-	226,089
<u>408,175</u>	<u>258,974</u>	<u>4,730,585</u>
<u>(345,382)</u>	<u>(246,721)</u>	<u>2,499,929</u>
387,457	-	4,439,569
-	-	(2,137,444)
<u>387,457</u>	<u>-</u>	<u>2,302,125</u>
<u>(440,758)</u>	<u>-</u>	<u>(1,767,179)</u>
<u>(398,683)</u>	<u>(246,721)</u>	<u>3,034,875</u>
<u>398,683</u>	<u>246,721</u>	<u>21,919,082</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,953,957</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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 69,500	\$ 57,302	\$ (12,198)
Intergovernmental	3,627,160	3,260,230	(366,930)
Total Revenues	3,696,660	3,317,532	(379,128)
Expenditures:			
Current:			
Public works	583,530	128,071	455,459
Capital outlay	4,618,590	1,091,323	3,527,267
Total Expenditures	5,202,120	1,219,394	3,982,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,505,460)	2,098,138	3,603,598
Other Financing Sources (Uses):			
Transfers in	259,620	118,032	(141,588)
Transfers out	(1,446,650)	(1,322,121)	124,529
Total Other Financing Sources (Uses)	(1,187,030)	(1,204,089)	(17,059)
Net Change in Fund Balance	(2,692,490)	894,049	3,586,539
Fund Balance, Beginning of Year	5,157,634	5,157,634	-
Fund Balance, End of Year	\$ 2,465,144	\$ 6,051,683	\$ 3,586,539

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 7,100	\$ 3,995	\$ (3,105)
Intergovernmental	90,000	89,961	(39)
Total Revenues	<u>97,100</u>	<u>93,956</u>	<u>(3,144)</u>
Expenditures:			
Current:			
Community development	105,440	5,645	99,795
Total Expenditures	<u>105,440</u>	<u>5,645</u>	<u>99,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,340)</u>	<u>88,311</u>	<u>96,651</u>
Other Financing Sources (Uses):			
Transfers out	<u>(64,000)</u>	<u>-</u>	<u>64,000</u>
Net Change in Fund Balance	(72,340)	88,311	160,651
Fund Balance, Beginning of Year	<u>339,271</u>	<u>339,271</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 266,931</u></u>	<u><u>\$ 427,582</u></u>	<u><u>\$ 160,651</u></u>

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ -	\$ 15,937	\$ 15,937
Investment and rentals	64,000	80,015	16,015
Other	-	715,887	715,887
Total Revenues	<u>64,000</u>	<u>811,839</u>	<u>747,839</u>
Expenditures:			
Current:			
Public works	719,550	226,994	492,556
Capital outlay	4,728,210	324,618	4,403,592
Total Expenditures	<u>5,447,760</u>	<u>551,612</u>	<u>4,896,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,383,760)</u>	<u>260,227</u>	<u>5,643,987</u>
Other Financing Sources (Uses):			
Transfers in	<u>1,652,410</u>	<u>1,365,285</u>	<u>(287,125)</u>
Net Change in Fund Balance	(3,731,350)	1,625,512	5,356,862
Fund Balance, Beginning of Year	<u>4,931,887</u>	<u>4,931,887</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,200,537</u>	<u>\$ 6,557,399</u>	<u>\$ 5,356,862</u>

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 200	\$ 1,440	\$ 1,240
Intergovernmental	152,460	140,743	(11,717)
Other	2,400	4,133	1,733
Total Revenues	155,060	146,316	(8,744)
Expenditures:			
Police	160,220	121,367	38,853
Net Change in Fund Balance	(5,160)	24,949	30,109
Fund Balance, Beginning of Year	45,599	45,599	-
Fund Balance, End of Year	\$ 40,439	\$ 70,548	\$ 30,109

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ -	\$ 17	\$ 17
Intergovernmental	637,830	338,976	(298,854)
Other	20,000	24,905	4,905
Total Revenues	<u>657,830</u>	<u>363,898</u>	<u>(293,932)</u>
Expenditures:			
Current:			
Community development	342,710	214,789	127,921
Capital outlay	150,000	11,625	138,375
Total Expenditures	<u>492,710</u>	<u>226,414</u>	<u>266,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>165,120</u>	<u>137,484</u>	<u>(27,636)</u>
Other Financing Sources (Uses):			
Transfers in	600	600	-
Transfers out	(199,830)	(122,222)	77,608
Total Other Financing Sources (Uses)	<u>(199,230)</u>	<u>(121,622)</u>	<u>77,608</u>
Net Change in Fund Balance	(34,110)	15,862	49,972
Fund Balance (Deficit), Beginning of Year	<u>(3,537)</u>	<u>(3,537)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (37,647)</u></u>	<u><u>\$ 12,325</u></u>	<u><u>\$ 49,972</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
RDA Low and Moderate Income Housing Special Revenue Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 20,000	\$ 12,217	\$ (7,783)
Expenditures:			
Current:			
Community development	253,360	103,406	149,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	(233,360)	(91,189)	142,171
Other Financing Sources (Uses):			
Transfers in	480,900	306,544	(174,356)
Extraordinary gain (loss)	-	(2,321,985)	(2,321,985)
Net Change in Fund Balance	247,540	(2,106,630)	(2,354,170)
Fund Balance, Beginning of Year	2,106,630	2,106,630	-
Fund Balance, End of Year	\$ 2,354,170	\$ -	\$ (2,354,170)

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 449,640	\$ 327,500	\$ (122,140)
Other	-	156	156
Total Revenues	449,640	327,656	(121,984)
Expenditures:			
Current:			
General government	407,391	334,859	72,532
Capital outlay	138,170	62,734	75,436
Debt service:			
Principal retirement	880,000	830,000	50,000
Interest and fiscal charges	197,390	194,105	3,285
Total Expenditures	1,622,951	1,421,698	201,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,173,311)	(1,094,042)	79,269
Other Financing Sources:			
Transfers in	1,101,651	1,101,651	-
Net Change in Fund Balance	(71,660)	7,609	79,269
Fund Balance, Beginning of Year	18,482	18,482	-
Fund Balance, End of Year	\$ (53,178)	\$ 26,091	\$ 79,269

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Redevelopment Debt Service Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 2,321,800	\$ 1,528,219	\$ (793,581)
Investment and rentals	35,490	20,034	(15,456)
Total Revenues	<u>2,357,290</u>	<u>1,548,253</u>	<u>(809,037)</u>
Expenditures:			
Current:			
Community development	33,790	14,016	19,774
Debt service:			
Property tax shift	247,000	-	247,000
Interest and fiscal charges	269,830	31,984	237,846
Total Expenditures	<u>550,620</u>	<u>46,000</u>	<u>504,620</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,806,670</u>	<u>1,502,253</u>	<u>(304,417)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(2,820,000)</u>	<u>(693,101)</u>	<u>2,126,899</u>
Extraordinary gain (loss)	<u>-</u>	<u>995,564</u>	<u>995,564</u>
Net Change in Fund Balance	<u>(1,013,330)</u>	<u>1,804,716</u>	<u>2,818,046</u>
Fund Balance (Deficit), Beginning of Year	<u>(1,804,716)</u>	<u>(1,804,716)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (2,818,046)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,818,046</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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 65,000	\$ 54,187	\$ (10,813)
Charges for services	236,850	236,850	-
Other	110,000	52,064	(57,936)
Total Revenues	<u>411,850</u>	<u>343,101</u>	<u>(68,749)</u>
Expenditures:			
Current:			
General government	140,000	125,692	14,308
Capital outlay	1,572,821	55,418	1,517,403
Total Expenditures	<u>1,712,821</u>	<u>181,110</u>	<u>1,531,711</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,300,971)</u>	<u>161,991</u>	<u>1,462,962</u>
Other Financing Sources (Uses):			
Transfers in	<u>1,160,000</u>	<u>1,160,000</u>	<u>-</u>
Net Change in Fund Balance	(140,971)	1,321,991	1,462,962
Fund Balance, Beginning of Year	<u>3,330,141</u>	<u>3,330,141</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,189,170</u>	<u>\$ 4,652,132</u>	<u>\$ 1,462,962</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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 69,500	\$ 37,032	\$ (32,468)
Developer fees	500	152	(348)
Total Revenues	<u>70,000</u>	<u>37,184</u>	<u>(32,816)</u>
Expenditures:			
Current:			
Community development	<u>8,050</u>	<u>8,050</u>	<u>-</u>
Total Expenditures	<u>8,050</u>	<u>8,050</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,950</u>	<u>29,134</u>	<u>(32,816)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(180,000)</u>	<u>-</u>	<u>180,000</u>
Net Change in Fund Balance	(118,050)	29,134	147,184
Fund Balance, Beginning of Year	<u>4,009,413</u>	<u>4,009,413</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,891,363</u></u>	<u><u>\$ 4,038,547</u></u>	<u><u>\$ 147,184</u></u>

