



# City of San Clemente

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011





**CITY OF SAN CLEMENTE, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



**Prepared By:**  
**Finance and Administrative Services**  
**Pall Gudgeirsson, Assistant City Manager, Treasurer**  
**Jake Rahn, Financial Services Manager**



CITY OF SAN CLEMENTE  
Comprehensive Annual Financial Report  
June 30, 2011

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# INTRODUCTORY SECTION

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# City of San Clemente

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

December 5, 2011

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, 2011.

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 Caporicci & Larson, Inc., a subsidiary of Marcum LLP, 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, 2011. 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 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.

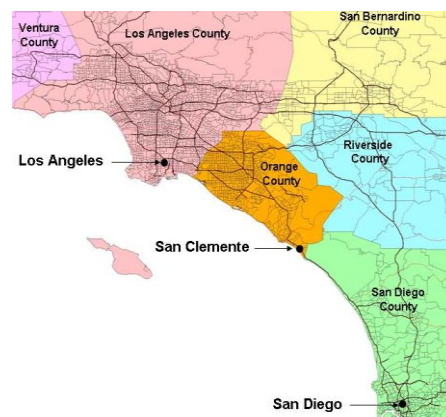
The City provides a full range of services which include general government, public safety (police, fire, and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf. In addition to general City activities, the Council is financially accountable for the San Clemente Redevelopment Agency and the San Clemente Public Financing Authority; therefore, 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 63,743, 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 tax and sales tax revenue sources 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) has resulted in the City experiencing declines in property and sales tax revenues. These revenues are expected to recover in the near future as the housing market stabilizes and the addition of a Target store occurs in next fiscal year. The Target store should improve the sales tax revenue received by the City.



Major capital projects under construction include the Downtown Fire Station, a Senior Center, and the 45 acre La Pata/Vista Hermosa Sports Park. The largest capital project is the sports park, which is in the second phase of construction. The first phase completed in Fiscal Year 2010 developed the Park infrastructure. The second phase, now under construction, includes the sports fields, pool complex, universally accessible playground, landscaping and other park improvements. Construction is expected to be completed in 2012. The operation of this park will be a significant impact to San Clemente's operating budget in the future. City Council has committed resources in the General Fund to offset the initial operating expenditures of the park.



Additional capital projects in progress include the Upper Chiquita Reservoir Emergency Storage project and the expansion of Recycled Water production. These projects are aimed improving the water storage capacity in the City and lowering the dependence on external water supplies whose costs continue to increase. The city will be a major user of recycled water at La Pata/Vista Hermosa Park and other park facilities.

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

**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. 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.

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.

**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 1.69% 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. The City obtains its general liability insurance through the California Joint Powers Insurance Authority (CJPIA).

**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 in 2012.
- **Facilities Management** – The City is in the process of performing evaluations of various City locations, taking into consideration the accessibility, use and the aging of city facilities. This process has identified the Ole Hanson Beach Clubhouse and beach restrooms as strategic priorities for renovation or improvements.
- **Street Improvement Program/Assessment Renewal** – In July, 1995, the City Council adopted the Street Improvement Program to restore approximately 65 miles of streets and a total of 200 street projects have been completed. This program is expiring in Fiscal Year 2012 and is subject to a renewal based on Proposition 218. The City is reviewing the renewal of the assessment to maintain street conditions.
- **Water/Sewer Review**- the City will conduct two key studies in FY 2012 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). Once completed, these studies will provide a foundation for the strategic direction of the utilities.
- **Sustainability Action Plan** – A coordinated city-wide approach for implementing sustainable practices and technologies will be developed with specific measures, commitments and implementation timelines for the City to pursue. A formal action plan for City Council consideration was adopted.

## **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, 2010. This was the twenty-fifth 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.

These awards are 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 be 'Pall Gudgeirsson', followed by a horizontal line.

Pall Gudgeirsson  
Assistant City Manager, City Treasurer

A handwritten signature in blue ink, appearing to be 'Jake Rahn', with a long, sweeping underline.

Jake Rahn  
Financial Services Manager

# **CITY OF SAN CLEMENTE**

## **PRINCIPAL OFFICIALS**

### **CITY COUNCIL**

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

### **PLANNING COMMISSION**

Nesa Anderson  
Lewis Avera  
Dan Bane  
Michael Kaupp  
Julia Darden  
George Carvalho  
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  
Jeffery M. Oderman, City Attorney  
William E. Cameron, City Engineer/Public Works Director  
Sharon Heider, Beaches, Parks & Recreation Director  
James S. Holloway, Community Development Director  
Lt. Paul D'Auria, 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, 2010

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.

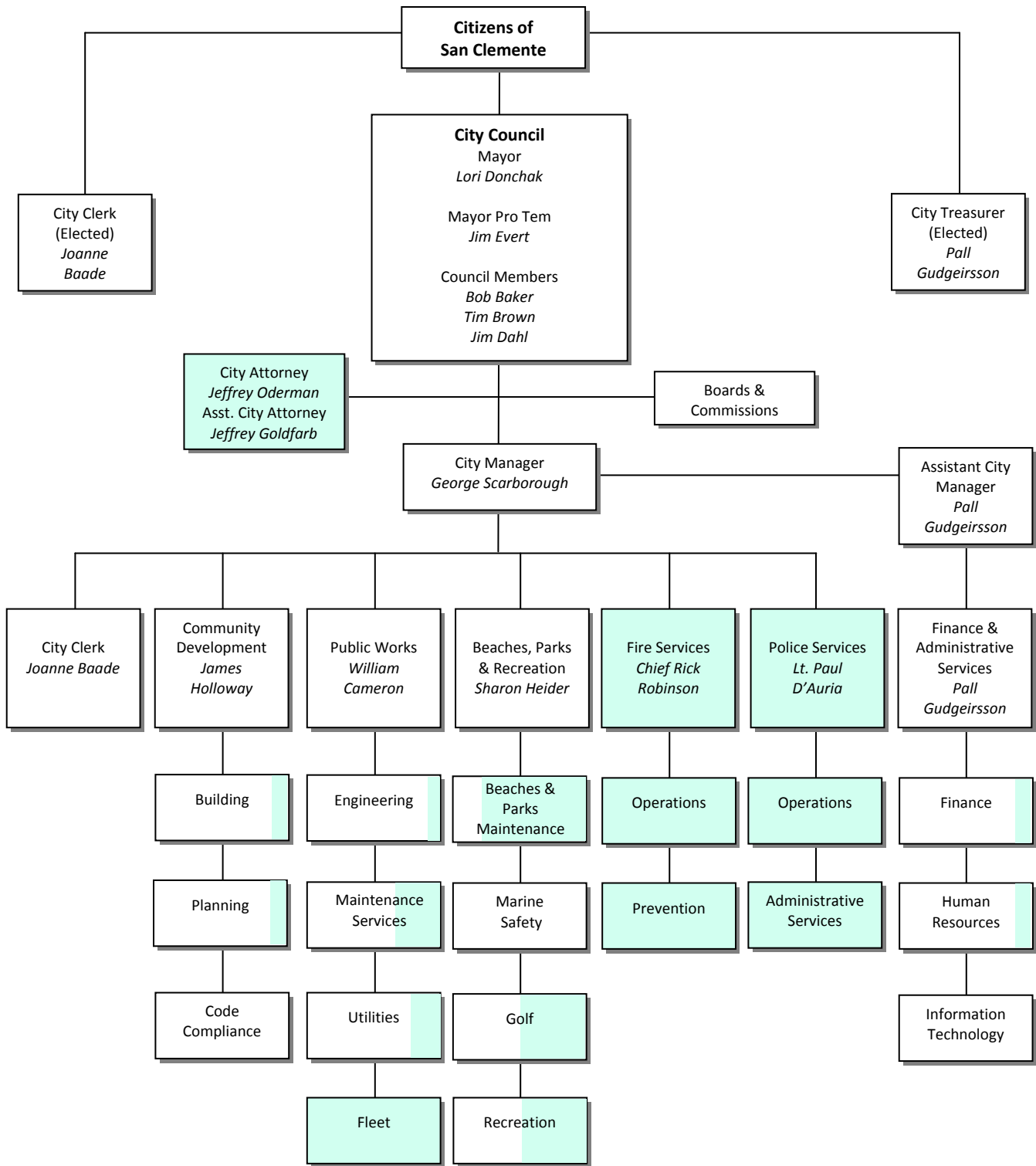


*Linda C. Sandison*

President

*Jeffrey R. Emer*

Executive Director



 Shading indicates contracted services

# FINANCIAL SECTION

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## 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 (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note XI, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

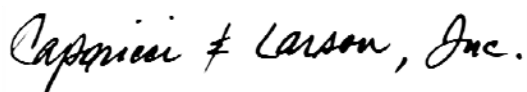
As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

To the Honorable Mayor and Members of the City Council  
of the City of San Clemente  
San Clemente, California  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 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 grants. 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison schedules 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is 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 express no opinion on them.



Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
Irvine, California  
December 5, 2011

# 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, 2011 and June 30, 2010. 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 increased 2.8% to \$480.3 million as a result of this year's operations.
- During the year, the City's taxes and other governmental revenues exceeded expenses by \$4.7 million.
- Governmental net assets total \$284.4 million.
- The total program revenues and general revenues were \$87.8 million.
- The total cost of all City programs, excluding program revenues, was \$83.1 million.
- The General Fund reported excess revenues over expenditures of \$2.4 million.
- For the General Fund, actual resources were greater than the final budget by \$0.8 million and actual expenditures were \$4.8 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. Separately issued financial statements are available 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, 2011 and June 30, 2010.

Table 1  
Net Assets  
(in millions)

	<b>Governmental Activities <u>2011</u></b>	<b>Governmental Activities <u>2010</u></b>	<b>Business-type Activities <u>2011</u></b>	<b>Business-type Activities <u>2010</u></b>	<b>Total <u>2011</u></b>	<b>Total <u>2010</u></b>
Current and other assets	\$ 113.5	\$ 114.5	\$ 54.6	\$ 54.3	\$168.1	\$168.8
Capital assets, net	<u>187.4</u>	<u>168.0</u>	<u>144.4</u>	<u>145.9</u>	<u>331.8</u>	<u>313.9</u>
Total assets	300.9	282.5	199.0	200.2	499.9	482.7
Current liabilities	11.3	7.3	2.4	3.0	13.7	10.3
Long-term liabilities	<u>5.2</u>	<u>4.7</u>	<u>0.6</u>	<u>0.6</u>	<u>5.8</u>	<u>5.3</u>
Total liabilities	16.5	12.0	3.0	3.6	19.5	15.6
Net assets:						
Invested in capital assets, net of related debt	184.9	165.0	144.4	145.9	329.3	310.9
Restricted	61.3	72.4	49.0	48.2	110.3	120.6
Unrestricted	<u>38.2</u>	<u>33.1</u>	<u>2.6</u>	<u>2.5</u>	<u>40.8</u>	<u>35.6</u>
Total Net Assets	<u>\$ 284.4</u>	<u>\$ 270.5</u>	<u>\$ 196.0</u>	<u>\$ 196.6</u>	<u>\$ 480.4</u>	<u>\$ 467.1</u>

City asset's exceeded liabilities by \$480.4 million at June 30, 2011 as compared to \$467.1 million at June 30, 2010. 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 (69 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 increased \$13.3 million during the current fiscal year. Net assets invested in capital assets increased \$18.4 million. The increase in the capital assets is due mostly to capital projects that are in progress which include a fire station, senior center and sports park. The business-type activities decrease was due to depreciation costs exceeding the additions for the year. The restricted portion of the City's net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net assets decreased \$10.3 million due to amounts restricted for capital costs being used for the construction projects mentioned above. The remaining balance of unrestricted net assets of \$40.8 million may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$2.6 million is held by the business-type activities and \$38.2 million by the governmental activities.

The condensed summary of activities, which follows, shows that net assets increased by \$13.3 million during the year.

Table 2  
Summary of Activities  
(in millions)

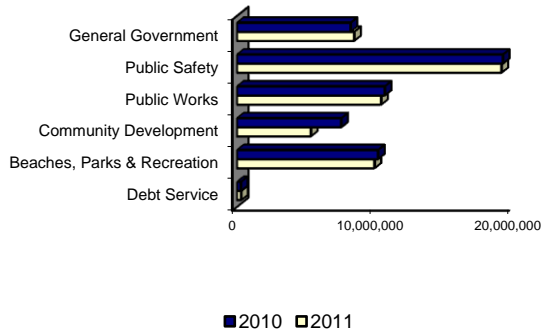
	<b>Governmental Activities <u>2011</u></b>	<b>Governmental Activities <u>2010</u></b>	<b>Business- type Activities <u>2011</u></b>	<b>Business- type Activities <u>2010</u></b>	<b>Total <u>2011</u></b>	<b>Total <u>2010</u></b>
Revenues						
Program revenues:						
Charges for services	\$ 10.1	\$ 9.6	\$ 27.4	\$ 24.8	\$ 37.5	\$ 34.4
Operating grants/contrib.	3.3	3.4	0.2		3.5	3.4
Capital grants/contrib.	5.7	4.5	1.1	0.8	6.8	5.3
General revenues:						
Property taxes	26.5	27.1			26.5	27.1
Sales taxes	6.7	6.3			6.7	6.3
Other taxes and fees	5.1	4.9			5.1	4.9
Other	1.0	2.9	0.7	2.8	1.7	5.7
Total revenues	58.4	58.7	29.4	28.4	87.8	87.1
Expenses:						
General government	8.5	8.2			8.5	8.2
Public safety	19.2	19.2			19.2	19.2
Public works	10.4	10.7			10.4	10.7
Community development	5.3	7.5			5.3	7.5
Beaches, parks & recreation	9.9	10.2			9.9	10.2
Interest and fiscal charges	0.3	0.3			0.3	0.3
Water			14.6	15.1	14.6	15.1
Sewer			10.7	9.7	10.7	9.7
Golf			2.1	2.2	2.1	2.2
Other			2.1	2.0	2.1	2.0
Total expenses	53.6	56.1	29.5	29.0	83.1	85.1
Net asset change before special items and transfers	4.8	2.6	(0.1)	(0.6)	4.7	2.0
Special items <sup>1</sup>	8.6	-	-	-	8.6	-
Transfers	0.5	0.2	(0.5)	(0.2)	-	-
Change in net assets	13.9	2.8	(0.6)	(0.8)	13.3	2.0
Net assets – July 1	<u>270.5</u>	<u>267.7</u>	<u>196.6</u>	<u>197.5</u>	<u>467.1</u>	<u>465.1</u>
Net assets – June 30	<u>\$ 284.4</u>	<u>\$ 270.5</u>	<u>\$ 196.0</u>	<u>\$ 196.7</u>	<u>\$ 480.4</u>	<u>\$ 467.1</u>

<sup>1</sup> Special items include a gain on sale of land for \$13.4 million and a pension side fund payment of \$4.8 million.