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, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 61,600	\$ 24,068	\$ (37,532)
Intergovernmental	48,970	125,845	76,875
Developer fees	-	3,603	3,603
Total Revenues	<u>110,570</u>	<u>153,516</u>	<u>42,946</u>
Expenditures:			
Current:			
Public works	107,110	67,100	40,010
Capital outlay	<u>377,860</u>	<u>111,640</u>	<u>266,220</u>
Total Expenditures	<u>484,970</u>	<u>178,740</u>	<u>306,230</u>
Net Change in Fund Balance	(374,400)	(25,224)	349,176
Fund Balance, Beginning of Year	<u>3,142,874</u>	<u>3,142,874</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,768,474</u></u>	<u><u>\$ 3,117,650</u></u>	<u><u>\$ 349,176</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Redevelopment Project Capital Project Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 7,050	\$ 3,594	\$ (3,456)
Intergovernmental	10,000	59,199	49,199
Total Revenues	<u>17,050</u>	<u>62,793</u>	<u>45,743</u>
Expenditures:			
Current:			
Community development	693,010	336,890	356,120
Capital outlay	1,284,810	71,285	1,213,525
Total Expenditures	<u>1,977,820</u>	<u>408,175</u>	<u>1,569,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,960,770)</u>	<u>(345,382)</u>	<u>1,615,388</u>
Other Financing Sources (Uses):			
Transfers in	2,480,400	387,457	(2,092,943)
Transfers out	(134,000)	-	134,000
Total Other Financing Sources (Uses)	<u>2,346,400</u>	<u>387,457</u>	<u>(1,958,943)</u>
Extraordinary gain (loss)	<u>-</u>	<u>(440,758)</u>	<u>(440,758)</u>
Net Change in Fund Balance	385,630	(398,683)	(784,313)
Fund Balance, Beginning of Year	<u>398,683</u>	<u>398,683</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 784,313</u>	<u>\$ -</u>	<u>\$ (784,313)</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.

The Clean Ocean 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.

The Solid Waste Management 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 Assets
Nonmajor Proprietary Funds
June 30, 2012

	Clean Ocean	Solid Waste Management	Totals
Assets:			
Current Assets:			
Cash and investments	\$ 2,114,314	\$ 472,841	\$ 2,587,155
Receivables (net of allowances for uncollectible accounts)	370,115	8,056	378,171
Accrued interest	11,712	2,619	14,331
Total Current Assets	2,496,141	483,516	2,979,657
Capital Assets:			
Machinery and equipment	54,741	-	54,741
Construction in progress	202,516	-	202,516
Total Capital Assets	257,257	-	257,257
Less accumulated depreciation	(54,741)	-	(54,741)
Net Capital Assets	202,516	-	202,516
Total Assets	2,698,657	483,516	3,182,173
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	219,715	-	219,715
Accrued wages	3,650	898	4,548
Long-term liabilities, current portion	2,808	1,911	4,719
Total Current Liabilities	226,173	2,809	228,982
Long-Term Liabilities:			
Compensated absences payable	12,791	8,705	21,496
Total Liabilities	238,964	11,514	250,478
Net Assets:			
Invested in capital assets	202,516	-	202,516
Unrestricted	2,257,177	472,002	2,729,179
Total Net Assets	\$ 2,459,693	\$ 472,002	\$ 2,931,695

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Clean Ocean	Solid Waste Management	Totals
Operating Revenues:			
Charges for services	\$ 1,816,508	\$ 129,350	\$ 1,945,858
Other	314,758	25,830	340,588
Total Operating Revenues	<u>2,131,266</u>	<u>155,180</u>	<u>2,286,446</u>
Operating Expenses:			
Salaries and benefits	366,193	98,958	465,151
Cost of materials and supplies	79,520	7,190	86,710
Depreciation	-	-	-
Maintenance and other operating expenses	1,359,468	164,156	1,523,624
Total Operating Expenses	<u>1,805,181</u>	<u>270,304</u>	<u>2,075,485</u>
Operating Income (Loss)	<u>326,085</u>	<u>(115,124)</u>	<u>210,961</u>
Non-Operating Revenues (Expenses):			
Investment income	18,102	2,831	20,933
Grant income	-	61,766	61,766
Total Non-Operating Revenues	<u>18,102</u>	<u>64,597</u>	<u>82,699</u>
Income (Loss) Before Transfers and Capital Contributions	<u>344,187</u>	<u>(50,527)</u>	<u>293,660</u>
Transfers:			
Transfers in	3,400	200	3,600
Transfers out	(516,110)	-	(516,110)
Total Transfers	<u>(512,710)</u>	<u>200</u>	<u>(512,510)</u>
Change in Net Assets	(168,523)	(50,327)	(218,850)
Net Assets - Beginning of Year	<u>2,628,216</u>	<u>522,329</u>	<u>3,150,545</u>
Net Assets - End of Year	<u>\$ 2,459,693</u>	<u>\$ 472,002</u>	<u>\$ 2,931,695</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Clean Ocean	Solid Waste Management	Totals
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,829,859	\$ 147,600	\$ 1,977,459
Cash paid to other suppliers for goods or services	(1,368,357)	(193,953)	(1,562,310)
Cash payment to employees	(375,700)	(98,368)	(474,068)
Cash from other operating revenues	314,758	25,830	340,588
Net Cash Provided by (Used for) Operating Activities	<u>400,560</u>	<u>(118,891)</u>	<u>281,669</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	43,400	200	43,600
Cash paid to other funds	(556,110)	-	(556,110)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(512,710)</u>	<u>200</u>	<u>(512,510)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	(186,289)	-	(186,289)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(186,289)</u>	<u>-</u>	<u>(186,289)</u>
Cash Flows from Investing Activities:			
Maturity of investments	151,484	65,252	216,736
Investment income received	22,060	4,063	26,123
Net Cash Provided by (Used for) Investing Activities	<u>173,544</u>	<u>69,315</u>	<u>242,859</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(124,895)	(49,376)	(174,271)
Cash and Cash Equivalents at Beginning of Year	970,621	238,512	1,209,133
Cash and Cash Equivalents at End of Year	<u>\$ 845,726</u>	<u>\$ 189,136</u>	<u>\$ 1,034,862</u>
Reconciliation of Cash and Cash Equivalents to the balance sheet:			
Cash and cash equivalents	\$ 845,726	\$ 189,136	\$ 1,034,862
Investments	1,268,588	283,705	1,552,293
Total cash and investments per the balance sheet	<u>\$ 2,114,314</u>	<u>\$ 472,841</u>	<u>\$ 2,587,155</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 326,085</u>	<u>\$ (115,124)</u>	<u>\$ 210,961</u>
Adjustments to Reconcile Operating Income to Net Cash			
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	13,351	18,250	31,601
Increase (decrease) in accounts payable	70,631	(22,607)	48,024
Increase (decrease) in accrued wages	(6,245)	(1,437)	(7,682)
Increase (decrease) in compensated absences	(3,262)	2,027	(1,235)
Total Adjustments	<u>74,475</u>	<u>(3,767)</u>	<u>70,708</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 400,560</u>	<u>\$ (118,891)</u>	<u>\$ 281,669</u>

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.

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

The Central Services 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.

The Information Technology Fund is used to account for the costs associated with the City's data/word processing system and to 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.

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

The Employee Medical Self Insurance Fund is used to account for expenditures for medical benefits offered to all regular full-time employees.

The Workers' Compensation Self Insurance 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.

The General Liability Self Insurance 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 Assets
Internal Service Funds
June 30, 2012

	Employee Benefits	Central Services
Assets:		
Current Assets:		
Cash and investments	\$ 188,887	\$ 301,689
Receivables (net of allowances for uncollectible accounts):		
Accounts	6,894	374
Accrued interest	-	1,671
Prepaid expense	-	-
Total Current Assets	195,781	303,734
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	525,078
Total Capital Assets	-	525,078
Less accumulated depreciation	-	(265,689)
Net Capital Assets	-	259,389
Noncurrent Assets:		
Advances to other funds	-	-
Total Noncurrent Assets	-	259,389
Total Assets	195,781	563,123
Liabilities:		
Current Liabilities:		
Accounts payable	6,758	29,429
Accrued wages	187,522	660
Long-term liabilities, current portion	-	38,085
Total Current Liabilities	194,280	68,174
Noncurrent Liabilities:		
Capitalized lease obligations	-	127,026
OPEB obligation	-	-
Compensated absences payable	-	1,912
Claims and judgments payable	-	-
Total Noncurrent Liabilities	-	128,938
Total Liabilities	194,280	197,112
Net Assets:		
Invested in capital assets, net of related debt	-	94,698
Unrestricted	1,501	271,313
Total Net Assets	\$ 1,501	\$ 366,011

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 334,482	\$ 3,941,054	\$ 476,656	\$ 755,729	\$ 1,053,047	\$ 7,051,544
-	4,868	3,471	75,667	-	91,274
1,853	21,848	2,640	4,186	5,833	38,031
-	-	-	-	2,585	2,585
<u>336,335</u>	<u>3,967,770</u>	<u>482,767</u>	<u>835,582</u>	<u>1,061,465</u>	<u>7,183,434</u>
-	443,134	-	-	-	443,134
-	411,227	-	-	-	411,227
<u>503,159</u>	<u>4,523,864</u>	-	-	-	<u>5,552,101</u>
<u>503,159</u>	<u>5,378,225</u>	-	-	-	<u>6,406,462</u>
<u>(356,891)</u>	<u>(2,803,156)</u>	-	-	-	<u>(3,425,736)</u>
<u>146,268</u>	<u>2,575,069</u>	-	-	-	<u>2,980,726</u>
-	-	-	750,000	-	750,000
<u>146,268</u>	<u>2,575,069</u>	-	<u>750,000</u>	-	<u>3,730,726</u>
<u>482,603</u>	<u>6,542,839</u>	<u>482,767</u>	<u>1,585,582</u>	<u>1,061,465</u>	<u>10,914,160</u>
43,977	84,266	19,076	6,961	21,039	211,506
6,861	-	-	-	1,322	196,365
32,688	-	-	266,846	884,778	1,222,397
<u>83,526</u>	<u>84,266</u>	<u>19,076</u>	<u>273,807</u>	<u>907,139</u>	<u>1,630,268</u>
-	-	-	-	-	127,026
-	-	520,409	-	-	520,409
148,915	-	-	-	11,934	162,761
-	-	-	206,740	683,342	890,082
<u>148,915</u>	-	<u>520,409</u>	<u>206,740</u>	<u>695,276</u>	<u>1,700,278</u>
<u>232,441</u>	<u>84,266</u>	<u>539,485</u>	<u>480,547</u>	<u>1,602,415</u>	<u>3,330,546</u>
146,268	2,575,069	-	-	-	2,816,035
<u>103,894</u>	<u>3,883,504</u>	<u>(56,718)</u>	<u>1,105,035</u>	<u>(540,950)</u>	<u>4,767,579</u>
<u>\$ 250,162</u>	<u>\$ 6,458,573</u>	<u>\$ (56,718)</u>	<u>\$ 1,105,035</u>	<u>\$ (540,950)</u>	<u>\$ 7,583,614</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Employee Benefits	Central Services
Operating Revenues:		
Charges for current services	\$ -	\$ 688,095
Other	-	26
Total Operating Revenues	-	688,121
Operating Expenses:		
Salaries and benefits	-	59,246
Cost of materials and supplies	-	49,750
Depreciation	-	52,759
Workers compensation insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
Maintenance and other operating expenses	-	456,938
Total Operating Expenses	-	618,693
Operating Income (Loss)	-	69,428
Nonoperating Revenues (Expenses):		
Investment income	-	3,339
Interest and fiscal charges	(376)	(6,546)
Gain (loss) on sale of property	-	-
Total Nonoperating Revenues (Expenses)	(376)	(3,207)
Income (Loss) Before Transfers	(376)	66,221
Transfers:		
Transfers in	-	2,400
Transfers out	-	-
Total Transfers	-	2,400
Change in Net Assets	(376)	68,621
Net Assets - Beginning of Year	1,877	297,390
Net Assets - End of Year	\$ 1,501	\$ 366,011

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,314,370	\$ 1,718,730	\$ 2,959,772	\$ 377,440	\$ 1,600,000	\$ 8,658,407
-	41,706	13,621	75,667	1,165	132,185
<u>1,314,370</u>	<u>1,760,436</u>	<u>2,973,393</u>	<u>453,107</u>	<u>1,601,165</u>	<u>8,790,592</u>
724,961	-	-	-	116,128	900,335
14,802	527,045	-	-	202	591,799
32,910	545,991	-	-	-	631,660
-	-	-	89,141	-	89,141
-	-	2,695,878	-	-	2,695,878
-	-	-	-	762,406	762,406
-	-	212,015	386,266	585,425	1,183,706
650,740	665,219	83,195	61,894	232,619	2,150,605
<u>1,423,413</u>	<u>1,738,255</u>	<u>2,991,088</u>	<u>537,301</u>	<u>1,696,780</u>	<u>9,005,530</u>
<u>(109,043)</u>	<u>22,181</u>	<u>(17,695)</u>	<u>(84,194)</u>	<u>(95,615)</u>	<u>(214,938)</u>
2,600	38,490	1,119	(3,248)	-	42,300
-	-	-	-	(1,135)	(8,057)
-	6,650	-	-	-	6,650
<u>2,600</u>	<u>45,140</u>	<u>1,119</u>	<u>(3,248)</u>	<u>(1,135)</u>	<u>40,893</u>
<u>(106,443)</u>	<u>67,321</u>	<u>(16,576)</u>	<u>(87,442)</u>	<u>(96,750)</u>	<u>(174,045)</u>
41,730	-	-	-	200	44,330
-	(60,940)	-	(300,000)	-	(360,940)
<u>41,730</u>	<u>(60,940)</u>	<u>-</u>	<u>(300,000)</u>	<u>200</u>	<u>(316,610)</u>
(64,713)	6,381	(16,576)	(387,442)	(96,550)	(490,655)
<u>314,875</u>	<u>6,452,192</u>	<u>(40,142)</u>	<u>1,492,477</u>	<u>(444,400)</u>	<u>8,074,269</u>
<u>\$ 250,162</u>	<u>\$ 6,458,573</u>	<u>\$ (56,718)</u>	<u>\$ 1,105,035</u>	<u>\$ (540,950)</u>	<u>\$ 7,583,614</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Employee Benefits	Central Service
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,307	\$ 687,747
Cash paid to other suppliers of goods or services	-	(512,403)
Cash payment to employees	(107,989)	(62,211)
Cash from other operating revenues	-	-
Net Cash Provided by (Used for) Operating Activities	<u>(106,682)</u>	<u>113,133</u>
Cash Flows from Noncapital Financing Activities:		
Cash received from other funds	-	2,400
Cash paid to other funds	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>	<u>2,400</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase and construction of capital assets	-	-
Sale of capital assets	-	-
Payment on capital lease payable	-	(41,574)
Interest and fiscal charges	-	(6,546)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(48,120)</u>
Cash Flows from Investing Activities:		
Maturity (purchase) of investments	62,083	(43,744)
Investment income received	-	3,183
Net Cash Provided by (Used for) Investing Activities:	<u>62,083</u>	<u>(40,561)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,599)	26,852
Cash and Cash Equivalents at Beginning of Year	<u>120,154</u>	<u>93,824</u>
Cash and Cash Equivalents at End of Year	<u>\$ 75,555</u>	<u>\$ 120,676</u>
Reconciliation of Cash and Cash Equivalents to the balance sheet:		
Cash and cash equivalents	\$ 75,555	\$ 120,676
Investments	113,332	181,013
Total cash and investments per the balance sheet	<u>\$ 188,887</u>	<u>\$ 301,689</u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,314,370	\$ 1,761,698	\$ 2,978,389	\$ 386,926	\$ 1,601,165	\$ 8,731,602
(661,209)	(1,245,094)	(2,891,301)	(595,982)	(1,710,068)	(7,616,057)
(723,678)	-	-	-	(115,085)	(1,008,963)
-	-	-	-	-	-
<u>(70,517)</u>	<u>516,604</u>	<u>87,088</u>	<u>(209,056)</u>	<u>(223,988)</u>	<u>106,582</u>
41,730	-	-	-	200	44,330
-	(60,940)	-	(1,050,000)	-	(1,110,940)
<u>41,730</u>	<u>(60,940)</u>	<u>-</u>	<u>(1,050,000)</u>	<u>200</u>	<u>(1,066,610)</u>
(67,533)	(328,457)	-	-	-	(395,990)
-	19,060	-	-	-	19,060
-	-	-	-	-	(41,574)
-	-	-	-	-	(6,546)
<u>(67,533)</u>	<u>(309,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(425,050)</u>
53,100	(135,028)	(55,200)	739,939	125,784	746,934
3,547	41,245	1,026	5,734	1,392	56,127
<u>56,647</u>	<u>(93,783)</u>	<u>(54,174)</u>	<u>745,673</u>	<u>127,176</u>	<u>803,061</u>
(39,673)	52,484	32,914	(513,383)	(96,612)	(582,017)
<u>173,466</u>	<u>1,523,938</u>	<u>157,748</u>	<u>815,675</u>	<u>517,830</u>	<u>3,402,635</u>
<u>\$ 133,793</u>	<u>\$ 1,576,422</u>	<u>\$ 190,662</u>	<u>\$ 302,292</u>	<u>\$ 421,218</u>	<u>\$ 2,820,618</u>
\$ 133,793	\$ 1,576,422	\$ 190,662	\$ 302,292	\$ 421,218	\$ 2,820,618
200,689	2,364,632	285,994	453,437	631,829	4,230,926
<u>\$ 334,482</u>	<u>\$ 3,941,054</u>	<u>\$ 476,656</u>	<u>\$ 755,729</u>	<u>\$ 1,053,047</u>	<u>\$ 7,051,544</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2012

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ -	\$ 69,428
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	52,759
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	1,307	(374)
(Increase) decrease in prepaid items	-	3,138
Increase (decrease) in accounts payable	991	(8,853)
Increase (decrease) in accrued wages	(108,980)	(1,055)
Increase (decrease) in OPEB Obligation	-	-
Increase (decrease) in compensated absences	-	(1,910)
Increase (decrease) in claims and judgments payable	-	-
Total Adjustments	(106,682)	43,705
Net Cash Provided by (Used for) Operating Activities	\$ (106,682)	\$ 113,133
Noncash investing, capital, and financing activities:		
Unrealized gain (loss) on investments	\$ (376)	\$ (392)
Capital financing of lease	188,336	-

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ (109,043)	\$ 22,181	\$ (17,695)	\$ (84,194)	\$ (95,615)	\$ (214,938)
32,910	545,991	-	-	-	631,660
-	1,262	4,996	(66,181)	-	(58,990)
-	-	-	-	(2,585)	553
4,333	(52,830)	(9,913)	(1,365)	(40,936)	(108,573)
(10,333)	-	-	-	(675)	(121,043)
-	-	109,700	-	-	109,700
11,616	-	-	-	1,718	11,424
-	-	-	(57,316)	(85,895)	(143,211)
<u>38,526</u>	<u>494,423</u>	<u>104,783</u>	<u>(124,862)</u>	<u>(128,373)</u>	<u>321,520</u>
<u>\$ (70,517)</u>	<u>\$ 516,604</u>	<u>\$ 87,088</u>	<u>\$ (209,056)</u>	<u>\$ (223,988)</u>	<u>\$ 106,582</u>
\$ (2,337)	\$ (13,270)	\$ (880)	\$ (16,898)	\$ (6,585)	\$ (40,738)
-	-	-	-	-	188,336



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.