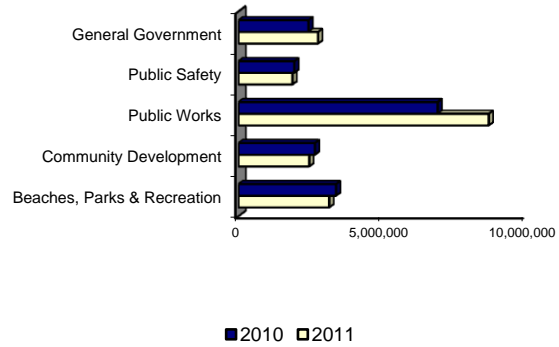
### Governmental activities

Governmental activities increased the City's net assets by \$13.9 million as compared to a \$2.8 million increase in the previous year. Revenues were \$58.4 million in the 2011 fiscal year compared to \$58.7 in the prior fiscal year. The City received more in capital grants during the year and experienced a minor decrease in property taxes and other revenue (investment income). Expenses decreased by \$2.5 million from the prior fiscal year, and expenses were \$4.8 less than revenues for the current year. Police and fire contracts increased and costs were higher in public works and community development related to the maintenance projects and studies, such as the General Plan update.

**Expenses – Governmental Activities**



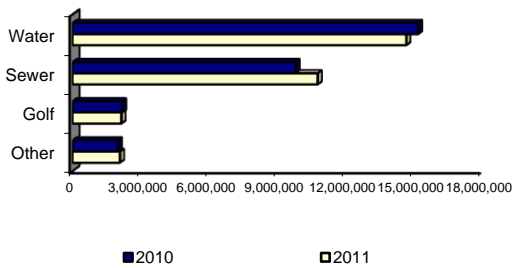
**Program Revenues – Governmental Activities**



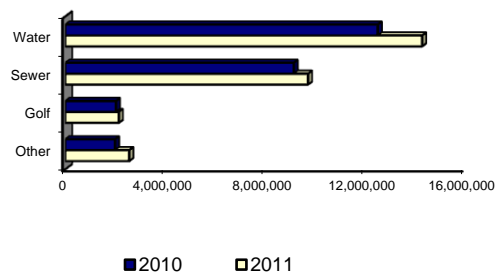
**Business-type activities**

Business-type activities net assets decreased by (\$0.6) million as compared to a decrease of (\$0.8) million in the previous year. The overall change is attributed to slightly higher costs and lower investment income. Investment income decreased from \$1.4 million to \$0.7 million in the current year. Costs went slightly up mostly in the materials and supplies.

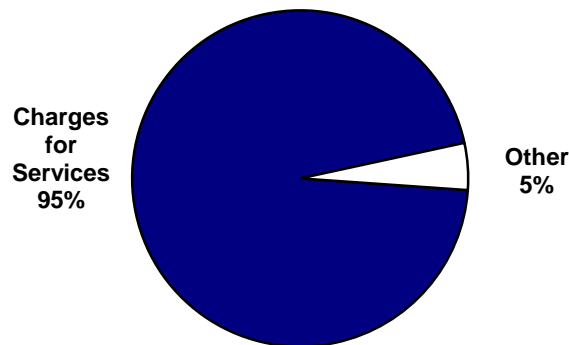
**Expenses – Business-type activities**



**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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$90.0 million, a decrease of \$5.8 million in comparison with the prior year. Approximately \$2.0 million constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has already been either: 1) in a nonspendable form such as loans receivable, 2) restricted based on legislation or under agreements with external parties (\$31.4 million), 3) committed based on a formal action of the City Council (\$30.7 million), or 4) assigned for specific purposes based on the appointed designee (\$21.3 million). The General Fund total fund balance of \$29.0 million represents 32% of all governmental fund balances.

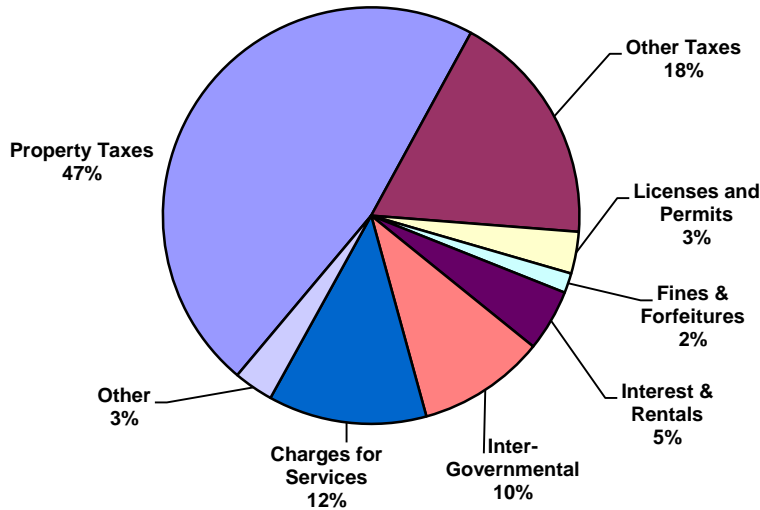
Governmental funds, in total, had \$58.5 million of revenues, with taxes representing 65% of the revenues. Fiscal Year (FY) 2010 governmental revenues were \$56.4 million. Most of the increase from the prior year was due to the \$2.2 million borrowing of property taxes by the State of California. Total governmental fund expenditures were \$72.6 million in FY 2011. Last year, the total governmental fund expenditures were \$59.5 million, which is an increase of \$13.1 million. This increase occurred primarily in the capital outlay. These capital projects include a fire station, a senior center, and the sports park that includes an aquatic facility.

Other significant governmental fund activity includes the proceeds of \$13.4 million from the sale of land and the repayment of \$4.7 million in a side fund pension liability. In total, the governmental fund's fund balances decreased \$5.8 million. Significant changes occurred in the other governmental funds balances due to capital project activity. The Public Facilities Construction Fund decreased by \$2.1 million due to the construction of the Downtown fire station and the Parks Acquisition and Development fund decreased \$8.7 million due to the construction of the La Pata Vista Hermosa Sports Park.

Governmental fund balances, in total, decreased during the fiscal year, as budgeted, due 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.

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

**Revenues by Source – Governmental Funds  
Fiscal Year 2011**



<u>Function</u>	<u>2011 Amounts</u>	<u>% of Total</u>	<u>2010 Amounts</u>	<u>% of Total</u>
Property Taxes	\$ 27.4	47 %	\$ 25.0	44 %
Other Taxes	10.7	18 %	10.5	19 %
Licenses & Permits	1.9	3 %	2.1	4 %
Fines & Forfeitures	0.9	2 %	0.8	1 %
Interest & Rentals	2.8	5 %	4.0	7 %
Intergovernmental	5.8	10 %	6.0	11 %
Charges for Services	7.2	12 %	6.9	12 %
Other	1.8	3 %	1.1	2 %
	<u>\$ 58.5</u>	<u>100 %</u>	<u>\$ 56.4</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 \$1.3 million, \$0.8 million and (\$2.8) million, respectively. The total change in unrestricted net assets of these funds was \$0.7 million, \$0.3 million and \$0.2 million, respectively. In total, unrestricted net assets for all proprietary funds increased \$1.2 million from the previous year. Total Enterprise Fund Net Assets increased from \$195.7 million to \$195.9 million in 2010. 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 a decrease of (\$657,275) and this year’s increase was \$204,951. This improvement was a result of operating revenues increasing by \$1.1 million in total with a portion of this increase offset by lower investment income of \$0.6 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund's fund balance was \$29.0 million. Unassigned fund balance represents \$4.0 million or 14% of the total fund balance. In total, the General Fund balance increased by \$5.5 million over the prior year.

The original budget for General Fund revenues increased \$0.2 million when compared to the final budgeted amounts. This is essentially unchanged from the original budget. The only increase was in intergovernmental revenues due to grant activity.

The actual fiscal year revenues were comparable with the budgeted expectations, except for taxes which exceeded budget expectations by \$935,067, license and permits which were higher than budget by \$140,387, and charges for services that were lower than budget by \$107,220. Additional information on these revenues variances are summarized below:

- Property taxes were budgeted lower due to an anticipated decrease in valuations. Although valuations decreased, the decrease was less than budgeted and property taxes came in \$0.6 million higher than budgeted.
- Sales taxes were budgeted to be soft due to weak economy, however increased gasoline costs and other consumption lead to sales tax exceeding budget by \$0.3 million.
- License and permits exceeded the budgeted amount by \$0.1 million due to better than expected results in business license.
- Charges for services were less than budget as a result of lower ambulance, parking and recreation class revenues. These budget variances are result of factors including usage, weather and economic conditions.

The budgeted expenditures increased from the original \$50.2 million to final budget amount of \$50.3 million in the General fund. The major change during the year was the reduction of the City General department costs due to a payoff of the pension side fund the special item of \$4.8 million (further information is in the Notes to the Financial Statements Note XI.F.) and additional costs related to the Measure A election which was paid from the City Clerk's budget. Other changes from the original budgeted expenditures were minor during the year.

Actual expenditures in the General Fund ended the year \$4.8 million lower than the final budget, with capital outlay lower by \$1.4 million and public works lower by \$0.6 million as projects continue to the next fiscal year. Other savings achieved was in beaches, parks and recreation landscaping costs came in lower than anticipated and lower contract class instructor payments as the result of lower recreation class revenues.

Other financing sources (uses) include a transfer in of \$9.15 million that was transferred to the General Fund from the Parks Acquisition and Development Fund. This transfer reimbursed the General Fund for amounts previously transferred from the General fund to fund the La Pata Vista Hermosa Sports Park.

## 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, 2011, amounts to \$331.7 million (net of accumulated depreciation) as compared to the June 30, 2010 total of \$313.9 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 \$17.7 million (\$19.3 million for governmental activities and (\$1.6) million for business-type activities).

Major capital improvements during the fiscal year consisted primarily of buildings and a sports park under construction. Construction in progress totaled \$32.0 million at June 30, 2011, an increase of \$13.9 million over the previous fiscal year, with projects under construction for a fire station, senior center, a sports park and multiple projects related to infrastructure, including streets and water and sewer lines. Depreciation expense during the fiscal year was \$6.0 million for governmental activities and \$4.3 million for business-type activities as compared to \$6.0 million and \$4.5 million respectively in the previous fiscal year.

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

	<b>Governmental Activities <u>2011</u></b>	<b>Governmental Activities <u>2010</u></b>	<b>Business- type Activities <u>2011</u></b>	<b>Business- type Activities <u>2010</u></b>	<b>Total <u>2011</u></b>	<b>Total <u>2010</u></b>
Land	\$ 37.6	\$ 37.6	\$ 4.1	\$ 4.1	\$ 41.7	\$ 41.7
Infrastructure	92.2	89.5	61.4	64.6	153.6	154.1
Buildings & Improvements	29.2	27.9	71.4	68.0	100.6	95.9
Equipment	3.2	3.5	0.6	0.6	3.8	4.1
Construction-in- progress	<u>25.2</u>	<u>9.5</u>	<u>6.8</u>	<u>8.6</u>	<u>32.0</u>	<u>18.1</u>
Totals	<u>\$ 187.4</u>	<u>\$ 168.0</u>	<u>\$ 144.3</u>	<u>\$ 145.9</u>	<u>\$ 331.7</u>	<u>\$ 313.9</u>

During the year, land was sold to Target (a U.S. retail chain) that resulted in a gain of \$13.4 million. Further information on changes to the capital assets can be found in the Notes to the Financial Statements (Note V).



**Long-term Liabilities.** At the end of the current fiscal year, the City had total bonded debt of \$2.5 million outstanding and no significant outstanding balance of capitalized lease obligations. A principal payment of \$0.1 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>2011</u>	Governmental Activities <u>2010</u>	Business-type Activities <u>2011</u>	Business-type Activities <u>2009</u>
Certificates of Participation	<u>\$ 2.5</u>	<u>\$ 2.6</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 2.5</u>	<u>\$ 2.6</u>	<u>\$ -</u>	<u>\$ -</u>

## **SIGNIFICANT MATTERS**

The California State Legislature recently enacted legislation intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation. Further information on this legislation is in the Notes to the Financial Statements (Note XI-H).

## **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, 2011

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and investments	\$ 98,074,897	\$ 3,481,658	\$ 101,556,555
Receivables	6,566,638	4,049,221	10,615,859
Due from other governments	873,857	36,405	910,262
Inventories	-	375,370	375,370
Internal balances	2,536,451	(2,536,451)	-
Prepaid items	126,387	-	126,387
Total Current Assets	<u>108,178,230</u>	<u>5,406,203</u>	<u>113,584,433</u>
Noncurrent Assets:			
Restricted cash and investments	406,281	49,226,896	49,633,177
Loans receivable	4,917,493	-	4,917,493
Non-depreciable capital assets	62,824,018	10,877,858	73,701,876
Depreciable capital assets (net of accumulated depreciation)	124,541,890	133,504,708	258,046,598
Total Noncurrent Assets	<u>192,689,682</u>	<u>193,609,462</u>	<u>386,299,144</u>
Total Assets	<u>300,867,912</u>	<u>199,015,665</u>	<u>499,883,577</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	6,568,718	1,911,778	8,480,496
Accrued wages	745,822	147,444	893,266
Unearned revenue	529,524	61,766	591,290
Deposits payable	1,723,346	207,775	1,931,121
Current portion of long-term obligations	1,722,805	131,115	1,853,920
Total Current Liabilities	<u>11,290,215</u>	<u>2,459,878</u>	<u>13,750,093</u>
Noncurrent Liabilities:			
Claims and judgments payable	936,391	-	936,391
Compensated absences	1,513,160	597,304	2,110,464
OPEB obligation	410,709	-	410,709
Noncurrent portion of long-term obligations	2,358,187	-	2,358,187
Total Noncurrent Liabilities	<u>5,218,447</u>	<u>597,304</u>	<u>5,815,751</u>
Total Liabilities	<u>16,508,662</u>	<u>3,057,182</u>	<u>19,565,844</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	184,880,908	144,382,566	329,263,474
Restricted for:			
Public facilities construction	16,577,084	49,019,121	65,596,205
Local drainage facilities	4,009,413	-	4,009,413
Developer improvements	6,434,363	-	6,434,363
Park acquisition and development	11,765,671	-	11,765,671
Other capital	14,207,282	-	14,207,282
Low and moderate income housing	8,260,553	-	8,260,553
Unrestricted	38,223,976	2,556,796	40,780,772
Total Net Assets	<u>\$ 284,359,250</u>	<u>\$ 195,958,483</u>	<u>\$ 480,317,733</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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 8,453,237	\$ 2,742,791	\$ 28,294	\$ -
Police	12,051,622	1,060,857	138,087	-
Fire	7,074,900	681,144	-	-
Public works	10,407,140	1,277,324	2,643,617	4,786,222
Community development	5,327,603	1,456,230	456,696	603,746
Beaches, parks & recreation	9,926,388	2,835,372	20,582	304,915
Interest and fiscal charges	307,354	-	-	-
<b>Total governmental activities</b>	<b>53,548,244</b>	<b>10,053,718</b>	<b>3,287,276</b>	<b>5,694,883</b>
<b>Business-type activities:</b>				
Water	14,604,342	13,885,865	-	385,657
Sewer	10,706,741	8,977,702	-	715,198
Golf	2,135,370	2,137,694	-	-
Nonmajor	2,070,131	2,362,352	190,241	-
<b>Total business-type activities</b>	<b>29,516,584</b>	<b>27,363,613</b>	<b>190,241</b>	<b>1,100,855</b>
<b>Total</b>	<b>\$ 83,064,828</b>	<b>\$ 37,417,331</b>	<b>\$ 3,477,517</b>	<b>\$ 6,795,738</b>

General Revenue

Taxes:

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

Investment earnings

Miscellaneous

Special items:

- Gain/(loss) on sale of capital assets
- Pension sidefund payment

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
\$ (5,682,152)	\$ (5,682,152)	\$ -	\$ (5,682,152)
(10,852,678)	(10,852,678)	-	(10,852,678)
(6,393,756)	(6,393,756)	-	(6,393,756)
(1,699,977)	(1,699,977)	-	(1,699,977)
(2,810,931)	(2,810,931)	-	(2,810,931)
(6,765,519)	(6,765,519)	-	(6,765,519)
(307,354)	(307,354)	-	(307,354)
<u>(34,512,367)</u>	<u>(34,512,367)</u>	<u>-</u>	<u>(34,512,367)</u>
(332,820)	-	(332,820)	(332,820)
(1,013,841)	-	(1,013,841)	(1,013,841)
2,324	-	2,324	2,324
482,462	-	482,462	482,462
<u>(861,875)</u>	<u>-</u>	<u>(861,875)</u>	<u>(861,875)</u>
<u>\$ (35,374,242)</u>	<u>(34,512,367)</u>	<u>(861,875)</u>	<u>(35,374,242)</u>
	26,543,254	-	26,543,254
	5,095,486	-	5,095,486
	1,604,663	-	1,604,663
	1,460,880	-	1,460,880
	2,199,894	-	2,199,894
	1,411,471	-	1,411,471
	827,900	653,997	1,481,897
	150,904	-	150,904
	13,403,427	-	13,403,427
	(4,754,163)	-	(4,754,163)
	450,418	(450,418)	-
	<u>48,394,134</u>	<u>203,579</u>	<u>48,597,713</u>
	13,881,767	(658,296)	13,223,471
	<u>270,477,483</u>	<u>196,616,779</u>	<u>467,094,262</u>
	<u>\$ 284,359,250</u>	<u>\$ 195,958,483</u>	<u>\$ 480,317,733</u>

CITY OF SAN CLEMENTE  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Special Revenue RDA Low/Moderate Income Housing
Assets:		
Cash and investments	\$ 27,744,098	\$ 1,601,326
Receivables:		
Taxes	4,118,381	-
Accounts	680,951	1,392
Accrued interest	192,470	10,496
Loans	107,702	2,311,307
Due from other funds	372,854	-
Due from other governments	319,409	-
Prepaid items	18,900	-
Advances to other funds	2,037,760	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Loans receivable	4,929	-
Total Assets	\$ 35,597,454	\$ 3,924,521
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,514,374	\$ 4,339
Accrued wages	426,050	591
Advances from other funds	-	-
Deferred revenue	2,748,333	1,812,961
Unearned revenue	413,693	-
Deposits payable	1,521,747	-
Due to other funds	-	-
Total Liabilities	6,624,197	1,817,891
Fund Balance (Deficit):		
Nonspendable	2,169,291	498,346
Restricted	-	1,608,284
Committed	18,923,274	-
Assigned	3,770,456	-
Unassigned	4,110,236	-
Total Fund Balance	28,973,257	2,106,630
Total Liabilities and Fund Balance	\$ 35,597,454	\$ 3,924,521

See Accompanying Notes to the Financial Statements.

Debt Service		Capital Project Funds			
Redevelopment	Public Facilities Construction	Parks Acquisition and Development	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 231,484	\$ 14,756,317	\$ 13,831,085	\$ 31,529,716	\$ 89,694,026	
90,385	-	-	19,089	4,227,855	
-	-	-	972,044	1,654,387	
1,518	96,720	90,656	207,259	599,119	
142,848	-	-	2,350,707	4,912,564	
-	-	-	-	372,854	
-	-	-	554,448	873,857	
-	3,500	-	-	22,400	
-	2,500,000	-	-	4,537,760	
-	-	-	406,281	406,281	
-	-	-	-	4,929	
<u>\$ 466,235</u>	<u>\$ 17,356,537</u>	<u>\$ 13,921,741</u>	<u>\$ 36,039,544</u>	<u>\$ 107,306,032</u>	
\$ 149,278	\$ 779,453	\$ 2,156,070	\$ 1,645,124	\$ 6,248,638	
-	-	-	1,773	428,414	
1,903,760	-	-	-	1,903,760	
217,913	-	-	1,334,870	6,114,077	
-	-	-	115,831	529,524	
-	-	-	201,599	1,723,346	
-	-	-	372,854	372,854	
<u>2,270,951</u>	<u>779,453</u>	<u>2,156,070</u>	<u>3,672,051</u>	<u>17,320,613</u>	
142,848	-	-	1,710,653	4,521,138	
-	13,333,004	867,101	15,543,661	31,352,050	
-	1,678,170	10,898,570	9,114,149	40,614,163	
-	1,565,910	-	6,053,434	11,389,800	
(1,947,564)	-	-	(54,404)	2,108,268	
<u>(1,804,716)</u>	<u>16,577,084</u>	<u>11,765,671</u>	<u>32,367,493</u>	<u>89,985,419</u>	
<u>\$ 466,235</u>	<u>\$ 17,356,537</u>	<u>\$ 13,921,741</u>	<u>\$ 36,039,544</u>	<u>\$ 107,306,032</u>	

CITY OF SAN CLEMENTE  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 June 30, 2011

Fund balances for governmental funds		\$ 89,985,419
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 \$3,040,470.		
Governmental capital assets	249,952,996	
Less: accumulated depreciation	<u>(65,627,558)</u>	184,325,438
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 \$187,066.		
Certificates of participation	(2,485,000)	
Compensated absences	<u>(1,658,252)</u>	(4,143,252)
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	3,040,470	
Long term liabilities, current and noncurrent portion	(2,895,549)	
Other internal service assets (liabilities)	<u>7,831,798</u>	7,976,719
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.		6,114,077
Deferred charges represent costs that are prepayments in nature and are to be amortized over the period which the benefit is received.		
Broker commission	120,273	
Less: amortization	<u>(19,424)</u>	100,849
Net assets of governmental activities		<u><u>\$ 284,359,250</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, 2011

	General	Special Revenue RDA Low/Moderate Income Housing
Revenues:		
Taxes	\$ 34,999,167	\$ 470,898
Licenses and permits	1,903,617	-
Fines and forfeits	931,685	-
Investment and rentals	1,925,663	34,850
Intergovernmental	1,050,037	-
Charges for services	6,892,010	-
Developers fees	-	-
Other	113,160	1,000
Total Revenues	47,815,339	506,748
Expenditures:		
Current:		
General government	6,785,036	-
Police	11,910,597	-
Fire	6,913,198	-
Public works	6,428,634	-
Community development	3,873,560	274,713
Beaches, parks and recreation	8,355,024	-
Capital outlay	1,150,611	-
Debt Service:		
Property tax shift	-	-
Principal retirements	-	-
Interest and fiscal charges	39,707	-
Total Expenditures	45,456,367	274,713
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	2,358,972	232,035
Other Financing Sources (Uses):		
Sale of capital assets	23,328	-
Transfers in	10,260,488	-
Transfers out	(2,401,260)	-
Total Other Financing Sources (Uses)	7,882,556	
Special item - pension side fund payment	(4,754,163)	-
Net Change in Fund Balances	5,487,365	232,035
Fund Balances - Beginning of Year	23,485,892	1,874,595
Fund Balances - End of Year	\$ 28,973,257	\$ 2,106,630

See Accompanying Notes to the Financial Statements.

<u>Debt Service</u>	<u>Capital Project Funds</u>				
<u>Redevelopment</u>	<u>Public Facilities Construction</u>	<u>Parks Acquisition and Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 1,883,592	\$ -	\$ -	\$ 745,042	\$ 38,098,699	
-	-	-	-	1,903,617	
-	-	-	-	931,685	
21,050	175,150	105,684	518,100	2,780,497	
-	-	-	4,717,132	5,767,169	
-	-	-	258,202	7,150,212	
-	88,596	199,231	412,323	700,150	
-	-	-	1,038,705	1,152,865	
<u>1,904,642</u>	<u>263,746</u>	<u>304,915</u>	<u>7,689,504</u>	<u>58,484,894</u>	
-	-	-	489,102	7,274,138	
-	-	-	135,932	12,046,529	
-	-	-	-	6,913,198	
-	-	-	434,635	6,863,269	
31,113	90,232	-	454,140	4,723,758	
-	-	23,250	-	8,378,274	
-	2,307,853	13,236,134	8,938,121	25,632,719	
348,788	-	-	-	348,788	
-	-	-	125,000	125,000	
60,850	-	-	203,854	304,411	
<u>440,751</u>	<u>2,398,085</u>	<u>13,259,384</u>	<u>10,780,784</u>	<u>72,610,084</u>	
<u>1,463,891</u>	<u>(2,134,339)</u>	<u>(12,954,469)</u>	<u>(3,091,280)</u>	<u>(14,125,190)</u>	
-	-	13,425,795	-	13,449,123	
-	-	-	4,230,395	14,490,883	
<u>(2,007,517)</u>	<u>-</u>	<u>(9,150,000)</u>	<u>(1,280,028)</u>	<u>(14,838,805)</u>	
<u>(2,007,517)</u>	<u>-</u>	<u>4,275,795</u>	<u>2,950,367</u>	<u>13,101,201</u>	
-	-	-	-	(4,754,163)	
(543,626)	(2,134,339)	(8,678,674)	(140,913)	(5,778,152)	
(1,261,090)	18,711,423	20,444,345	32,508,406	95,763,571	
<u>\$ (1,804,716)</u>	<u>\$ 16,577,084</u>	<u>\$ 11,765,671</u>	<u>\$ 32,367,493</u>	<u>\$ 89,985,419</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, 2011

Net change in fund balances - total governmental funds: \$ (5,778,152)

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	25,632,719	
Other maintenance activities included in capital outlay above	(418,110)	
Gain (loss) on removal of capital asset	(30,240)	
Depreciation expense (net of Internal Service Funds of \$377,912)	<u>(5,404,193)</u>	19,780,176

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. (409,399)

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	125,000	
Compensated absences change (governmental)	<u>(158,755)</u>	(33,755)

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	(5,818,059)	
Current year deferral	<u>6,114,077</u>	296,018

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. 26,879

Change in net assets of governmental activities \$ 13,881,767

See Accompanying Notes to the Financial Statements.



CITY OF SAN CLEMENTE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

Assets:	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Current Assets:			
Cash and investments	\$ -	\$ 503,496	\$ -
Receivables	1,944,087	1,339,802	10,080
Accrued interest	142,866	171,481	11,612
Inventory, at cost	310,241	14,525	50,604
Due from other governments	-	36,405	-
Prepays	-	-	-
Current restricted assets:			
Cash and investments:			
Water deposits	201,900	-	-
Developer impact fee reserves	8,196,002	8,825,654	-
Capital outlay replacement	13,398,613	16,833,100	1,771,627
Total Current Assets	<u>24,193,709</u>	<u>27,724,463</u>	<u>1,843,923</u>
Capital Assets:			
Land	3,660,761	410,298	2,011
Water, sewer and storm lines	26,393,544	67,712,453	-
Utility assets	21,672,295	83,600,904	-
Buildings	205,662	234,370	6,423,954
Improvements other than buildings	-	-	3,266,622
Machinery and equipment	659,275	616,619	850,995
Construction in progress	2,214,488	4,574,073	-
Subtotal	<u>54,806,025</u>	<u>157,148,717</u>	<u>10,543,582</u>
Less accumulated depreciation	<u>(19,083,224)</u>	<u>(56,220,897)</u>	<u>(2,827,864)</u>
Capital Assets (net of accumulated depreciation)	<u>35,722,801</u>	<u>100,927,820</u>	<u>7,715,718</u>
Total Noncurrent Assets	<u>35,722,801</u>	<u>100,927,820</u>	<u>7,715,718</u>
Total Assets	<u>59,916,510</u>	<u>128,652,283</u>	<u>9,559,641</u>

See Accompanying Notes to Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 2,978,162	\$ 3,481,658	\$ 8,380,871
409,772	3,703,741	32,284
19,521	345,480	52,993
-	375,370	-
-	36,405	-
-	-	3,138
-	201,900	-
-	17,021,656	-
-	32,003,340	-
<u>3,407,455</u>	<u>57,169,550</u>	<u>8,469,286</u>
-	4,073,070	-
-	94,105,997	-
-	105,273,199	-
-	6,863,986	443,134
-	3,266,622	411,227
54,741	2,181,630	5,545,424
16,227	6,804,788	-
<u>70,968</u>	<u>222,569,292</u>	<u>6,399,785</u>
<u>(54,741)</u>	<u>(78,186,726)</u>	<u>(3,359,316)</u>
<u>16,227</u>	<u>144,382,566</u>	<u>3,040,469</u>
<u>16,227</u>	<u>144,382,566</u>	<u>3,040,469</u>
<u>3,423,682</u>	<u>201,552,116</u>	<u>11,509,755</u>

(Continued)

CITY OF SAN CLEMENTE  
Statement of Net Assets (Continued)  
Proprietary Funds  
June 30, 2011

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	\$ 800,239	\$ 875,117	\$ 64,731
Accrued wages	59,546	54,848	20,820
Unearned revenue	-	-	-
Long-term liabilities, current portion	40,130	52,742	33,302
Total Current Liabilities			
Payable from Current Assets	899,915	982,707	118,853
Payable from Restricted Assets:			
Deposits payable	201,900	-	5,875
Total Current Liabilities	1,101,815	982,707	124,728
Noncurrent Liabilities:			
Capitalized lease obligations	-	-	-
OPEB obligation	-	-	-
Compensated absences payable	182,815	240,267	151,713
Claims and judgments payable	-	-	-
Advances from other funds	-	-	2,634,000
Total Noncurrent Liabilities	182,815	240,267	2,785,713
Total Liabilities	1,284,630	1,222,974	2,910,441
Net Assets:			
Invested in capital assets, net of related debt	35,722,801	100,927,820	7,715,718
Restricted for capital projects	21,594,615	25,658,754	1,765,752
Unrestricted	1,314,464	842,735	(2,832,270)
Total Net Assets	\$ 58,631,880	\$ 127,429,309	\$ 6,649,200

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.