The Street Assessment Collection Fund is used to record collections and payments to the holders of the 1915 Act Assessment Bonds as they pertain to Street Assessments.

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

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

The 98-1 Reassessment District Public Financing Authority Collection Fund is used to refund the 98-1 Assessment District Limited Obligation Improvement Bonds previously issued to finance public improvements benefiting parcels within the Reassessment District.

The Coastal Animal Service Authority 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.

CITY OF SAN CLEMENTE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012

	Street Assessment Collection	99-1 AD Collection	99-1 CFD Collection
Assets:			
Taxes receivable	\$ -	\$ -	\$ 199
Accounts receivable	-	-	-
Accrued interest receivable	1,261	603	6,324
Restricted cash and investments	227,610	15,608	285,713
Restricted cash and investments with fiscal agents	-	92,573	540,248
Total Assets	\$ 228,871	\$ 108,784	\$ 832,484
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Payable to bondholders	228,871	108,784	832,484
Total Liabilities	\$ 228,871	\$ 108,784	\$ 832,484

<u>98-1 RAD PFA Collection</u>	<u>Coastal Animal Services Authority</u>	<u>Totals</u>
\$ 17,414	\$ -	\$ 17,613
-	32,629	32,629
2,103	-	10,291
379,558	24,060	932,549
1,547,499	-	2,180,320
<u>\$ 1,946,574</u>	<u>\$ 56,689</u>	<u>\$ 3,173,402</u>
\$ -	\$ 40,645	\$ 40,645
-	16,044	16,044
1,946,574	-	3,116,713
<u>\$ 1,946,574</u>	<u>\$ 56,689</u>	<u>\$ 3,173,402</u>

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended
June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>STREET ASSESSMENT COLLECTION</u>				
Assets				
Taxes receivable	\$ -	\$ -	\$ -	\$ -
Accrued interest receivable	25,621	8,895	33,255	1,261
Cash and investments	1,517,779	705,826	1,995,995	227,610
Total Assets	<u>\$ 1,543,400</u>	<u>\$ 714,721</u>	<u>\$ 2,029,250</u>	<u>\$ 228,871</u>
Liabilities				
Accounts payable	\$ 4,066	\$ 592,597	\$ 596,663	\$ -
Payable to bondholders	1,539,334	6,423	1,316,886	228,871
Total Liabilities	<u>\$ 1,543,400</u>	<u>\$ 599,020</u>	<u>\$ 1,913,549</u>	<u>\$ 228,871</u>
<u>99-1 AD COLLECTION</u>				
Assets				
Taxes receivable	\$ 599	\$ -	\$ 599	\$ -
Accrued interest receivable	1,050	1,715	2,162	603
Cash and investments	159,217	352,412	403,448	108,181
Total Assets	<u>\$ 160,866</u>	<u>\$ 354,127</u>	<u>\$ 406,209</u>	<u>\$ 108,784</u>
Liabilities				
Accounts payable	\$ 917	\$ 89,573	\$ 90,490	\$ -
Payable to bondholders	159,949	279,751	330,916	108,784
Total Liabilities	<u>\$ 160,866</u>	<u>\$ 369,324</u>	<u>\$ 421,406</u>	<u>\$ 108,784</u>
<u>99-1 CFD COLLECTION</u>				
Assets				
Taxes receivable	\$ 216	\$ 199	\$ 216	\$ 199
Accrued interest receivable	8,808	-	2,484	6,324
Cash and investments	1,064,826	6,839,099	7,077,964	825,961
Total Assets	<u>\$ 1,073,850</u>	<u>\$ 6,839,298</u>	<u>\$ 7,080,664</u>	<u>\$ 832,484</u>
Liabilities				
Accounts payable	\$ 1,171	\$ 422,879	\$ 424,050	\$ -
Payable to bondholders	1,072,679	6,393,170	6,633,365	832,484
Total Liabilities	<u>\$ 1,073,850</u>	<u>\$ 6,816,049</u>	<u>\$ 7,057,415</u>	<u>\$ 832,484</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended
June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>98-1 RAD PFA COLLECTION</u>				
Assets				
Taxes receivable	\$ 17,478	\$ 17,414	\$ 17,478	\$ 17,414
Accrued interest receivable	3,408	-	1,305	2,103
Cash and investments	1,927,324	2,262,692	2,262,959	1,927,057
Total Assets	\$ 1,948,210	\$ 2,280,106	\$ 2,281,742	\$ 1,946,574
Liabilities				
Accounts payable	\$ 1,759	\$ 1,198,073	\$ 1,199,832	\$ -
Payable to bondholders	1,946,451	1,074,837	1,074,714	1,946,574
Total Liabilities	\$ 1,948,210	\$ 2,272,910	\$ 2,274,546	\$ 1,946,574
<u>COASTAL ANIMAL SERVICES AUTHORITY</u>				
Assets				
Accounts receivable	\$ 31,181	\$ 32,469	\$ 31,021	\$ 32,629
Cash and investments	233,751	1,671,190	1,880,881	24,060
Total Assets	\$ 264,932	\$ 1,703,659	\$ 1,911,902	\$ 56,689
Liabilities				
Accounts payable	\$ 62,889	\$ 1,393,144	\$ 1,415,388	\$ 40,645
Accrued wages	34,908	630,296	649,160	16,044
Deposits payable	167,135	1,655,483	1,822,618	-
Total Liabilities	\$ 264,932	\$ 3,678,923	\$ 3,887,166	\$ 56,689
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Taxes receivable	\$ 18,293	\$ 17,613	\$ 18,293	\$ 17,613
Accounts receivable	31,181	32,469	31,021	32,629
Accrued interest receivable	38,887	10,610	39,206	10,291
Cash and investments	4,902,897	11,831,219	13,621,247	3,112,869
Total Assets	\$ 4,991,258	\$ 11,891,911	\$ 13,709,767	\$ 3,173,402
Liabilities				
Accounts payable	\$ 70,802	\$ 3,696,266	\$ 3,726,423	\$ 40,645
Accrued wages	34,908	630,296	649,160	16,044
Deposits payable	167,135	1,655,483	1,822,618	-
Payable to bondholders	4,718,413	7,754,181	9,355,881	3,116,713
Total Liabilities	\$ 4,991,258	\$ 13,736,226	\$ 15,554,082	\$ 3,173,402

(Concluded)



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

City Council
City of San Clemente
San Clemente, CA

We have audited the 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, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2012. 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.

Internal Control Over Financial Reporting

Management of City of San Clemente is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jeaman Ramirez & Smith, Llc.

December 18, 2012

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>	138
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	150
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>	156
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>	160
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>	162

CITY OF SAN CLEMENTE

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets, net of related debt	\$ 93,841,428	\$ 101,368,966	\$ 107,200,967	\$ 120,396,154
Restricted	24,022,643	25,407,502	60,646,071	63,848,558
Unrestricted	56,409,911	64,128,688	34,344,873	36,731,775
Total governmental activities net assets	<u>\$ 174,273,982</u>	<u>\$ 190,905,156</u>	<u>\$ 202,191,911</u>	<u>\$ 220,976,487</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 119,918,074	\$ 122,398,385	\$ 122,528,356	\$ 128,145,144
Restricted	-	34,288,047	35,045,918	37,706,913
Unrestricted	43,459,092	12,790,969	15,274,346	13,211,871
Total business-type activities net assets	<u>\$ 163,377,166</u>	<u>\$ 169,477,401</u>	<u>\$ 172,848,620</u>	<u>\$ 179,063,928</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 213,759,502	\$ 223,767,351	\$ 229,729,323	\$ 248,541,298
Restricted	24,022,643	59,695,549	95,691,989	101,555,471
Unrestricted	99,869,003	76,919,657	49,619,219	49,943,646
Total primary government net assets	<u>\$ 337,651,148</u>	<u>\$ 360,382,557</u>	<u>\$ 375,040,531</u>	<u>\$ 400,040,415</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 139,240,988	\$ 150,591,242	\$ 160,753,531	\$ 164,975,785	\$ 184,880,908	\$ 191,342,737
73,257,751	72,576,665	70,789,068	72,358,104	61,254,366	51,568,742
32,975,491	34,432,738	36,234,606	33,143,594	38,223,976	39,174,674
<u>\$ 245,474,230</u>	<u>\$ 257,600,645</u>	<u>\$ 267,777,205</u>	<u>\$ 270,477,483</u>	<u>\$ 284,359,250</u>	<u>\$ 282,086,153</u>
\$ 138,419,739	\$ 141,188,272	\$ 148,073,703	\$ 145,862,033	\$ 144,382,566	\$ 148,528,745
43,020,332	45,175,807	44,132,042	48,219,563	49,019,121	11,604,636
7,061,711	9,510,733	5,255,209	2,535,183	2,556,796	35,030,472
<u>\$ 188,501,782</u>	<u>\$ 195,874,812</u>	<u>\$ 197,460,954</u>	<u>\$ 196,616,779</u>	<u>\$ 195,958,483</u>	<u>\$ 195,163,853</u>
\$ 277,660,727	\$ 291,779,514	\$ 308,827,234	\$ 310,837,818	\$ 329,263,474	\$ 339,871,482
116,278,083	117,752,472	114,921,110	120,577,667	110,273,487	63,173,378
40,037,202	43,943,471	41,489,815	35,678,777	40,780,772	74,205,146
<u>\$ 433,976,012</u>	<u>\$ 453,475,457</u>	<u>\$ 465,238,159</u>	<u>\$ 467,094,262</u>	<u>\$ 480,317,733</u>	<u>\$ 477,250,006</u>

CITY OF SAN CLEMENTE

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 7,864,392	\$ 5,271,633	\$ 6,714,032
Public safety ¹	12,675,190	13,378,603	14,217,552
Police			
Fire			
Economic development ²	15,154,477	13,807,963	16,654,803
Public works			
Community development			
Beaches, parks & recreation	6,893,752	7,193,450	8,316,082
Interest and fiscal charges	369,162	360,154	345,345
Total governmental activities expenses	<u>42,956,973</u>	<u>40,011,803</u>	<u>46,247,814</u>
Business-type activities:			
Water	10,128,995	10,244,563	10,636,696
Sewer	6,416,001	6,621,163	7,798,634
Golf	1,762,402	1,897,026	1,934,882
Other	700,328	1,001,525	1,207,503
Total business-type activities expenses	<u>19,007,726</u>	<u>19,764,277</u>	<u>21,577,715</u>
Total primary government expenses	<u>61,964,699</u>	<u>59,776,080</u>	<u>67,825,529</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	3,662,307	3,438,615	4,734,491
Public safety ¹	2,690,730	2,699,963	2,039,859
Police			
Fire			
Economic development ²	10,500,301	11,962,370	7,167,035
Public works			
Community development			
Beaches, parks & recreation	5,361,753	4,542,378	5,521,121
Operating grants and contributions	705,628	677,916	956,864
Capital grants and contributions	4,185,328	3,467,440	326,812
Total governmental activities program revenues	<u>27,106,047</u>	<u>26,788,682</u>	<u>20,746,182</u>
Business-type activities:			
Charges for services:			
Water	11,635,122	12,668,783	12,236,707
Sewer	7,133,464	7,090,001	7,276,394
Golf	1,859,841	2,227,188	2,034,533
Other	960,404	2,352,116	2,428,837
Operating grants and contributions	4,922,145	2,140,342	-
Capital grants and contributions	-	-	906,385
Total business-type activities program revenues	<u>26,510,976</u>	<u>26,478,430</u>	<u>24,882,856</u>
Total primary government program revenues	<u>53,617,023</u>	<u>53,267,112</u>	<u>45,629,038</u>
Net (expense)/revenue:			
Governmental activities	(15,850,926)	(13,223,121)	(25,501,632)
Business-type activities	7,503,250	6,714,153	3,305,141
Total primary government net expense	<u>\$ (8,347,676)</u>	<u>\$ (6,508,968)</u>	<u>\$ (22,196,491)</u>

		Fiscal Year					
2006	2007	2008	2009	2010	2011	2012	
\$ 9,648,050	\$ 8,618,717	\$ 7,067,972	\$ 8,590,506	\$ 8,197,612	\$ 8,453,237	\$ 7,446,115	
9,565,635	10,111,028	11,432,223	11,643,872	12,295,976	12,051,622	12,120,058	
5,710,457	6,193,700	6,396,679	6,646,647	6,931,220	7,074,900	7,441,911	
9,070,583	22,373,476	9,824,925	9,651,386	10,665,664	10,407,140	11,467,488	
5,396,690	6,515,898	6,180,679	6,372,669	7,524,036	5,327,603	5,335,446	
8,725,821	9,519,314	9,817,651	10,258,139	10,173,361	9,926,388	11,832,045	
334,736	365,633	326,509	302,728	284,613	307,354	232,635	
<u>48,451,972</u>	<u>63,697,766</u>	<u>51,046,638</u>	<u>53,465,947</u>	<u>56,072,482</u>	<u>53,548,244</u>	<u>55,875,698</u>	
11,829,322	12,039,439	12,347,470	14,918,006	15,128,156	14,604,342	16,649,645	
8,761,770	8,261,682	8,544,283	10,410,640	9,739,844	10,706,741	10,560,807	
2,197,204	2,152,574	2,260,402	2,286,334	2,163,580	2,135,370	2,191,026	
1,461,065	1,493,220	1,927,960	1,808,289	1,982,432	2,070,131	2,080,649	
<u>24,249,361</u>	<u>23,946,915</u>	<u>25,080,115</u>	<u>29,423,269</u>	<u>29,014,012</u>	<u>29,516,584</u>	<u>31,482,127</u>	
<u>72,701,333</u>	<u>87,644,681</u>	<u>76,126,753</u>	<u>82,889,216</u>	<u>85,086,494</u>	<u>83,064,828</u>	<u>87,357,825</u>	
2,537,862	2,880,811	2,643,881	2,674,407	2,408,851	2,742,791	2,899,751	
1,180,869	1,068,480	1,012,436	1,167,198	977,562	1,060,857	1,014,471	
582,914	637,426	564,867	793,180	823,135	681,144	768,098	
1,320,339	1,154,858	962,317	800,669	879,257	1,277,324	1,146,576	
4,585,546	3,690,114	2,914,280	1,412,939	1,619,726	1,456,230	1,365,793	
1,899,328	2,161,531	2,592,051	2,482,348	2,831,200	2,835,372	3,186,014	
3,901,444	5,730,426	3,303,950	2,670,368	3,373,731	3,287,276	3,218,852	
<u>14,557,681</u>	<u>31,132,043</u>	<u>10,039,908</u>	<u>10,049,727</u>	<u>4,463,625</u>	<u>5,694,883</u>	<u>2,682,033</u>	
<u>30,565,983</u>	<u>48,455,689</u>	<u>24,033,690</u>	<u>22,050,836</u>	<u>17,377,087</u>	<u>19,035,877</u>	<u>16,281,588</u>	
10,216,817	12,192,798	12,324,113	12,447,776	12,485,605	13,885,865	16,424,826	
7,285,939	7,558,957	8,134,083	8,132,002	8,358,121	8,977,702	9,270,705	
2,057,159	2,100,371	2,250,182	2,132,715	2,023,047	2,137,694	2,222,932	
1,985,933	2,063,647	2,049,309	2,010,211	1,985,289	2,362,352	2,286,446	
-	-	-	-	-	190,241	248,928	
4,129,369	5,498,771	2,693,366	3,025,094	769,923	1,100,855	47,180	
<u>25,675,217</u>	<u>29,414,544</u>	<u>27,451,053</u>	<u>27,747,798</u>	<u>25,621,985</u>	<u>28,654,709</u>	<u>30,501,017</u>	
<u>56,241,200</u>	<u>77,870,233</u>	<u>51,484,743</u>	<u>51,484,743</u>	<u>51,484,743</u>	<u>51,484,743</u>	<u>46,782,605</u>	
(17,885,989)	(15,242,077)	(27,012,948)	(31,415,111)	(38,695,395)	(34,512,367)	(39,594,110)	
1,425,856	5,467,629	2,370,938	(1,675,471)	(3,392,027)	(861,875)	(981,110)	
<u>\$ (16,460,133)</u>	<u>\$ (9,774,448)</u>	<u>\$ (24,642,010)</u>	<u>\$ (33,090,582)</u>	<u>\$ (42,087,422)</u>	<u>\$ (35,374,242)</u>	<u>\$ (40,575,220)</u>	

(Continued)

CITY OF SAN CLEMENTE

CHANGES IN NET ASSETS

Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
Property taxes	\$ 12,814,927	\$ 14,619,234	\$ 19,904,158
Sales taxes	5,473,506	6,213,258	5,199,568
Sales taxes - in lieu	-	-	1,625,595
Transient occupancy taxes	980,666	1,049,910	1,161,392
Franchise taxes	1,408,820	1,552,704	1,727,451
Other taxes	4,885,626	2,931,927	2,608,978
Assessments	6,501,604	1,700,901	636,041
Investment earnings	2,594,358	(189,088)	2,626,787
Miscellaneous	247,250	391,678	798,840
Gain on sale of capital assets	7,537	969,853	22,867
Pension side fund payment	-	-	-
Dissolution of the redevelopment agency	-	-	-
Transfers	(123,152)	613,918	692,970
Total governmental activities	<u>34,791,142</u>	<u>29,854,295</u>	<u>37,004,647</u>
Business-type activities:			
Investment earnings	-	-	761,419
Gain/Loss on sale of capital assets	-	-	(2,371)
Miscellaneous	-	-	-
Transfers	123,152	(613,918)	(692,970)
Total business-type activities	<u>123,152</u>	<u>(613,918)</u>	<u>66,078</u>
Total primary government	<u>\$ 34,914,294</u>	<u>\$ 29,240,377</u>	<u>\$ 37,070,725</u>
Change in Net Assets			
Governmental activities	18,940,216	16,631,174	11,503,015
Business-type activities	7,626,402	6,100,235	3,371,219
Total primary government	<u>\$ 26,566,618</u>	<u>\$ 22,731,409</u>	<u>\$ 14,874,234</u>

Notes:

¹ Public safety was separated for reporting purposes into police and fire in fiscal year 2006.