<u>Enterprise Funds</u>		
<u>Nonmajor</u>	<u>Totals</u>	<u>Internal Service</u>
\$ 171,691	\$ 1,911,778	\$ 320,079
12,230	147,444	317,408
61,766	61,766	-
4,941	131,115	1,287,324
<u>250,628</u>	<u>2,252,103</u>	<u>1,924,811</u>
-	207,775	-
<u>250,628</u>	<u>2,459,878</u>	<u>1,924,811</u>
-	-	8,186
-	-	410,709
22,509	597,304	153,393
-	-	938,387
-	2,634,000	-
<u>22,509</u>	<u>3,231,304</u>	<u>1,510,675</u>
<u>273,137</u>	<u>5,691,182</u>	<u>3,435,486</u>
16,227	144,382,566	3,022,541
-	49,019,121	-
3,134,318	2,459,247	5,051,728
<u>\$ 3,150,545</u>	195,860,934	<u>\$ 8,074,269</u>
	<u>97,549</u>	
	<u>\$ 195,958,483</u>	

(Concluded)

CITY OF SAN CLEMENTE  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 13,038,576	\$ 8,836,639	\$ 1,913,376
Concessions	-	-	215,424
Other	847,289	141,063	8,894
Total Operating Revenues	<u>13,885,865</u>	<u>8,977,702</u>	<u>2,137,694</u>
Operating Expenses:			
Salaries and benefits	2,547,937	2,345,976	844,966
Cost of purchased water	6,127,222	360,415	-
Cost of materials and supplies	751,034	484,616	126,656
Depreciation	855,568	3,139,178	331,766
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	4,004,136	4,109,627	770,202
Total Operating Expenses	<u>14,285,897</u>	<u>10,439,812</u>	<u>2,073,590</u>
Operating Income (Loss)	<u>(400,032)</u>	<u>(1,462,110)</u>	<u>64,104</u>
Non-Operating Revenues (Expenses):			
Investment income	244,565	346,527	25,315
Grant income	-	-	-
Interest and fiscal charges	-	-	(15,000)
Gain (Loss) on sale of capital assets	-	(1,050)	-
Total Non-Operating Revenues (Expenses)	<u>244,565</u>	<u>345,477</u>	<u>10,315</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>(155,467)</u>	<u>(1,116,633)</u>	<u>74,419</u>
Transfers in	102,820	567,840	13,820
Transfers out	(130,033)	(205,765)	-
Total Transfers	<u>(27,213)</u>	<u>362,075</u>	<u>13,820</u>
Capital grants	368,917	181,688	-
Capital contributions	16,740	533,510	-
Total Capital Contributions	<u>385,657</u>	<u>715,198</u>	<u>-</u>
Change in Net Assets	202,977	(39,360)	88,239
Net Assets - Beginning of Year	<u>58,428,903</u>	<u>127,468,669</u>	<u>6,560,961</u>
Net Assets - End of Year	<u>\$ 58,631,880</u>	<u>\$ 127,429,309</u>	<u>\$ 6,649,200</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
\$ 2,011,013	\$ 25,799,604	\$ 8,036,601
-	215,424	-
351,339	1,348,585	76,952
<u>2,362,352</u>	<u>27,363,613</u>	<u>8,113,553</u>
437,289	6,176,168	943,810
-	6,487,637	-
28,989	1,391,295	541,996
2,839	4,329,351	635,681
-	-	3,285,189
-	-	2,498,555
1,568,431	10,452,396	2,156,165
<u>2,037,548</u>	<u>28,836,847</u>	<u>10,061,396</u>
<u>324,804</u>	<u>(1,473,234)</u>	<u>(1,947,843)</u>
37,590	653,997	94,817
190,241	190,241	-
-	(15,000)	(2,943)
-	(1,050)	(15,456)
<u>227,831</u>	<u>828,188</u>	<u>76,418</u>
<u>552,635</u>	<u>(645,046)</u>	<u>(1,871,425)</u>
12,420	696,900	1,141,500
(611,960)	(947,758)	(542,720)
<u>(599,540)</u>	<u>(250,858)</u>	<u>598,780</u>
-	550,605	-
-	550,250	-
<u>-</u>	<u>1,100,855</u>	<u>-</u>
(46,905)	204,951	(1,272,645)
3,197,450		9,346,914
<u>\$ 3,150,545</u>	<u>204,951</u>	<u>\$ 8,074,269</u>
	<u>(863,247)</u>	
	<u>\$ (658,296)</u>	

CITY OF SAN CLEMENTE  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 13,122,176	\$ 8,827,807	\$ 1,935,784
Cash paid to other suppliers for goods or services	(11,807,429)	(4,499,670)	(885,819)
Cash payment to employees	(2,543,804)	(2,366,906)	(812,683)
Cash from rents and concessions	-	-	215,424
Cash from other operating revenues	847,289	141,063	8,894
Net Cash Provided by (Used for) Operating Activities	<u>(381,768)</u>	<u>2,102,294</u>	<u>461,600</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from other funds	102,820	567,840	13,820
Cash paid to other funds	(130,033)	(205,765)	(260,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(27,213)</u>	<u>362,075</u>	<u>(246,180)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions and grants	368,917	697,713	-
Purchase and construction of capital assets	(1,370,065)	(1,338,721)	(99,042)
Cash proceeds from sale of capital assets	-	-	-
Payment on capital lease payable	-	-	-
Interest and fiscal charges	-	-	(15,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,001,148)</u>	<u>(641,008)</u>	<u>(114,042)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investments	2,409,991	520,759	43,758
Investment income received	285,568	367,044	26,886
Net Cash Provided by (Used for) Investing Activities	<u>2,695,559</u>	<u>887,803</u>	<u>70,644</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,285,430	2,711,164	172,022
Cash and Cash Equivalents at Beginning of Year	<u>7,563,955</u>	<u>7,910,709</u>	<u>547,259</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,849,385</u>	<u>\$ 10,621,873</u>	<u>\$ 719,281</u>
<b>Reconciliation of Cash Equivalents to the balance sheet:</b>			
Cash and cash equivalents	\$ 8,849,385	\$ 10,621,873	\$ 719,281
Investments	12,947,130	15,540,377	1,052,346
Total cash and investments per the balance sheet	<u>\$ 21,796,515</u>	<u>\$ 26,162,250</u>	<u>\$ 1,771,627</u>

See Accompanying Notes to the Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 2,014,698	\$ 25,900,465	\$ 8,055,710
(1,503,669)	(18,696,587)	(7,141,622)
(436,334)	(6,159,727)	(1,054,647)
-	215,424	-
351,339	1,348,585	76,952
426,034	2,608,160	(63,607)
12,420	696,900	1,141,500
(611,960)	(1,207,758)	(542,720)
(599,540)	(510,858)	598,780
-	1,066,630	-
(8,881)	(2,816,709)	(230,999)
-	-	14,399
-	-	(38,255)
-	(15,000)	(2,943)
(8,881)	(1,765,079)	(257,798)
319,677	3,294,185	382,209
43,077	722,575	102,833
362,754	4,016,760	485,042
180,367	4,348,983	762,417
1,028,766	17,050,689	2,640,218
\$ 1,209,133	\$ 21,399,672	\$ 3,402,635
\$ 1,209,134	\$ 21,399,673	\$ 3,402,635
1,769,028	31,308,881	4,978,236
\$ 2,978,162	\$ 52,708,554	\$ 8,380,871

(Continued)

CITY OF SAN CLEMENTE  
Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Year Ended June 30, 2011

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (400,032)	\$ (1,462,110)	\$ 64,104
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	855,568	3,139,178	331,766
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	83,600	(8,832)	22,408
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventories	(6,785)	(7,295)	(935)
Increase (decrease) in accounts payable	(890,930)	462,283	11,974
Increase (decrease) in accrued wages	(330)	(155)	2,055
Increase (decrease) in deposits payable	(27,322)	-	-
Increase (decrease) in OPEB obligation	-	-	-
Increase (decrease) in compensated absences	4,463	(20,775)	30,228
Increase (decrease) in claims & judgments payable	-	-	-
Total Adjustments	18,264	3,564,404	397,496
Net Cash Provided by (Used for) Operating Activities	\$ (381,768)	\$ 2,102,294	\$ 461,600
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	\$ 16,740	\$ 10,925	\$ -
Unrealized gain (loss) from investments	(131,763)	(99,721)	(7,122)

See Accompanying Notes to the Financial Statements.

<u>Enterprise Funds</u>		<u>Internal Service</u>
<u>Nonmajor</u>	<u>Totals</u>	
\$ 324,804	\$ (1,473,234)	\$ (1,947,843)
2,839	4,329,351	635,684
3,685	100,861	19,109
-	-	-
-	(15,015)	-
93,751	(322,922)	(69,439)
189	1,759	(8,606)
-	(27,322)	0
-	-	111,000
766	14,682	19,788
-	-	1,176,700
<u>101,230</u>	<u>4,081,394</u>	<u>1,884,236</u>
<u>\$ 426,034</u>	<u>\$ 2,608,160</u>	<u>\$ (63,607)</u>

\$ -	\$ 27,665	\$ -
(17,769)	(256,375)	(34,228)

(Concluded)

CITY OF SAN CLEMENTE  
Statement of Net Assets  
Fiduciary Funds  
June 30, 2011

	Pension Trust	Agency Funds
Assets:		
Taxes receivable	\$ -	\$ 18,293
Accounts receivable	-	31,181
Accrued interest receivable	-	38,887
Restricted cash and investments	-	1,979,792
Restricted cash and investments with fiscal agents	-	2,923,105
Investments, at fair value:		
Group annuity contract	6,619,139	-
Dodge & Cox International mutual fund	4,975,604	-
Russell 1000 Index mutual fund	11,609,743	-
PIMCO Total Return Bond mutual fund	6,652,477	-
Russell 2000 Index mutual fund	1,658,535	-
U.S. Government Treasury Inflation Bond mutual fund	1,658,535	-
	33,174,033	\$ 4,991,258
Liabilities:		
Accounts payable	-	\$ 70,802
Accrued wages	-	34,908
Deposits payable	-	167,135
Payable to bondholders	-	4,718,413
	-	\$ 4,991,258
Net Assets:		
Held in trust for employees' retirement system	\$ 33,174,033	

See Accompanying Notes to the Financial Statements.



CITY OF SAN CLEMENTE  
Statement of Changes in Plan Net Assets  
Pension Trust Fund - Fiduciary Fund  
For the Year Ended June 30, 2011

Contributions:	
Employer	\$ 1,637,890
Employee	<u>888,777</u>
Total Contributions	<u>2,526,667</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	5,215,962
Investment expenses	<u>(59,322)</u>
Total Investment Income (Loss)	<u>5,156,640</u>
Total Additions	<u>7,683,307</u>
Deductions:	
Benefits	446,817
Administrative expenses	<u>49,721</u>
Total Deductions	<u>496,538</u>
Change in net assets	7,186,769
Net assets - Beginning of Year	<u>25,987,264</u>
Net assets - End of Year	<u><u>\$ 33,174,033</u></u>

See Accompanying Notes to the Financial Statements.



# Notes to the Financial Statements

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CITY OF SAN CLEMENTE  
Notes to the Financial Statements  
June 30, 2011

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 is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Agency has the same governing board as the City. Separate financial statements for the Agency may be obtained from the City.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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:

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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

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

The government-wide, proprietary and fiduciary fund 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 is recognized in the fiscal year for which all eligibility requirements have been satisfied.

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 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, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

The Redevelopment Agency (RDA) Low and Moderate Income Housing Fund – This special revenue 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. See Note XI-H regarding the State of California's recently enacted legislation intended to provide for the dissolution of Redevelopment Agencies in the State of California.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

Redevelopment Debt Service Fund – This 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. See Note XI-H regarding the State of California’s recently enacted legislation intended to provide for the dissolution of Redevelopment Agencies in the State of California.

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

Parks Acquisition and Development 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.

Additionally, the City reports the following fund types:

Special Revenue Funds - The 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.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs, other than capitalized leases and compensated absences, which are paid from the governmental funds.

Capital Projects Funds - The capital projects funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Internal Service Funds - The internal service funds are used to finance and account for goods and services provided by one City department to other City departments 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 and the Agency funds. The Pension Trust fund accumulates resources for benefits for all non-public safety employees of the City. 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 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.



CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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 contradicts 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.

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.

The City reports the following major proprietary funds and internal service 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, 2011

Internal Service Funds - The internal service funds are used to 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.

C. 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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.

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	10-50 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, 2011 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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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.

8. Fund Balance:

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in the fiscal year ending June 30, 2011. The objective to this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement 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 an annual budget for the 99-1 A.D. Capital Improvements Capital Project Fund.

The City made several supplemental budgetary appropriations during the fiscal year, including additional appropriations of \$5,805,352.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

B. Deficit Funds Balance and Excess of Expenditures Over Appropriations

The Miscellaneous Grants Fund and the Redevelopment Agency Debt Service Fund had a deficit fund balance. The Miscellaneous Grants Fund deficit of \$3,537 is due to grant expenditures incurred but not reimbursed and will be eliminated by future grant receipts. The Redevelopment Agency Debt Service Fund deficit of \$1,804,716 is from project expenditures and will be eliminated by future tax increment revenues.

III. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments - unrestricted	\$ 101,556,555
Cash and investments - restricted:	
Cash and investments	49,226,896
Cash and investments held by bond trustee	406,281
Fiduciary funds:	
Cash and investments	1,979,792
Cash and investments held by bond trustee	2,923,105
Pension trust investments	<u>33,174,033</u>
Total cash and investments	<u>\$ 189,266,662</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 4,150
Deposits with financial institutions	2,952,348
Investments held by City and bond trustee	153,136,131
Pension trust investments	<u>33,174,033</u>
Total cash and investments	<u>\$ 189,266,662</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 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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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.

<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 the 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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

Disclosures Relating to Interest Rate Risk:

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

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	\$ 31,727,448	\$ 14,175,425	\$ 8,298,670	\$ 9,253,353
Federal Agency securities:				
Federal Farm Credit Bank	14,166,623	6,044,365	4,098,863	4,023,395
Federal Home Loan Bank	16,995,089	4,060,470	3,857,987	9,076,632
Federal Home Loan Mortgage Corp.	18,361,077	6,092,238	3,959,965	8,308,874
Federal National Mortgage Assoc.	17,471,441	-	4,259,617	13,211,824
LAIF	50,030,841	50,030,841	-	-
Medium Term Note	1,054,225	-	1,054,225	-
Held by bond trustee:				
Money market funds	1,727,917	1,727,917	-	-
U.S. Treasury securities*	553,420	-	-	-
Investment contracts	673,600	673,600	-	-
LAIF	374,450	374,450	-	-
<b>Total</b>	<b>\$ 153,136,131</b>	<b>\$ 83,179,306</b>	<b>\$ 25,529,327</b>	<b>\$ 43,874,078</b>

\*Final maturity is 05/15/2019

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, 2011

<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	\$ 31,727,448	N/A	\$ 31,727,448	\$ -	\$ -
Federal agency securities:					
FFCB	14,166,623	N/A	14,166,623	-	-
FHLB	16,995,089	N/A	16,995,089	-	-
FHLMC	18,361,077	N/A	18,361,077	-	-
FNMA	17,471,441	N/A	17,471,441	-	-
LAIF	50,030,841	N/A	50,030,841	-	-
Medium Term Notes	1,054,225	A2/A	-	-	1,054,225
Held by Bond trustee:					
Money market funds	1,727,917	N/A	-	1,727,917	-
U.S. Treasury securities	553,420	N/A	553,420	-	-
Investment contracts	673,600	N/A	673,600	-	-
Local agency investment fund	374,450	N/A	374,450	-	-
	<u>\$ 153,136,131</u>		<u>\$ 150,353,989</u>	<u>\$ 1,727,917</u>	<u>\$ 1,054,225</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	\$ 32,280,868	21%
Federal Farm Credit Bank	Federal agency securities	14,166,623	9%
Federal Home Loan Bank	Federal agency securities	16,995,089	11%
Federal Home Loan Mortgage Corp	Federal agency securities	18,361,077	12%
FNMA	Federal agency securities	17,471,441	11%

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



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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: \$2,282,887 of the City's deposits with financial institutions in excess of federal depository insurance limits is held in collateralized accounts.

As of June 30, 2011, City investments in the following investment types were held by the safekeeping department of Union Bank and the City uses other broker-dealers to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury securities	\$ 32,280,868
Federal agency securities:	
Federal Farm Credit Bank	14,166,623
Federal Home Loan Bank	16,995,089
Federal Home Loan Mortgage Corp	18,361,077
Federal National Mortgage Association	17,471,441

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, 2011, 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.

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As of June 30, 2011, the City had \$50,030,841 invested in LAIF and \$374,450 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 1.001576470 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, 2011 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	\$ 4,975,604	15%
Russell 1000 Index mutual fund	11,609,743	35%
Russell 2000 Index mutual fund	1,658,535	5%
<i>Fixed Income Investments (35% of pension investments)</i>		
Group annuity contract	6,619,139	20%
PIMCO Total Return Bond mutual fund	6,652,477	20%
US Government Treasury Inflation Bond mutual fund	1,658,535	5%
Total pension trust investments (fair value)	<u>\$ 33,174,033</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.

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IV. RECEIVABLES:

Receivables, including restricted amounts, at June 30, 2011 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:				
General fund	\$ 4,118,381	\$ 680,951	\$ 192,470	\$ 4,991,802
Low and moderate income housing fund	-	1,392	10,496	11,888
Redevelopment debt service	90,385	-	1,518	91,903
Public facilities fund	-	-	96,720	96,720
Parks acquisition and development fund	-	-	90,656	90,656
Nonmajor funds	19,089	972,044	207,259	1,198,392
Internal service funds	-	32,284	52,993	85,277
	<u>\$ 4,227,855</u>	<u>\$ 1,686,671</u>	<u>\$ 652,112</u>	<u>\$ 6,566,638</u>

	<u>Accounts</u>	<u>Interest</u>	<u>Total</u>
Business-type Activities:			
Water utility	\$ 1,944,087	\$ 142,866	\$ 2,086,953
Sewer utility	1,339,802	171,481	1,511,283
Golf course	10,080	11,612	21,692
Nonmajor funds	409,772	19,521	429,293
	<u>\$ 3,703,741</u>	<u>\$ 345,480</u>	<u>\$ 4,049,221</u>

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, land was sold to Target (a U.S. retail chain) resulting in a \$13.4 million gain. The proceeds of the sale, are recognized in the Parks, Acquisition and Development Capital Project fund and were used to complete the funding for the La Pata Vista Hermosa Sports Park and transfer funds to the General fund to reimburse past transfers made by the General fund to provide amounts for the park's construction.

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Notes to the Financial Statements (Continued)  
June 30, 2011

A summary of changes in capital asset activity for the year ended June 30, 2011 is as follows:

<u>Governmental Activities</u>	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 37,629,418	\$ 3,299,018	\$ (3,323,502)	\$ 37,604,934
Construction in progress	9,548,374	25,386,106	(9,715,396)	25,219,084
 Total Capital Assets, Not Being Depreciated	 47,177,792	 28,685,124	 (13,038,898)	 62,824,018
Capital Assets, Being Depreciated:				
Buildings	16,489,264	279,067	-	16,768,331
Improvements other than buildings	30,253,732	2,738,754	-	32,992,486
General equipment	7,295,630	361,766	(80,899)	7,576,497
Infrastructure	130,930,974	6,395,311	(1,134,836)	136,191,449
 Total Capital Assets, Being Depreciated	 184,969,600	 9,774,898	 (1,215,735)	 193,528,763
Less Accumulated Depreciation For:				
Buildings	(8,918,736)	(480,066)	-	(9,398,802)
Improvements other than buildings	(9,966,386)	(1,194,128)	-	(11,160,514)
General equipment	(3,753,054)	(723,615)	51,043	(4,425,626)
Infrastructure	(41,488,945)	(3,642,068)	1,129,082	(44,001,931)
 Total Accumulated Depreciation	 (64,127,121)	 (6,039,877)	 1,180,125	 (68,986,873)
 Net Capital Assets, Being Depreciated	 120,842,479	 3,735,021	 (35,610)	 124,541,890
 Governmental Activities Capital Assets	 \$ 168,020,271	 \$ 32,420,145	 \$ (13,074,508)	 \$ 187,365,908

Construction in progress consists primarily of the La Pata Vista Hermosa Sports Park, various street improvements and buildings under construction.

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Notes to the Financial Statements (Continued)  
June 30, 2011

A summary of property, plant and equipment at June 30, 2011 for the City's business-type activities is as follows:

<u>Business-type Activities</u>	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 4,073,070	\$ -	\$ -	\$ 4,073,070
Construction in progress	8,641,133	2,674,514	(4,510,859)	6,804,788
 Total Capital Assets, Not Being Depreciated	 12,714,203	 2,674,514	 (4,510,859)	 10,877,858
Capital Assets, Being Depreciated:				
Buildings	6,819,014	44,972	-	6,863,986
Water, sewer, storm lines	93,268,239	857,979	(20,221)	94,105,997
Utility assets	101,651,659	3,621,540	-	105,273,199
Improvements other than buildings	3,266,622	-	-	3,266,622
Machinery and equipment	2,018,842	162,788	-	2,181,630
 Total Capital Assets, Being Depreciated	 207,024,376	 4,687,279	 (20,221)	 211,691,434
Less Accumulated Depreciation For:				
Buildings	(766,233)	(146,354)	-	(912,587)
Water, sewer, storm lines	(28,661,611)	(1,357,774)	19,171	(30,000,214)
Utility assets	(41,407,526)	(2,427,746)	-	(43,835,272)
Improvements other than buildings	(1,577,803)	(246,398)	-	(1,824,201)
Machinery and equipment	(1,463,373)	(151,079)	-	(1,614,452)
 Total Accumulated Depreciation	 (73,876,546)	 (4,329,351)	 19,171	 (78,186,726)
 Net Capital Assets, Being Depreciated	 133,147,830	 357,928	 (1,050)	 133,504,708
 Business-type Activities Capital Assets	 \$ 145,862,033	 \$ 3,032,442	 \$ (4,511,909)	 \$ 144,382,566

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities		
General government	\$ 15,185	\$ -
Police	3,343	
Fire	161,702	-
Public works	3,420,203	-
Community development	308,346	-
Beaches, parks and recreation	1,495,414	-
Internal service	635,684	-
Water	-	855,568
Sewer	-	3,139,178
Golf	-	331,766
Nonmajor	-	2,839
 Total depreciation expense	 \$ 6,039,877	 \$ 4,329,351

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Notes to the Financial Statements (Continued)  
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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	\$ 372,854

Advances from/to other funds:

Advances to	Advances from	Amount
Redevelopment Debt Service	General fund	\$ 1,903,760
Golf fund	General fund	134,000
Golf fund	Public Facilities Construction Capital Project Fund	2,500,000
Total		\$ 4,537,760

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 is to be repaid to the City from future tax increment revenues. Annual installments are \$269,832, including principal and interest. A debt service schedule is as follows:

Year Ending June 30,	Advance Payable	
	Principal	Interest
2012	\$ 215,004	\$ 54,828
2013	221,196	48,636
2014	227,566	42,266
2015	234,120	35,712
2016	240,863	28,969
2017-2021	765,011	44,482
Totals	\$ 1,903,760	\$ 254,893

The Golf Fund advance made from the General Fund of \$984,000 provided funds for the Golf Course operations. Payments made in prior years have totaled \$590,000. During the current year, the Golf fund repaid \$260,000 from golf revenues based on an annual debt service amount. The outstanding balance at June 30, 2011 is \$134,000. In addition, an advance from the Public Facilities Construction Capital Project Fund of \$2,500,000 provided funds for the remaining construction costs of the Golf Course Clubhouse. This advance will be repaid with funds from future operations or through the issuance of a new future debt.

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Notes to the Financial Statements (Continued)  
June 30, 2011

Interfund Transfers:

Transfers In	Transfers Out								Total
	General Fund	Redevelopment Agency Debt Service	Parks Acq. and Develop.	Nonmajor Governmental Fund	Water Utility Fund	Sewer Utility Fund	Nonmajor Proprietary Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 9,150,000	\$ 675,028	\$ 25,000	\$ 25,000	\$ 173,110	\$ 212,350	\$ 10,260,488
Nonmajor									
Governmental									
Funds	1,338,350	2,007,517	-	605,000	70,993	172,685	35,850	-	4,230,395
Water Utility Fund	16,710	-	-	-	-	-	-	86,110	102,820
Sewer Utility Fund	35,510	-	-	-	30,000	-	403,000	99,330	567,840
Golf	-	-	-	-	-	-	-	13,820	13,820
Nonmajor									
Proprietary									
Funds	-	-	-	-	-	-	-	12,420	12,420
Internal Service									
Funds	1,010,690	-	-	-	4,040	8,080	-	118,690	1,141,500
Total	\$ 2,401,260	\$ 2,007,517	\$ 9,150,000	\$ 1,280,028	\$ 130,033	\$ 205,765	\$ 611,960	\$ 542,720	\$ 16,329,283

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, 2011 a transfer was made from the Park Acquisition and Development Fund to the General Fund in the amount of \$9,150,000 to transfer funds back to the General Fund that provided cash in prior fiscal years to fund park projects. General Fund transfers include a significant transfer to the Street Improvement Special Revenue Fund in the amount of \$712,880 to provide monies for the funding of street related capital projects and a significant transfer of \$530,710 to the Negocio Debt Service Fund debt service, operations, and maintenance costs, and other transfers to nonmajor funds of \$94,760. The Redevelopment Agency Debt Service Fund had significant transfers of \$2,007,517 to the Redevelopment Agency Capital Projects Fund to provide funding under a cooperative agreement for the pier rehabilitation and a sidewalk/lighting project in the redevelopment project area.

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Notes to the Financial Statements (Continued)  
June 30, 2011

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%.

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 \$313,367 from the State of California directly and \$5,138,756 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 \$327,045 during Fiscal Year 2011. The Bond Reserve is fully funded at June 30, 2011.

\$ 2,485,000

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 \$177,070. The terms of the leases include 60 monthly payments which include interest. The last lease matures in April 2014. The monthly lease payments are \$417 and \$3,016. The lease payable amounts are recorded on the statement of net assets with the amount applicable to governmental-type activities.

\$ 17,929



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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.

\$1,845,318

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, 2011 are as follows:

Year Ending June 30,	Certificates of Participation		Capitalized Lease Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 135,000	\$ 192,590	\$ 9,742	\$ 6,802
2013	140,000	182,285	4,238	1,060
2014	150,000	171,555	3,949	4,174
2015	170,000	159,974	-	-
2016	180,000	146,900	-	-
2017-2021	1,125,000	503,150	-	-
2022-2024	585,000	69,400	-	-
Totals	<u>\$ 2,485,000</u>	<u>\$ 1,425,854</u>	<u>\$ 17,929</u>	<u>\$ 12,036</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, 2011 were obligations of the following funds:

Water Utility Fund	\$ 222,945
Sewer Utility Fund	293,009
Golf Course Fund	185,015
Nonmajor Enterprise Funds	<u>27,450</u>
Total	<u>\$ 728,419</u>

CITY OF SAN CLEMENTE  
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Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Certificates of participation	\$ 2,610,000	\$ -	\$ 125,000	\$ 2,485,000	\$ 135,000
Capital lease obligations	56,062	-	38,133	17,929	9,742
Claims and judgments payable (Note VIII)	1,005,597	2,264,318	1,087,619	2,182,296	1,245,905
Compensated absences	1,666,773	944,414	765,869	1,845,318	332,158
Governmental Activities Long-term Liabilities	<u>\$ 5,338,432</u>	<u>\$ 3,208,732</u>	<u>\$ 2,016,621</u>	<u>\$ 6,530,543</u>	<u>\$ 1,722,805</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Compensated absences	\$ 713,737	\$ 298,174	\$ 283,492	\$ 728,419	\$ 131,115
Business-type Activities Long-term Liabilities	<u>\$ 713,737</u>	<u>\$ 298,174</u>	<u>\$ 283,492</u>	<u>\$ 728,419</u>	<u>\$ 131,115</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 122 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

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. 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

CITY OF SAN CLEMENTE  
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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.

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 2010-11 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 \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

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Property Insurance – The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. San Clemente’s property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City’s property currently has all-risk property insurance protection in the amount of \$171,112,883. 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 \$90,668,368. 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, 2011, 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.

CITY OF SAN CLEMENTE  
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	Beginning Balance	Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2009-2010	2,227,856	566,022	(1,788,281)	1,005,597
2010-2011	1,005,597	2,264,318	(1,087,619)	2,182,296

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. In the fiscal year ended June 30, 2007 the City paid a significant claim related to a landslide that was not covered under the previous insurance. As any changes in the estimate are determined adjustments are recorded for the amount of the claim.

IX. PENSION AND RETIREMENT BENEFITS:

A. PENSION PLANS:

Plan Descriptions:

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.