² Economic development was separated for reporting purposes into public works and community development in fiscal year 2006.

³ 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.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 22,663,198	\$ 25,502,996	\$ 27,691,490	\$ 27,676,009	\$ 27,114,216	\$ 26,543,254	\$ 25,704,056
5,260,019	5,670,986	5,628,813	4,530,994	4,965,641	5,095,486	5,375,251
1,375,318	1,643,898	1,981,820	2,014,780	1,308,380	1,604,663	1,694,225
1,264,514	1,362,015	1,465,852	1,309,644	1,371,937	1,460,880	1,541,248
2,127,233	3,185,831	2,163,287	2,246,570	2,166,871	2,199,894	2,229,194
617,638	533,679	475,611	1,250,768	1,353,846	1,411,471	1,073,325
668,756	-	-	-	-	-	-
2,144,246	3,061,219	2,070,969	2,155,014	2,152,699	827,900	1,147,655
4,832	108,176	306,842	42,135	722,562	150,904	144,473
(18,819)	-	(2,695,057)	-	-	13,403,427	-
-	-	-	-	-	(4,754,163)	-
-	-	-	-	-	-	(1,767,179)
563,630	(1,328,980)	49,736	365,757	239,521	450,418	178,765
<u>36,670,565</u>	<u>39,739,820</u>	<u>39,139,363</u>	<u>41,591,671</u>	<u>41,395,673</u>	<u>48,394,134</u>	<u>37,321,013</u>
1,086,795	2,822,400	2,747,619	2,208,881	1,406,190	653,997	365,245
-	-	(662,391)	-	-	-	-
4,266,287	1,409,345	1,376,100	1,418,489	1,381,183	-	-
(563,630)	1,328,980	(49,736)	(365,757)	(239,521)	(450,418)	(178,765)
4,789,452	5,560,725	3,411,592	3,261,613	2,547,852	203,579	186,480
<u>\$ 41,460,017</u>	<u>\$ 45,300,545</u>	<u>\$ 42,550,955</u>	<u>\$ 44,853,284</u>	<u>\$ 43,943,525</u>	<u>\$ 48,597,713</u>	<u>\$ 37,507,493</u>
18,784,576	24,497,743	12,126,415	10,176,560	2,700,278	13,881,767	(2,273,097)
6,215,308	11,028,354	5,782,530	1,586,142	(844,175)	(658,296)	(794,630)
<u>\$ 24,999,884</u>	<u>\$ 35,526,097</u>	<u>\$ 17,908,945</u>	<u>\$ 11,762,702</u>	<u>\$ 1,856,103</u>	<u>\$ 13,223,471</u>	<u>\$ (3,067,727)</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
2002-2003	\$ 12,812,601	\$ 5,473,506	\$ 980,667	\$ 1,408,820	\$ 669,742	\$ 21,345,336
2003-2004	14,619,948	6,213,258	1,049,910	1,552,704	629,237	24,065,057
2004-2005	19,622,512	6,610,205	1,161,393	1,727,451	636,963	29,758,524
2005-2006	22,521,783	6,796,295	1,264,514	2,127,233	665,762	33,375,587
2006-2007	25,217,121	7,275,883	1,362,015	3,185,831	662,446	37,703,296
2007-2008	27,473,127	7,621,633	1,465,852	2,168,274	652,684	39,381,570
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

Note:

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

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
2002-2003	\$ 12,814,927	\$ 5,473,506	\$ 980,666	\$ 1,408,820	\$ 8,201,476	\$ 3,185,754	\$ 32,065,149
2003-2004	14,619,234	6,213,258	1,049,910	1,552,704	1,859,468	2,773,360	28,067,934
2004-2005	19,904,158	6,825,163	1,161,392	1,727,451	1,170,737	1,438,241	32,227,142
2005-2006	22,663,198	6,635,337	1,264,514	2,127,233	166,418	451,220	33,307,920
2006-2007	25,502,996	7,314,884	1,362,015	3,185,831	167,677	366,002	37,899,405
2007-2008	27,691,490	7,610,633	1,465,852	2,163,287	173,020	302,591	39,406,873
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

Note:

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

CITY OF SAN CLEMENTE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 655,693	\$ 913,246	\$ 3,057,948	\$ 6,851,143
Unreserved	16,920,044	13,204,037	24,158,171	21,648,599
Total general fund	<u>\$ 17,575,737</u>	<u>\$ 14,117,283</u>	<u>\$ 27,216,119</u>	<u>\$ 28,499,742</u>
All other governmental funds				
Reserved	\$ 34,587,366	\$ 32,265,740	\$ 42,189,068	\$ 56,272,435
Unreserved, reported in:				
Special revenue funds	5,420,890	5,056,323	4,019,549	(6,233,102)
Capital projects funds	19,797,413	14,624,165	17,134,321	15,506,770
Debt service funds	(2,309,871)	-	(1,793,022)	(994,400)
Total all other governmental funds	<u>\$ 57,495,798</u>	<u>\$ 51,946,228</u>	<u>\$ 61,549,916</u>	<u>\$ 64,551,703</u>
General fund				
Nonspendable				
Committed				
Assigned				
Unassigned				
Total general fund				
All other governmental funds				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds				

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

Source: City of San Clemente

Fiscal Year					
2007	2008	2009	2010	2011*	2012
\$ 7,270,478	\$ 5,144,358	\$ 5,023,665	\$ 4,649,496	\$ -	\$ -
18,996,871	20,380,390	20,070,766	18,836,396	-	-
<u>\$ 26,267,349</u>	<u>\$ 25,524,748</u>	<u>\$ 25,094,431</u>	<u>\$ 23,485,892</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 79,299,565	\$ 81,250,042	\$ 79,749,708	\$ 69,850,312	\$ -	\$ -
(6,051,182)	654,026	4,370,589	6,190,722	-	-
748,444	(7,833,364)	(11,345,685)	(1,218,011)	-	-
(370,320)	(719,835)	486,740	(2,545,344)	-	-
<u>\$ 73,626,507</u>	<u>\$ 73,350,869</u>	<u>\$ 73,261,352</u>	<u>\$ 72,277,679</u>	<u>\$ -</u>	<u>\$ -</u>
				2011*	2012
				\$ 2,169,291	\$ 1,800,743
				18,923,274	17,754,373
				3,770,456	7,373,427
				4,110,236	1,528,656
				<u>\$ 28,973,257</u>	<u>\$ 28,457,199</u>
				\$ 2,351,847	\$ 2,120,653
				31,352,050	46,333,348
				11,792,319	442,650
				17,517,914	4,209,482
				(2,001,968)	26,091
				<u>\$ 61,012,162</u>	<u>\$ 53,132,224</u>

CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 21,345,336	\$ 24,065,057	\$ 29,758,524	\$ 33,375,587
Licenses and permits	3,860,693	4,345,416	3,201,431	3,271,025
Fines and forfeits	996,500	872,930	913,447	921,583
Interest and rentals	4,072,323	1,188,381	4,048,545	3,783,715
Intergovernmental	6,913,673	6,519,475	5,116,208	6,748,776
Charges for services	7,762,794	10,555,824	9,721,047	9,096,580
Developers fees	7,276,576	4,712,400	4,257,756	4,397,324
Contributions	1,683,347	239,424	600	10,611
Other	1,330,126	188,133	125,515	191,600
Total revenues	<u>55,241,368</u>	<u>52,687,040</u>	<u>57,143,073</u>	<u>61,796,801</u>
Expenditures				
General government	4,970,714	5,281,848	6,062,696	6,506,896
Public safety	12,635,091	13,335,293	14,196,737	
Police				9,569,745
Fire				5,670,855
Economic development	9,708,155	11,033,231	13,766,323	
Public works				8,520,415
Community development				5,194,929
Beaches, parks and recreation	6,358,051	7,024,902	7,281,436	7,763,991
Capital outlay	17,879,090	8,891,849	9,229,162	11,343,516
Debt service:				
Property tax shift	40,957	72,464	149,284	152,953
Principal retirements	93,748	156,820	80,000	85,000
Interest and fiscal charges	369,162	356,256	339,956	331,731
Total expenditures	<u>52,054,968</u>	<u>46,152,663</u>	<u>51,105,594</u>	<u>55,140,031</u>
Excess of revenues over (under) expenditures	6,534,377	6,037,479	6,656,770	7,506,881
Other financing sources (uses)				
Proceeds from debt issue	-	-	-	-
Advance from component unit	-	-	-	-
Sale of capital assets	-	1,103,924	-	-
Transfers in	10,957,023	3,651,763	4,861,030	4,515,034
Transfers out	(4,719,729)	(3,218,083)	(4,347,450)	(6,886,394)
Total other financing sources (uses)	<u>6,237,294</u>	<u>1,537,604</u>	<u>513,580</u>	<u>(2,371,360)</u>
Pension side fund payment	-	-	-	-
Redevelopment agency dissolution	-	-	-	-
Net change in fund balances	<u>\$ 12,771,671</u>	<u>\$ 7,575,083</u>	<u>\$ 7,170,350</u>	<u>\$ 5,135,521</u>
Debt service as a percentage of noncapital expenditures	1%	1%	1%	1%