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. Recently there have been modifications to the California Government Code which allowed PERS to create risk pools and to mandate public agency participation in those pools. PERS assigns plans to risk pools based on their service retirement formula and public agency 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.

CSCERP is a single-employer defined benefit pension plan and is included in the City's financial statements. At July 1, 2009, the plan had 192 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.

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Notes to the Financial Statements (Continued)  
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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 and for their account. The City is required to contribute at an actuarially determined rate, which is 28.85% of annual covered payroll for marine safety personnel. The contribution requirements of plan members and the City are established and may be amended by PERS. CSCERP participants are required to contribute 7% of their annual covered salary. The City makes these contributions on behalf of the employees. The City additionally contributes 12.9% of annual covered payroll, an actuarially determined rate based on the July 1, 2009 actuarial report.

For 2011, the City's annual pension costs of \$139,168 for the PERS Risk Pool and \$2,526,667 for CSCERP were equal to the City's required and actual contributions. The covered payroll was \$389,663 and \$12,798,598, respectively. The required contribution was determined as part of the June 30, 2009 and July 1, 2009, actuarial valuations using the entry age normal actuarial cost method for PERS and the entry age actuarial cost method for CSCERP.

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, 2011 is as follows:

	PERS Risk Pool (Public Safety)*	CSCERP
Valuation date	June 30, 2008	July 1, 2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percentage of Payroll
Average remaining period	16 years as of the valuation date	20 year amortization period
Asset valuation method	15 year smoothed market	5 year smoothed market
Investment rate of return	7.75%	7.75%**
Projected salary increases	3.25% to 14.45 depending on Age, Service and type of employment	4.5%
Inflation rate	3.00%	2.0%
Payroll growth	3.25%	4.5%
Individual salary growth	Merit scale varying by duration of employment coupled with an assumed 3.0% annual inflation growth and annual production growth of 0.25%	4.5%

\* The City's Marine Safety retirement plan is part of the CalPERS risk pool retirement plan. Information on the risk pool funding of this plan can be obtained from the CalPERS Actuarial Valuation Report. However, a schedule of funding progress information is not available specifically for the City.

\*\* As of the July 1, 2011 the assumed rate of investment return was reduced to 7.25% from 7.75%.

During the year, the City made a \$4,754,163 side fund payment to pay an unfunded liability for past public safety employees of the City. This cost was previously being amortized over

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

20 years. Side funds were created by CalPERS to ensure that plans with varying funded status could participate in the same risk pool.

Annual Pension Cost and Schedule of Funding Progress:

**THREE-YEAR TREND INFORMATION  
FOR PERS 3% AT 55 RISK POOL**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$132,823	100%	\$ -
6/30/10	151,500	100%	-
6/30/11	139,168	100%	-

**SIX-YEAR TREND INFORMATION FOR CSCERP**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 1,919,957	100%	\$ -
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%	-

Information for the CSCERP on the funding progress is presented using the entry age actuarial cost method.

**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%

\*Most recent information available

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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, 2011 the City paid \$49,004 of the health insurance benefit with the remaining cost of \$132,378 paid by the retirees. Employers are now required under GASB accounting principles to report the annual cost of OPEB's and account for and accrue any outstanding obligations and commitments in essentially 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)	\$ 145,019
Interest on net OPEB obligation	14,985
Contributions made	<u>(49,004)</u>
Increase in net OPEB obligation	111,000
Net OPEB obligation - beginning of year	<u>299,709</u>
Net OPEB obligation - end of year	<u><u>\$ 410,709</u></u>

The percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 is as follows:



CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2009	\$128,850	27.9%	\$ 190,196
06/30/2010	132,678	17.5%	299,709
06/30/2011	160,004	30.6%	410,709

**Funded Status and Funding Progress:**

As of May 1, 2010, the date of the latest actuarial valuation, there were 192 active employees and 16 retirees. The present value of all expected future benefits based on certain actuarial assumptions was \$410,709 as of June 30, 2011. 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 \$410,709 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 pattern of sharing of costs between the employee and plan members. The methods and assumptions used in the May 1, 2010 actuarial valuation are summarized as follows:

**ACTUARIAL ASSUMPTIONS**

Actuarial cost method	Entry age normal
Interest rate assumption	5%
Projected salary increase assumption	3%
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
11/01/07	\$ -	\$1,270,647	\$1,270,647	0.0%	\$15,357,889	8.27%
05/01/10*	\$ -	\$1,784,217	\$1,784,217	0.0%	\$13,401,356	13.31%

\* Most recent information available

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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 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 charter, ordinance and 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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.

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 \$4.3 million as of June 30, 2011. The total committed amount for Sustainability and Emergency is \$14.3 million and is to provide and maintain service levels in the event of financial difficulty or other distress.

Fund Balances	RDA		RDA Debt Service	Public	Park Acq. & Development	Non-major Funds	Total
	General Fund	Low/Mod Inc. Housing		Facilities Constr.			
<b><i>Nonspendable:</i></b>							
Loans	112,631	498,346	-	-	-	1,710,653	2,321,630
Advances	2,037,760	-	142,848	-	-	-	2,180,608
Prepays	18,900	-	-	-	-	-	18,900
<b><i>Restricted for:</i></b>							
Affordable housing	-	1,608,284	-	-	-	1,299,962	2,908,246
Park development	-	-	-	-	867,101	-	867,101
Highways/streets	-	-	-	-	-	5,056,975	5,056,975
Drainage	-	-	-	-	-	4,757,263	4,757,263
Other capital projects	-	-	-	13,333,004	-	1,112,793	14,445,797
Other purposes	-	-	-	-	-	3,316,668	3,316,668
<b><i>Committed to:</i></b>							
Sustainability/Emergency	14,262,000	-	-	-	-	-	14,262,000
Capital projects	813,870	-	-	1,678,170	10,898,570	8,664,599	22,055,209
Debt service	-	-	-	-	-	-	-
La Pata Vista Hermosa	2,913,000	-	-	-	-	-	2,913,000
Other purposes	934,404	-	-	-	-	449,550	1,383,954
<b><i>Assigned to:</i></b>							
Capital projects	37,900	-	-	381,980	-	5,119,074	5,538,954
Other purposes	897,436	-	-	108,800	-	331,370	1,337,606
Future budget	2,835,120	-	-	1,075,130	-	602,990	4,513,240
<b><i>Unassigned</i></b>	<b>4,110,236</b>	<b>-</b>	<b>(1,947,564)</b>	<b>-</b>	<b>-</b>	<b>(54,404)</b>	<b>2,108,268</b>
<b>TOTAL FUND BALANCE</b>	<b>28,973,257</b>	<b>2,106,630</b>	<b>(1,804,716)</b>	<b>16,577,084</b>	<b>11,765,671</b>	<b>32,367,493</b>	<b>89,985,419</b>

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

XI. OTHER NOTE DISCLOSURES:

A. Leases

The City has entered into an operating lease contract whereby the City leases a floor of an office building that is used for Community Development operations to a third party. The lease commenced in June 16, 2010. The term of the lease is for five years, with an option to extend for five years. The future minimum rentals to be received from the aforementioned operating lease as of June 30, 2011 are as follows:

Fiscal Year	Amount
2012	\$ 228,611
2013	245,681
2014	253,051
2015	261,293

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. They are the 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 remittance of such monies to the bondholders. The City has no obligation or duty to pay any delinquency out of any available funds of the City. 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, 2011
City of San Clemente 95-1 Assessment District	\$ 6,929,940	\$ 575,000
City of San Clemente 99-1 Assessment District	1,150,000	585,000
City of San Clemente 99-1 Community Facilities District	5,755,000	5,190,000
City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds	15,355,000	13,140,000

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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 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 at the City. Condensed financial information, on the accrual basis, for CASA for the fiscal year ended June 30, 2011 is as follows:

Total Assets	\$ 264,933
Total Liabilities	476,330
Total Net Assets	<u>\$ (211,397)</u>
Total Program Revenues	\$ 1,147,499
Total Expenses	1,171,666

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 opinion of the City 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 \$15.9 million as of June 30, 2011 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,

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

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 of this borrowing pertaining 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 (fiscal year 2011).

F. Special Item:

In November 2010, the City of San Clemente made a payment to CalPERS to pay off a side fund that was previously being amortized over 20 years. Side funds were created by CalPERS to ensure that plans with varying funded status could participate in the same risk pool. The lump sum payment of \$4,754,163 to pay the unfunded liability was for past public safety employees of the City.

G. Subsequent Event:

The City in August 2011, refunded the Community Facilities District 99-1 conduit debt. The issue amount of \$5,005,000, in addition to funds held by the trustee, defeased the debt amount of \$5,190,000 that was outstanding on June 30, 2011.

H. Recent Changes in Legislation Affecting California Redevelopment Agencies:

On June 29, 2011, the Governor of the State of California signed Assembly Bills XI 26 and 27 as part of the State's budget package. Assembly Bill XI 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill XI 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill XI 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of San Clemente intends to use available monies for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

Assembly Bill XI 26 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 Assembly Bill XI 26.

In the event that Assembly Bill XI 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills XI 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill XI 27 and most of Assembly Bill XI 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills XI 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill XI 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABXI 26.

On August 16, 2011, City Ordinance No. 1539 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills XI 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$953,131 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$240,000 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2011

January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any “new debt” is incurred. Assembly Bill XI 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of AB XI 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills XI 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature’s stated intent to eliminate California redevelopment agencies and to reduce their funding.



## Required Supplementary Information

CITY OF SAN CLEMENTE  
Required Supplementary Information  
June 30, 2011

**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 RDA Low and Moderate Income Housing Special Revenue Fund has a legally adopted budget. The original budget, final budget and actual amounts are presented on the following pages for General Fund and Special Revenue major funds.

The RDA Debt Service Fund, the Public Facilities Construction Capital Project Fund and the Parks Acquisition and Development Capital Project Fund major funds have legally adopted budgets. These debt service and 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, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 34,024,100	\$ 34,064,100	\$ 34,999,167	\$ 935,067
Licenses and permits	1,748,230	1,763,230	1,903,617	140,387
Fines and forfeits	1,053,900	954,900	931,685	(23,215)
Investment and rentals	1,894,210	1,962,210	1,925,663	(36,547)
Intergovernmental	960,000	1,129,000	1,050,037	(78,963)
Charges for services	6,951,330	6,999,230	6,892,010	(107,220)
Other	113,000	108,000	113,160	5,160
Total Revenues	<u>46,744,770</u>	<u>46,980,670</u>	<u>47,815,339</u>	<u>834,669</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
<b>Administration</b>				
City council	95,085	101,485	67,013	34,472
City manager	693,764	728,829	701,682	27,147
City clerk	728,835	918,605	840,880	77,725
Finance and administrative services	2,877,267	2,898,206	2,829,086	69,120
City general	3,481,090	3,111,332	2,386,082	725,250
Police	12,342,920	12,271,920	11,910,597	361,323
Fire	7,080,660	7,080,660	6,913,198	167,462
Public works	6,979,500	7,069,930	6,428,634	641,296
Community development	4,309,358	4,365,930	3,873,560	492,370
Beaches, parks and recreation	9,101,330	9,159,670	8,355,024	804,646
Capital outlay	2,534,260	2,594,520	1,150,611	1,443,909
Total Expenditures	<u>50,224,069</u>	<u>50,301,087</u>	<u>45,456,367</u>	<u>4,844,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,479,299)</u>	<u>(3,320,417)</u>	<u>2,358,972</u>	<u>5,679,389</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	-	-	23,328	23,328
Transfers in	10,789,150	10,789,150	10,260,488	(528,662)
Transfers out	(1,196,030)	(2,406,260)	(2,401,260)	5,000
Total Other Financing Sources (Uses)	<u>9,593,120</u>	<u>8,382,890</u>	<u>7,882,556</u>	<u>(500,334)</u>
Special item - pension side fund payment	<u>(4,600,000)</u>	<u>(4,754,163)</u>	<u>(4,754,163)</u>	<u>-</u>
Net Change in Fund Balance	1,513,821	308,310	5,487,365	5,179,055
Fund Balance, Beginning of Year	<u>23,485,892</u>	<u>23,485,892</u>	<u>23,485,892</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 24,999,713</u>	<u>\$ 23,794,202</u>	<u>\$ 28,973,257</u>	<u>\$ 5,179,055</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, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 494,000	\$ 494,000	\$ 470,898	\$ (23,102)
Investment and rentals	35,410	35,410	34,850	(560)
Other	-	-	1,000	1,000
	<u>529,410</u>	<u>529,410</u>	<u>506,748</u>	<u>(22,662)</u>
Total Revenues				
Expenditures:				
Current:				
Community development	369,300	456,449	274,713	181,736
Net Change in Fund Balance	160,110	72,961	232,035	159,074
Fund Balance, Beginning of Year	<u>1,874,595</u>	<u>1,874,595</u>	<u>1,874,595</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,034,705</u></u>	<u><u>\$ 1,947,556</u></u>	<u><u>\$ 2,106,630</u></u>	<u><u>\$ 159,074</u></u>

## Supplementary Information

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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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 1,813,300	\$ 1,883,592	\$ 70,292
Investment and rentals	70,810	21,050	(49,760)
Total Revenues	<u>1,884,110</u>	<u>1,904,642</u>	<u>20,532</u>
Expenditures:			
Current:			
Community development	24,480	31,113	(6,633)
Debt service:			
Property tax shift	431,000	348,788	82,212
Interest and fiscal charges	60,850	60,850	-
Total Expenditures	<u>516,330</u>	<u>440,751</u>	<u>75,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,367,780	1,463,891	96,111
Other Financing Sources (Uses):			
Transfers out	<u>(2,118,980)</u>	<u>(2,007,517)</u>	<u>111,463</u>
Net Change in Fund Balance	(751,200)	(543,626)	207,574
Fund Balance (Deficit), Beginning of Year	<u>(1,261,090)</u>	<u>(1,261,090)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (2,012,290)</u></u>	<u><u>\$ (1,804,716)</u></u>	<u><u>\$ 207,574</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 170,502	\$ 175,150	\$ 4,648
Developer fees	100,345	88,596	(11,749)
Total Revenues	270,847	263,746	(7,101)
Expenditures:			
Current:			
Community development	121,490	90,232	31,258
Public safety	60,940	-	60,940
Capital outlay	4,368,000	2,307,853	2,060,147
Total Expenditures	4,550,430	2,398,085	2,152,345
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,279,583)	(2,134,339)	2,145,244
Other Financing Sources:			
Transfers in	60,940	-	(60,940)
Net Change in Fund Balance	(4,218,643)	(2,134,339)	2,084,304
Fund Balance, Beginning of Year	18,711,423	18,711,423	-
Fund Balance, End of Year	\$ 14,492,780	\$ 16,577,084	\$ 2,084,304

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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 270,150	\$ 105,684	\$ (164,466)
Developer fees	188,600	199,231	10,631
Total Revenues	<u>458,750</u>	<u>304,915</u>	<u>(153,835)</u>
Expenditures:			
Current:			
Beaches, parks, and recreation	23,250	23,250	-
Capital outlay	<u>23,195,500</u>	<u>13,236,134</u>	<u>9,959,366</u>
Total Expenditures	<u>23,218,750</u>	<u>13,259,384</u>	<u>9,959,366</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,760,000)	(12,954,469)	9,805,531
Other Financing Sources (Uses):			
Sale of property	13,800,000	13,425,795	(374,205)
Transfers out	<u>(9,150,000)</u>	<u>(9,150,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>4,650,000</u>	<u>4,275,795</u>	<u>(374,205)</u>
Net Change in Fund Balance	(18,110,000)	(8,678,674)	9,431,326
Fund Balance, Beginning of Year	<u>20,444,345</u>	<u>20,444,345</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,334,345</u>	<u>\$ 11,765,671</u>	<u>\$ 9,431,326</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.