Source: City of San Clemente

Fiscal Year

	2007	2008	2009	2010	2011	2012
\$	37,703,296	\$ 39,381,570	\$ 38,642,481	\$ 35,436,230	\$ 38,098,699	\$ 37,574,489
	2,782,916	2,095,709	1,714,112	2,083,840	1,903,617	892,486
	896,133	880,206	1,033,082	820,170	931,685	879,981
	6,922,912	6,480,064	5,700,804	3,998,962	2,780,497	2,615,105
	8,305,713	7,555,145	6,987,223	5,975,543	5,767,169	4,830,480
	7,577,287	6,716,282	6,664,560	6,905,663	7,150,212	7,527,717
	918,600	444,916	203,899	238,620	700,150	170,071
	-	-	-	-	-	-
	665,580	473,262	168,956	892,015	1,152,865	1,755,948
	<u>65,772,437</u>	<u>64,027,154</u>	<u>61,115,117</u>	<u>56,351,043</u>	<u>58,484,894</u>	<u>56,246,277</u>
	6,868,943	7,169,531	7,311,045	7,740,422	7,274,138	7,308,774
	10,091,550	11,452,808	11,658,831	12,344,203	12,046,529	12,111,299
	6,013,151	6,234,977	6,484,946	6,769,519	6,913,198	7,280,209
	6,569,089	6,996,705	6,477,525	6,995,428	6,863,269	7,124,688
	5,689,852	5,841,406	5,561,874	6,139,496	4,723,758	5,159,664
	8,633,081	8,635,436	9,113,582	8,699,948	8,378,274	9,421,326
	13,956,352	16,702,514	13,515,137	9,353,222	25,632,719	13,793,640
	26,852	24,463	504,204	1,052,656	348,788	-
	95,000	100,000	105,000	115,000	125,000	830,000
	321,686	308,786	291,444	279,293	304,411	226,089
	<u>58,265,556</u>	<u>63,466,626</u>	<u>61,023,588</u>	<u>59,489,187</u>	<u>72,610,084</u>	<u>63,255,689</u>
	7,506,881	560,528	91,529	(3,138,144)	(14,125,190)	(7,009,412)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	33,617	35,000	70,952	13,449,123	-
	15,653,591	12,485,771	5,154,595	5,967,593	14,490,883	5,603,370
	<u>(16,318,061)</u>	<u>(14,098,155)</u>	<u>(5,800,958)</u>	<u>(5,492,613)</u>	<u>(14,838,805)</u>	<u>(5,222,775)</u>
	<u>(664,470)</u>	<u>(1,578,767)</u>	<u>(611,363)</u>	<u>545,932</u>	<u>13,101,201</u>	<u>380,595</u>
	-	-	-	-	(4,754,163)	-
	-	-	-	-	-	(1,767,179)
	<u>\$ 6,842,411</u>	<u>\$ (1,018,239)</u>	<u>\$ (519,834)</u>	<u>\$ (2,592,212)</u>	<u>\$ (5,778,152)</u>	<u>\$ (8,395,996)</u>
	1%	1%	1%	1%	1%	2%

CITY OF SAN CLEMENTE

ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	City and Redevelopment Agency		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured Value	Unsecured Value		
2002 - 2003	\$ 6,672,182,748	\$ 159,513,135	\$ 6,831,695,883	1.00%
2003 - 2004	7,538,235,560	200,444,368	7,738,679,928	1.00%
2004 - 2005	8,530,666,429	217,632,601	8,748,299,030	1.00%
2005 - 2006	9,766,309,751	233,094,120	9,999,403,871	1.00%
2006 - 2007	11,108,747,093	257,421,073	11,366,168,166	1.00%
2007 - 2008	12,244,044,495	242,931,021	12,486,975,516	1.00%
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%

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.

	Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Taxable Actual Value
\$	6,831,695,883	100%
	7,738,679,928	100%
	8,748,299,030	100%
	9,999,403,871	100%
	11,366,168,166	100%
	12,486,975,516	100%
	12,855,038,349	100%
	12,631,336,846	100%
	12,430,204,040	100%
	12,355,909,506	100%

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Metropolitan Water District	\$ 0.0067	\$ 0.0061	\$ 0.0058	\$ 0.0052
Capistrano Unified School District (various issues)	0.0105	0.0129	0.0119	0.0108
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>\$ 1.0172</u>	<u>\$ 1.0190</u>	<u>\$ 1.0177</u>	<u>\$ 1.0160</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					
2007	2008	2009	2010	2011	2012
\$ 0.0047	\$ 0.0045	\$ 0.0043	\$ 0.0043	\$ 0.0037	\$ 0.0037
0.0095	0.0102	0.0097	0.0108	0.0111	0.0110
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
\$ 1.0142	\$ 1.0147	\$ 1.0140	\$ 1.0151	\$ 1.0148	\$ 1.0147

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

Taxpayer	Type of Business	2012			2003		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
LV Marblehead LLC	Real Estate	\$ 126,466,326	1	1.02%	\$ -		
WNG San Clemente 368 LLC	Real Estate	62,668,365	2	0.51%	-		
BRE-FMCA LLC	Real Estate	61,464,232	3	0.50%	-		
Centro Watt Operating Partnership LLC	Real Estate	41,605,156	4	0.34%	-		
GS Whispering Winds LLC	Real Estate	34,659,032	5	0.28%	-		
Talega Village Center LLC	Real Estate	27,350,000	6	0.22%	-		
Villa San Clemente LLC	Real Estate	24,150,000	7	0.20%	-		
Cox Communications Inc.	Public Utilities	23,996,305	8	0.19%	22,764,537	8	0.33%
Won and Jay Inc	Real Estate	22,232,665	9	0.18%	-		
Raymond Taccolini Trust	Grocery	20,641,983	10	0.17%	-		
Seacrest San Clemente LP	Real Estate	-			50,750,100	1	0.74%
W Lyons Homes LLC	Real Estate	-			46,760,446	2	0.68%
Reserve North at Forester	Real Estate	-			40,871,000	3	0.60%
ICU Medical, Inc.	Medical	-			34,368,187	4	0.50%
Standard Pacific Corporation	Real Estate	-			32,455,669	5	0.47%
Pardee Construction	Construction	-			27,334,000	6	0.40%
LBK IB Limited Partnership	Real Estate	-			24,449,188	7	0.36%
Shea Homes LP	Real Estate	-			22,356,821	9	0.33%
M and H Realty Partners III	Real Estate	-			21,167,650	10	0.31%
		<u>\$ 445,234,064</u>		<u>3.60%</u>	<u>\$ 323,277,598</u>		<u>4.72%</u>

Source: Orange County Assessor's Office

CITY OF SAN CLEMENTE

PROPERTY TAX LEVIES AND COLLECTIONS (1)

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
2002 - 2003	\$ 13,836,882	\$ 13,412,596	96.93%	\$ 237,488	\$ 13,650,084	98.65%	\$ 297,012	2.15%
2003 - 2004	15,305,359	14,844,401	98.95%	299,444	15,143,845	98.94%	216,357	1.42%
2004 - 2005	21,325,884	21,160,560	128.67%	146,406	21,306,966	99.91%	281,451	1.70%
2005 - 2006	26,319,945	25,908,253	126.66%	248,893	26,157,146	99.38%	440,028	2.13%
2006 - 2007	29,847,548	29,052,670	98.70%	407,428	29,460,098	98.70%	800,561	2.68%
2007 - 2008	32,658,925	31,607,230	96.78%	534,706	32,141,935	98.42%	1,046,334	3.20%
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%

Note:

(1) Data for City of San Clemente prior to 2004-2005. Information includes the Redevelopment Agency for 2005-2006. This schedule also include amounts collected by the City and Redevelopment Agency that were passed through to other agencies.

(2) Adjustments were made in all years presented to delete penalties and interest collected. Adjustments were made to fiscal years 2004-2005 and 2005-2006 Total Tax Levy to account for ERAF in those years.