## DEBT SERVICE FUND

The Debt Service Fund is 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.

## 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 Developers Improvement 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.

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, 2011

	Special Revenue Funds		
	Gas Tax	Air Quality Improvement	Street Improvement
<b>Assets:</b>			
Cash and investments	\$ 5,225,246	\$ 330,680	\$ 4,767,725
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	19,089
Accounts	15,000	-	150,000
Accrued interest	34,251	2,318	31,250
Loans	-	-	-
Due from other governments	428,356	16,536	-
<b>Restricted assets:</b>			
Cash and investments with fiscal agent	-	-	-
<b>Total Assets</b>	<b>\$ 5,702,853</b>	<b>\$ 349,534</b>	<b>\$ 4,968,064</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ 271,918	\$ 10,263	\$ 23,876
Accrued wages	-	-	-
Deferred revenue	157,470	-	12,301
Unearned revenue	115,831	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b>545,219</b>	<b>10,263</b>	<b>36,177</b>
 <b>Fund Balances (Deficits):</b>			
Nonspendable	-	-	-
Restricted for:			
Capital projects	1,050,724	-	1,241,237
Other purposes	-	249,831	-
Committed to:			
Capital projects	2,072,762	61,020	392,400
Other purposes	-	-	-
Assigned to:			
Capital projects	1,780,998	-	2,734,010
Other purposes	253,150	28,420	564,240
Unassigned	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>5,157,634</b>	<b>339,271</b>	<b>4,931,887</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,702,853</b>	<b>\$ 349,534</b>	<b>\$ 4,968,064</b>

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
<u>Police Grants</u>	<u>Miscellaneous Grants</u>	<u>Negocio Building</u>
\$ 35,408	\$ -	\$ -
-	-	-
-	-	-
232	-	444
-	565,054	-
11,316	39,040	-
-	-	406,281
<u>\$ 46,956</u>	<u>\$ 604,094</u>	<u>\$ 406,725</u>
\$ 1,357	\$ 5,471	\$ 17,772
-	1,773	-
-	565,054	-
-	-	-
-	-	32,950
-	35,333	337,521
<u>1,357</u>	<u>607,631</u>	<u>388,243</u>
-	-	-
-	-	-
45,599	-	-
-	-	18,482
-	-	-
-	-	-
-	(3,537)	-
<u>45,599</u>	<u>(3,537)</u>	<u>18,482</u>
<u>\$ 46,956</u>	<u>\$ 604,094</u>	<u>\$ 406,725</u>

(Continued)

CITY OF SAN CLEMENTE  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
June 30, 2011

	Capital Projects Funds		
	Reserve	Local Drainage Facilities	Developers Improvement
Assets:			
Cash and investments	\$ 3,415,048	\$ 3,983,304	\$ 9,219,115
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	681,200
Accrued interest	22,384	26,109	60,427
Loans	-	-	1,785,653
Due from other governments	-	-	-
Restricted Assets:			
Cash and investments with fiscal agent	-	-	-
Total Assets	\$ 3,437,432	\$ 4,009,413	\$ 11,746,395
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 107,291	\$ -	\$ 412,421
Accrued wages	-	-	-
Deferred revenue	-	-	415,000
Unearned revenue	-	-	-
Deposits payable	-	-	168,649
Due to other funds	-	-	-
Total Liabilities	107,291	-	996,070
Fund Balances (Deficits):			
Nonspendable	-	-	1,710,653
Restricted for:			
Capital projects	-	3,920,863	3,249,155
Other purposes	-	-	2,774,517
Committed to:			
Capital projects	2,830,635	-	3,016,000
Other purposes	-	-	-
Assigned to:			
Assigned to capital projects	499,506	88,550	-
Assigned to other purposes	-	-	-
Unassigned	-	-	-
Total Fund Balances (Deficits)	3,330,141	4,009,413	10,750,325
Total Liabilities and Fund Balances	\$ 3,437,432	\$ 4,009,413	\$ 11,746,395

Capital Projects Funds

RCFPP	Redevelopment Project	99-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ 3,292,664	\$ 998,889	\$ 261,637	\$ 31,529,716
-	-	-	19,089
125,844	-	-	972,044
21,582	6,547	1,715	207,259
-	-	-	2,350,707
-	59,200	-	554,448
-	-	-	406,281
<u>\$ 3,440,090</u>	<u>\$ 1,064,636</u>	<u>\$ 263,352</u>	<u>\$ 36,039,544</u>
\$ 171,371	\$ 606,753	\$ 16,631	\$ 1,645,124
-	-	-	1,773
125,845	59,200	-	1,334,870
-	-	-	115,831
-	-	-	201,599
-	-	-	372,854
<u>297,216</u>	<u>665,953</u>	<u>16,631</u>	<u>3,672,051</u>
-	-	-	1,710,653
2,765,014	-	246,721	12,473,714
-	-	-	3,069,947
273,300	-	-	8,664,599
-	449,550	-	449,550
104,560	-	-	5,207,624
-	-	-	845,810
-	(50,867)	-	(54,404)
<u>3,142,874</u>	<u>398,683</u>	<u>246,721</u>	<u>32,367,493</u>
<u>\$ 3,440,090</u>	<u>\$ 1,064,636</u>	<u>\$ 263,352</u>	<u>\$ 36,039,544</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, 2011

	Special Revenue Funds		
	Gas Tax	Air Quality Improvement	Street Improvement
Revenues:			
Taxes	\$ -	\$ -	\$ 745,042
Investment and rentals	73,144	5,273	12,206
Intergovernmental	2,639,085	94,540	500,000
Charges for services	-	-	-
Developer fees	-	-	-
Other	58,602	-	23,701
Total Revenues	2,770,831	99,813	1,280,949
Expenditures:			
Current:			
General government	-	-	-
Police	-	-	-
Public works	185,777	3,091	235,617
Community development	-	69,385	-
Capital outlay	866,944	-	2,470,206
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,052,721	72,476	2,705,823
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,718,110	27,337	(1,424,874)
Other Financing Sources (Uses):			
Transfers in	14,760	-	1,430,858
Transfers out	(1,259,571)	-	-
Total Other Financing Sources (Uses)	(1,244,811)	-	1,430,858
Net Change in Fund Balances	473,299	27,337	5,984
Fund Balance (Deficit) at Beginning of Year	4,684,335	311,934	4,925,903
Fund Balance (Deficit) at End of Year	\$ 5,157,634	\$ 339,271	\$ 4,931,887



<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>
<u>Police Grants</u>	<u>Miscellaneous Grants</u>	<u>Negocio Building</u>
\$ -	\$ -	\$ -
800	-	176,351
129,500	402,977	-
-	-	-
-	-	-
7,787	32,170	-
<u>138,087</u>	<u>435,147</u>	<u>176,351</u>
-	-	438,654
135,932	-	-
-	-	-
-	226,621	-
-	121,013	-
-	-	125,000
-	-	203,854
<u>135,932</u>	<u>347,634</u>	<u>767,508</u>
<u>2,155</u>	<u>87,513</u>	<u>(591,157)</u>
-	-	566,560
-	(20,457)	-
-	(20,457)	566,560
2,155	67,056	(24,597)
<u>43,444</u>	<u>(70,593)</u>	<u>43,079</u>
<u>\$ 45,599</u>	<u>\$ (3,537)</u>	<u>\$ 18,482</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, 2011

	<u>Capital Projects Funds</u>		
	<u>Reserve</u>	<u>Local Drainage Facilities</u>	<u>Developers Improvement</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Investment and rentals	44,443	49,017	105,150
Intergovernmental	-	-	-
Charges for services	226,810	-	31,392
Developer fees	-	17,988	84,425
Other	-	-	861,806
Total Revenues	<u>271,253</u>	<u>67,005</u>	<u>1,082,773</u>
Expenditures:			
Current:			
General government	46,418	-	-
Police	-	-	-
Public works	-	-	-
Community development	-	5,318	29,133
Capital outlay	196,723	-	1,308,526
Debt service:			
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>243,141</u>	<u>5,318</u>	<u>1,337,659</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,112</u>	<u>61,687</u>	<u>(254,886)</u>
Other Financing Sources (Uses):			
Transfers in	80,000	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	108,112	61,687	(254,886)
Fund Balance (Deficit) at Beginning of Year	<u>3,222,029</u>	<u>3,947,726</u>	<u>11,005,211</u>
Fund Balance (Deficit) at End of Year	<u>\$ 3,330,141</u>	<u>\$ 4,009,413</u>	<u>\$ 10,750,325</u>

Capital Projects Funds

RCFPP	Redevelopment Project	99-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 745,042
33,141	15,511	3,064	518,100
951,030	-	-	4,717,132
-	-	-	258,202
309,910	-	-	412,323
-	54,639	-	1,038,705
<u>1,294,081</u>	<u>70,150</u>	<u>3,064</u>	<u>7,689,504</u>
-	-	4,030	489,102
-	-	-	135,932
10,150	-	-	434,635
-	123,683	-	454,140
2,342,152	1,632,557	-	8,938,121
-	-	-	125,000
-	-	-	203,854
<u>2,352,302</u>	<u>1,756,240</u>	<u>4,030</u>	<u>10,780,784</u>
<u>(1,058,221)</u>	<u>(1,686,090)</u>	<u>(966)</u>	<u>(3,091,280)</u>
130,700	2,007,517	-	4,230,395
-	-	-	(1,280,028)
<u>130,700</u>	<u>2,007,517</u>	<u>-</u>	<u>2,950,367</u>
(927,521)	321,427	(966)	(140,913)
<u>4,070,395</u>	<u>77,256</u>	<u>247,687</u>	<u>32,508,406</u>
<u>\$ 3,142,874</u>	<u>\$ 398,683</u>	<u>\$ 246,721</u>	<u>\$ 32,367,493</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 51,470	\$ 73,144	\$ 21,674
Intergovernmental	3,449,895	2,639,085	(810,810)
Other	-	58,602	58,602
Total Revenues	<u>3,501,365</u>	<u>2,770,831</u>	<u>(730,534)</u>
Expenditures:			
Current:			
Public works	646,090	185,777	460,313
Capital outlay	4,830,290	866,944	3,963,346
Total Expenditures	<u>5,476,380</u>	<u>1,052,721</u>	<u>4,423,659</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,975,015)</u>	<u>1,718,110</u>	<u>3,693,125</u>
Other Financing Sources (Uses):			
Transfers in	164,760	14,760	(150,000)
Transfers out	(1,320,700)	(1,259,571)	61,129
Total Other Financing Sources (Uses)	<u>(1,155,940)</u>	<u>(1,244,811)</u>	<u>(88,871)</u>
Net Change in Fund Balance	(3,130,955)	473,299	3,604,254
Fund Balance, Beginning of Year	<u>4,684,335</u>	<u>4,684,335</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,553,380</u>	<u>\$ 5,157,634</u>	<u>\$ 3,604,254</u>

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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 4,320	\$ 5,273	\$ 953
Intergovernmental	159,000	94,540	(64,460)
Total Revenues	<u>163,320</u>	<u>99,813</u>	<u>(63,507)</u>
Expenditures:			
Current:			
Public works	200,000	3,091	196,909
Community development	158,870	69,385	89,485
Total Expenditures	<u>358,870</u>	<u>72,476</u>	<u>286,394</u>
Net Change in Fund Balance	(195,550)	27,337	222,887
Fund Balance, Beginning of Year	<u>311,934</u>	<u>311,934</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 116,384</u></u>	<u><u>\$ 339,271</u></u>	<u><u>\$ 222,887</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 661,000	\$ 745,042	\$ 84,042
Investment and rentals	61,470	12,206	(49,264)
Intergovernmental	500,000	500,000	-
Other	-	23,701	23,701
Total Revenues	<u>1,222,470</u>	<u>1,280,949</u>	<u>58,479</u>
Expenditures:			
Current:			
Public works	495,140	235,617	259,523
Capital outlay	6,238,260	2,470,206	3,768,054
Total Expenditures	<u>6,733,400</u>	<u>2,705,823</u>	<u>4,027,577</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,510,930)	(1,424,874)	4,086,056
Other Financing Sources (Uses):			
Transfers in	<u>1,612,880</u>	<u>1,430,858</u>	<u>(182,022)</u>
Net Change in Fund Balance	(3,898,050)	5,984	3,904,034
Fund Balance, Beginning of Year	<u>4,925,903</u>	<u>4,925,903</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,027,853</u></u>	<u><u>\$ 4,931,887</u></u>	<u><u>\$ 3,904,034</u></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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ -	\$ 800	\$ 800
Intergovernmental	185,047	129,500	(55,547)
Other	-	7,787	7,787
Total Revenues	185,047	138,087	(46,960)
Expenditures:			
Police	179,167	135,932	43,235
Net Change in Fund Balance	5,880	2,155	(3,725)
Fund Balance, Beginning of Year	43,444	43,444	-
Fund Balance, End of Year	\$ 49,324	\$ 45,599	\$ (3,725)

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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 736,355	\$ 402,977	\$ (333,378)
Other	20,000	32,170	12,170
Total Revenues	<u>756,355</u>	<u>435,147</u>	<u>(321,208)</u>
Expenditures:			
Current:			
Community development	329,914	226,621	103,293
Capital outlay	185,570	121,013	64,557
Total Expenditures	<u>515,484</u>	<u>347,634</u>	<u>167,850</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,871	87,513	(153,358)
Other Financing Sources (Uses):			
Transfers in	23,000	-	(23,000)
Transfers out	(201,220)	(20,457)	180,763
Total Other Financing Sources (Uses)	<u>(178,220)</u>	<u>(20,457)</u>	<u>157,763</u>
Net Change in Fund Balance	62,651	67,056	4,405
Fund Balance (Deficit), Beginning of Year	<u>(70,593)</u>	<u>(70,593)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (7,942)</u>	<u>\$ (3,537)</u>	<u>\$ 4,405</u>