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	Special Assessment Bonds	Capital Leases	Capital Leases			
2002 - 2003	\$ 3,265,000	\$ 33,140,000	\$ 226,863	\$ 48,031	\$ 36,679,894	1.57%	604
2003 - 2004	3,190,000	31,040,000	51,576	6,318	34,287,894	1.45%	543
2004 - 2005	3,110,000	28,805,000	31,070	-	31,946,070	1.28%	489
2005 - 2006	3,025,000	26,435,000	177,711	-	29,637,711	1.13%	447
2006 - 2007	2,930,000	23,905,000	147,207	-	26,982,207	0.98%	400
2007 - 2008	2,830,000	22,960,000	110,278	-	25,900,278	0.68%	381
2008 - 2009	2,725,000	22,040,000	91,953	-	24,856,953	0.85%	364
2009 - 2010	2,610,000	20,690,000	56,062	-	23,356,062	0.72%	340
2010 - 2011	2,485,000	19,490,000	17,929	-	21,992,929	0.68%	346
2011 - 2012	1,655,000	18,015,000	164,691	-	19,834,691	0.61%	309

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 (1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SAN CLEMENTE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2012

2011-12 assessed valuation was \$12,124,847,518 (\$12,356,018,520 plus
Redevelopment Agency incremental valuation of \$231,171,002)

	%	Debt
	Applicable	June 30, 2012
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.679%	\$ 1,334,541
Capistrano Unified School District School Facilities Improvement District No. 1	22.83%	10,391,737
Santa Margarita Water District CFD No. 99-1	100%	98,400,000
Capistrano Unified School District Community Facilities District No. 90-2	100%	89,480,000
City of San Clemente Communtiy Facilities District No. 99-1	100%	5,005,000
City of San Clemente 1915 Act Bonds	100%	13,010,000
TOTAL OVERLAPPING TAX AND ASSESSED DEBT		<u>217,621,278</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	3.218%	7,522,107
Orange County Pension Obligations	3.218%	6,899,564
Orange County Board of Education Certificates of Participation	3.218%	514,880
Municipal Water District of Orange County Water Facilities Corporation	3.803%	461,874
Capistrano Unified School District Certificates of Participation	18.985%	4,177,649
City of San Clemente Certificates of Participation	100%	1,655,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>21,231,074</u>
LESS: MWDOC WATER FACILITIES CORPORATION (100% SELF-SUPPORTING)		<u>461,874</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 20,769,200</u>
GROSS COMBINED TOTAL DEBT		238,852,352
NET COMBINED TOTAL DEBT		238,390,478

Note:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF SAN CLEMENTE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation	\$ 5,886,511,281	\$ 6,831,695,883	\$ 7,738,679,928	\$ 7,707,375,828
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,471,627,820	1,707,923,971	1,934,669,982	1,926,843,957
Debt limit percentage	15%	15%	15%	15%
Debt limit	220,744,173	256,188,596	290,200,497	289,026,594
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 220,744,173</u>	<u>\$ 256,188,596</u>	<u>\$ 290,200,497</u>	<u>\$ 289,026,594</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						
2007	2008	2009	2010	2011	2012	
\$ 9,999,403,871	\$ 12,486,975,516	\$ 12,855,038,349	\$ 12,631,336,846	\$ 12,430,204,040	\$ 12,355,909,506	
25%	25%	25%	25%	25%	25%	25%
2,499,850,968	3,121,743,879	3,213,759,587	3,157,834,212	3,107,551,010	3,088,977,377	
15%	15%	15%	15%	15%	15%	15%
374,977,645	468,261,582	482,063,938	473,675,132	466,132,652	463,346,606	
-	-	-	-	-	-	
<u>\$ 374,977,645</u>	<u>\$ 468,261,582</u>	<u>\$ 482,063,938</u>	<u>\$ 473,675,132</u>	<u>\$ 466,132,652</u>	<u>\$ 463,346,606</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)
2002 - 2003	60,698	\$ 2,181,024	\$ 35,932	38	90%	8,487	3.10%
2003 - 2004	62,988	2,399,880	38,101	38	90%	8,733	2.50%
2004 - 2005	65,031	2,613,696	40,192	38	90%	9,072	3.00%
2005 - 2006	66,077	2,861,028	43,298	38	90%	9,361	2.70%
2006 - 2007	66,833	3,031,758	45,363	38	90%	9,468	2.70%
2007 - 2008	67,549	3,096,478	45,840	38	90%	9,550	3.90%
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%

- 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	2012			2003		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
ICU Medical	2,216	1	7.02%	Not available		
Capistrano Unified School District (CUSD)	600	2	1.90%			
Don Roberto Jewelers Inc.	550	3	1.74%			
Cross Section Ventures	300	4	0.95%			
City of San Clemente	294	5	0.93%			
Saddleback Memorial Medical Center	200	6	0.63%			
Quest Diagnostics	200	7	0.63%			
Fisherman's Restaurants	195	8	0.62%			
Walmart	190	9	0.60%			
Lowe's Home Improvement	150	10 (tie)	0.48%			
Target Retail Store	150	10 (tie)	0.48%			

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

Source: State Department of Commerce
 City of San Clemente
 InfoUSA

CITY OF SAN CLEMENTE

FULL-TIME EQUIVALENT CITY
GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	28	28	30	29	31	31	34	34	33	32
Public safety										
Police (contract)	63	63	55	55	55	56	57	57	55	55
Fire (contract)	37	37	41	42	43	43	43	43	43	42
Marine Safety	13	13	13	7	7	7	7	7	7	7
Community Development										
Engineering	22	22	23	24	24	24	24	22	22	20
Building	13	14	15	22	22	15	15	14	14	11
Code Compliance	3	3	4	4	4	7	5	5	5	5
Planning	10	12	12	12	12	12	12	12	12	10
Administration	3	3	3	3	3	3	3	3	4	3
Public Works	3	3	3	3	3	3	3	3	3	3
Maintenance	15	16	16	17	17	17	17	18	19	18
Beaches, Parks, and Recreation	27	30	31	23	26	28	27	27	27	28
Water	23	23	23	22	22	23	23	25	25	25
Sewer	17	17	18	24	24	24	23	20	21	20
Clean Ocean	4	4	5	7	7	7	4	4	4	3
Storm Drain Utility	1	1	2	2	2	2	2	3	3	3
Solid Waste	1	1	1	1	1	1	1	1	1	1
Golf Course	16	16	16	10	10	10	10	9	9	9
Total	<u>299</u>	<u>306</u>	<u>311</u>	<u>305</u>	<u>311</u>	<u>309</u>	<u>309</u>	<u>306</u>	<u>303</u>	<u>294</u>

Source: City of San Clemente Budget



CITY OF SAN CLEMENTE

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Number of calls for service **	-	-	-	-	-
Number of traffic collision reports **	-	-	-	-	-
Parking citations issued	22,742	21,947	23,623	22,523	20,331
Fire					
Number of fire calls	86	89	77	81	99
Number of emergency medical calls	1,937	2,262	2,324	2,365	2,114
Inspections	1,786	1,320	1,396	1,647	1,221
Highways and streets					
Street resurfacing (miles)	0.45	4.63	3.48	2.65	5.27
Beaches, parks and recreation					
Number of recreation classes, activities, and clinics	2,187	3,221	3,704	4,033	568
Total experiences in classes, activities, and clinics	152,538	154,560	174,792	170,015	120,903
Total number of facility rentals	3,173	3,208	3,414	3,398	1,043
Golf rounds played	77,985	86,379	73,847	86,564	95,375
Water					
New customers	320	186	95	156	190
Average daily consumption (thousands of gallons)	9,127	9,226	8,602	10,333	9,833
Sewer					
New customers	243	265	117	901	42
Average daily sewage treatment (thousands of gallons)	4,430	4,450	4,660	4,708	4,206

N.A. - not available

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

** These operating indicators were added in 2012, no data was available prior to 2008.

Source: City of San Clemente

Fiscal Year				
2008	2009	2010	2011	2012
27,776	25,351	26,233	25,008	23,651
358	450	404	426	257
20,652	22,528	17,855	18,591	17,851
84	70	72	49	72
2,283	2,159	2,418	2,084	2,540
1,203	968	1,361	696	171
6.06	4.24	3.50	2.83	1.79
531	514	452	359	519
86,882	89,464	104,879	106,809	129,682
1,238	1,169	694	664	825
95,898	95,190	91,834	89,117	90,118
24	27	7	34	27
9,329	9,901	8,396	7,266	7,587
33	19	3	5	4
4,120	4,050	3,971	4,060	3,883

CITY OF SAN CLEMENTE

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2003	2004	2005	2006	2007
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	131.76	132.60	133.10	131.10	131.15
Streetlights	3,039	3,183	3,185	3,259	3,259
Traffic signals	51	58	69	68	70
Beaches, parks and recreation					
Parks	19	19	21	21	25
Swimming pools	1	1	2	2	2
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)	172.80	172.90	172.90	173.10	173.10
Fire hydrants	2,135	2,179	2,224	2,230	2,230
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	13,571	12,297
Sewer					
Sanitary sewers (miles)	179.15	179.15	179.15	179.15	179.15
Storm sewers (miles)	57.60	57.60	57.60	62.50	62.50
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976

N.A. - not available

Fiscal Year				
2008	2009	2010	2011	2012
1	1	1	1	1
3	3	3	3	3
134.00	149.68	134.00	134.00	136.00
3,357	3,357	3,360	3,404	3,419
72	74	74	74	74
20	20	19	19	20
1	1	1	1	3
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
206.40	206.40	206.40	206.40	206.40
2,281	2,281	2,281	2,281	2,281
12,600	12,600	12,600	12,600	12,600
174.60	174.60	174.60	174.60	174.60
62.50	62.50	62.50	62.50	62.50
6,976	6,976	6,976	6,976	6,976