CITY OF SAN CLEMENTE  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Negocio Building Debt Service Fund  
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 185,450	\$ 176,351	\$ (9,099)
Total Revenues	185,450	176,351	(9,099)
Expenditures:			
Current:			
General government	458,935	438,654	20,281
Capital outlay	98,170	-	98,170
Debt service:			
Principal retirement	120,000	125,000	(5,000)
Interest and fiscal charges	206,550	203,854	2,696
Total Expenditures	883,655	767,508	116,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	(698,205)	(591,157)	107,048
Other Financing Sources:			
Transfers in	566,560	566,560	-
Net Change in Fund Balance	(131,645)	(24,597)	107,048
Fund Balance, Beginning of Year	43,079	43,079	-
Fund Balance, End of Year	\$ (88,566)	\$ 18,482	\$ 107,048

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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 52,000	\$ 44,443	\$ (7,557)
Charges for services	226,810	226,810	-
Other	65,000	-	(65,000)
Total Revenues	<u>343,810</u>	<u>271,253</u>	<u>(72,557)</u>
Expenditures:			
Current:			
General government	140,000	46,418	93,582
Capital outlay	779,120	196,723	582,397
Total Expenditures	<u>919,120</u>	<u>243,141</u>	<u>675,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(575,310)	28,112	603,422
Other Financing Sources (Uses):			
Transfers in	80,000	80,000	-
Net Change in Fund Balance	(495,310)	108,112	603,422
Fund Balance, Beginning of Year	<u>3,222,029</u>	<u>3,222,029</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,726,719</u>	<u>\$ 3,330,141</u>	<u>\$ 603,422</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 66,650	\$ 49,017	\$ (17,633)
Developer fees	16,500	17,988	1,488
Total Revenues	<u>83,150</u>	<u>67,005</u>	<u>(16,145)</u>
Expenditures:			
Current:			
Community development	8,330	5,318	3,012
Total Expenditures	<u>8,330</u>	<u>5,318</u>	<u>3,012</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,820	61,687	(13,133)
Other Financing Sources (Uses):			
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balance	44,820	61,687	16,867
Fund Balance, Beginning of Year	<u>3,947,726</u>	<u>3,947,726</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,992,546</u></u>	<u><u>\$ 4,009,413</u></u>	<u><u>\$ 16,867</u></u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Developers Improvement Capital Project Fund  
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 106,650	\$ 105,150	\$ (1,500)
Charges for services	112,000	31,392	(80,608)
Developer fees	1,331,000	84,425	(1,246,575)
Other	2,100,000	861,806	(1,238,194)
Total Revenues	<u>3,649,650</u>	<u>1,082,773</u>	<u>(2,566,877)</u>
Expenditures:			
Current:			
Community development	3,385,960	29,133	3,356,827
Capital outlay	2,724,000	1,308,526	1,415,474
Total Expenditures	<u>6,109,960</u>	<u>1,337,659</u>	<u>4,772,301</u>
Net Change in Fund Balance	(2,460,310)	(254,886)	2,205,424
Fund Balance, Beginning of Year	<u>11,005,211</u>	<u>11,005,211</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 8,544,901</u></u>	<u><u>\$ 10,750,325</u></u>	<u><u>\$ 2,205,424</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 56,210	\$ 33,141	\$ (23,069)
Intergovernmental	1,000,000	951,030	(48,970)
Developer fees	299,280	309,910	10,630
Total Revenues	<u>1,355,490</u>	<u>1,294,081</u>	<u>(61,409)</u>
Expenditures:			
Current:			
Public works	50,150	10,150	40,000
Capital outlay	2,720,015	2,342,152	377,863
Total Expenditures	<u>2,770,165</u>	<u>2,352,302</u>	<u>417,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,414,675)	(1,058,221)	356,454
Other Financing Sources (Uses):			
Transfers in	130,700	130,700	-
Net Change in Fund Balance	(1,283,975)	(927,521)	356,454
Fund Balance, Beginning of Year	<u>4,070,395</u>	<u>4,070,395</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,786,420</u></u>	<u><u>\$ 3,142,874</u></u>	<u><u>\$ 356,454</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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 4,520	\$ 15,511	\$ 10,991
Other	10,000	54,639	44,639
Total Revenues	<u>14,520</u>	<u>70,150</u>	<u>55,630</u>
Expenditures:			
Current:			
Community development	135,000	123,683	11,317
Capital outlay	2,541,250	1,632,557	908,693
Total Expenditures	<u>2,676,250</u>	<u>1,756,240</u>	<u>920,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,661,730)</u>	<u>(1,686,090)</u>	<u>975,640</u>
Other Financing Sources (Uses):			
Transfers in	1,915,000	2,007,517	92,517
Transfers out	(134,000)	-	134,000
Total Other Financing Sources (Uses)	<u>1,781,000</u>	<u>2,007,517</u>	<u>226,517</u>
Net Change in Fund Balance	(880,730)	321,427	1,202,157
Fund Balance, Beginning of Year	<u>77,256</u>	<u>77,256</u>	-
Fund Balance, End of Year	<u><u>\$ (803,474)</u></u>	<u><u>\$ 398,683</u></u>	<u><u>\$ 1,202,157</u></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, 2011

	Clean Ocean	Solid Waste Management	Totals
Assets:			
Current Assets:			
Cash and investments	\$ 2,390,693	\$ 587,469	\$ 2,978,162
Receivables (net of allowances for uncollectible accounts)	383,466	26,306	409,772
Accrued interest	15,670	3,851	19,521
Total Current Assets	2,789,829	617,626	3,407,455
Capital Assets:			
Machinery and equipment	54,741	-	54,741
Construction in progress	16,227	-	16,227
Total Capital Assets	70,968	-	70,968
Less accumulated depreciation	(54,741)	-	(54,741)
Net Capital Assets	16,227	-	16,227
Total Assets	2,806,056	617,626	3,423,682
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	149,084	22,607	171,691
Accrued wages	9,895	2,335	12,230
Unearned revenue	-	61,766	61,766
Long-term liabilities, current portion	3,395	1,546	4,941
Total Current Liabilities	162,374	88,254	250,628
Long-Term Liabilities:			
Compensated absences payable	15,466	7,043	22,509
Total Liabilities	177,840	95,297	273,137
Net Assets:			
Invested in capital assets	16,227	-	16,227
Unrestricted	2,611,989	522,329	3,134,318
Total Net Assets	\$ 2,628,216	\$ 522,329	\$ 3,150,545



CITY OF SAN CLEMENTE  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2011

	Clean Ocean	Solid Waste Management	Totals
Operating Revenues:			
Charges for services	\$ 1,862,932	\$ 148,081	\$ 2,011,013
Other	323,253	28,086	351,339
Total Operating Revenues	<u>2,186,185</u>	<u>176,167</u>	<u>2,362,352</u>
Operating Expenses:			
Salaries and benefits	342,658	94,631	437,289
Cost of materials and supplies	18,597	10,392	28,989
Depreciation	2,839	-	2,839
Maintenance and other operating expenses	1,294,668	273,763	1,568,431
Total Operating Expenses	<u>1,658,762</u>	<u>378,786</u>	<u>2,037,548</u>
Operating Income (Loss)	<u>527,423</u>	<u>(202,619)</u>	<u>324,804</u>
Non-Operating Revenues (Expenses):			
Investment income	33,415	4,175	37,590
Grant income	-	190,241	190,241
Total Non-Operating Revenues	<u>33,415</u>	<u>194,416</u>	<u>227,831</u>
Income (Loss) Before Transfers and Capital Contributions	<u>560,838</u>	<u>(8,203)</u>	<u>552,635</u>
Transfers:			
Transfers in	12,420	-	12,420
Transfers out	(604,790)	(7,170)	(611,960)
Total Transfers	<u>(592,370)</u>	<u>(7,170)</u>	<u>(599,540)</u>
Change in Net Assets	(31,532)	(15,373)	(46,905)
Net Assets - Beginning of Year	<u>2,659,748</u>	<u>537,702</u>	<u>3,197,450</u>
Net Assets - End of Year	<u>\$ 2,628,216</u>	<u>\$ 522,329</u>	<u>\$ 3,150,545</u>

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2011

	Clean Ocean	Solid Waste Management	Totals
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,875,789	\$ 138,909	\$ 2,014,698
Cash paid to other suppliers for goods or services	(1,225,066)	(278,603)	(1,503,669)
Cash payment to employees	(341,959)	(94,375)	(436,334)
Cash from other operating revenues	323,253	28,086	351,339
Net Cash Provided by (Used for) Operating Activities	<u>632,017</u>	<u>(205,983)</u>	<u>426,034</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	12,420	-	12,420
Cash paid to other funds	(604,790)	(7,170)	(611,960)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(592,370)</u>	<u>(7,170)</u>	<u>(599,540)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	(8,881)	-	(8,881)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(8,881)</u>	<u>-</u>	<u>(8,881)</u>
Cash Flows from Investing Activities:			
Purchase of investments	136,702	182,975	319,677
Investment income received	36,384	6,693	43,077
Net Cash Provided by (Used for) Investing Activities	<u>173,086</u>	<u>189,668</u>	<u>362,754</u>
Net Increase (Decrease) in Cash and Cash Equivalents	203,852	(23,485)	180,367
Cash and Cash Equivalents at Beginning of Year	766,769	261,997	1,028,766
Cash and Cash Equivalents at End of Year	<u>\$ 970,621</u>	<u>\$ 238,512</u>	<u>\$ 1,209,133</u>
Reconciliation of Cash and Cash Equivalents to the balance sheet:			
Cash and cash equivalents	\$ 970,621	\$ 238,512	\$ 1,209,134
Investments	1,420,072	348,957	1,769,028
Total cash and investments per the balance sheet	<u>\$ 2,390,693</u>	<u>\$ 587,469</u>	<u>\$ 2,978,162</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 527,423</u>	<u>\$ (202,619)</u>	<u>\$ 324,804</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	2,839	-	2,839
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	12,857	(9,172)	3,685
Increase (decrease) in accounts payable	88,199	5,552	93,751
Increase (decrease) in accrued wages	(110)	299	189
Increase (decrease) in compensated absences	809	(43)	766
Total Adjustments	<u>104,594</u>	<u>(3,364)</u>	<u>101,230</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 632,017</u>	<u>\$ (205,983)</u>	<u>\$ 426,034</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, 2011

	Employee Benefits	Central Services
Assets:		
Current Assets:		
Cash and investments	\$ 295,945	\$ 231,093
Receivables (net of allowances for uncollectible accounts):		
Accounts	8,201	-
Accrued interest	-	1,515
Prepaid expense	-	3,138
Total Current Assets	304,146	235,746
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	539,015
Construction in progress	-	-
Total Capital Assets	-	539,015
Less accumulated depreciation	-	(415,204)
Net Capital Assets	-	123,811
Total Assets	304,146	359,557
Liabilities:		
Current Liabilities:		
Accounts payable	5,767	38,282
Accrued wages	296,502	1,715
Long-term liabilities, current portion	-	10,506
Total Current Liabilities	302,269	50,503
Noncurrent Liabilities:		
Capitalized lease obligations	-	8,186
OPEB obligation	-	-
Compensated absences payable	-	3,478
Claims and judgments payable	-	-
Total Noncurrent Liabilities	-	11,664
Total Liabilities	302,269	62,167
Net Assets:		
Invested in capital assets, net of related debt	-	105,883
Unrestricted	1,877	191,507
Total Net Assets	\$ 1,877	\$ 297,390

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 427,255	\$ 3,753,542	\$ 388,542	\$ 2,009,051	\$ 1,275,443	\$ 8,380,871
-	6,130	8,467	9,486	-	32,284
2,800	24,603	2,547	13,168	8,360	52,993
-	-	-	-	-	3,138
<u>430,055</u>	<u>3,784,275</u>	<u>399,556</u>	<u>2,031,705</u>	<u>1,283,803</u>	<u>8,469,286</u>
-	443,134	-	-	-	443,134
-	411,227	-	-	-	411,227
497,640	4,508,769	-	-	-	5,545,424
-	-	-	-	-	-
<u>497,640</u>	<u>5,363,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,399,785</u>
<u>(385,995)</u>	<u>(2,558,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,359,316)</u>
<u>111,645</u>	<u>2,805,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,040,469</u>
<u>541,700</u>	<u>6,589,288</u>	<u>399,556</u>	<u>2,031,705</u>	<u>1,283,803</u>	<u>11,509,755</u>
39,644	137,096	28,989	8,326	61,975	320,079
17,194	-	-	-	1,997	317,408
30,598	-	-	302,615	943,605	1,287,324
<u>87,436</u>	<u>137,096</u>	<u>28,989</u>	<u>310,941</u>	<u>1,007,577</u>	<u>1,924,811</u>
-	-	-	-	-	8,186
-	-	410,709	-	-	410,709
139,389	-	-	-	10,526	153,393
-	-	-	228,287	710,100	938,387
<u>139,389</u>	<u>-</u>	<u>410,709</u>	<u>228,287</u>	<u>720,626</u>	<u>1,510,675</u>
<u>226,825</u>	<u>137,096</u>	<u>439,698</u>	<u>539,228</u>	<u>1,728,203</u>	<u>3,435,486</u>
111,645	2,805,013	-	-	-	3,022,541
<u>203,230</u>	<u>3,647,179</u>	<u>(40,142)</u>	<u>1,492,477</u>	<u>(444,400)</u>	<u>5,051,728</u>
<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>

CITY OF SAN CLEMENTE  
Combining Statement of Revenues, Expenses  
and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2011

	Employee Benefits	Central Services
Operating Revenues:		
Charges for current services	\$ -	\$ 716,182
Other	5	358
Total Operating Revenues	<u>5</u>	<u>716,540</u>
Operating Expenses:		
Salaries and benefits	-	142,015
Cost of materials and supplies	-	45,891
Depreciation	-	59,144
Workers compensation insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
Maintenance and other operating expenses	-	397,012
Total Operating Expenses	<u>-</u>	<u>644,062</u>
Operating Income (Loss)	<u>5</u>	<u>72,478</u>
Nonoperating Revenues (Expenses):		
Investment income	-	4,944
Interest and fiscal charges	-	(2,943)
Gain (loss) on sale of property	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>2,001</u>
Income (Loss) Before Transfers	<u>5</u>	<u>74,479</u>
Transfers:		
Transfers in	-	116,870
Transfers out	-	-
Total Transfers	<u>-</u>	<u>116,870</u>
Change in Net Assets	5	191,349
Net Assets - Beginning of Year	<u>1,872</u>	<u>106,041</u>
Net Assets - End of Year	<u>\$ 1,877</u>	<u>\$ 297,390</u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,296,720	\$ 1,624,260	\$ 2,837,817	\$ 361,622	\$ 1,200,000	\$ 8,036,601
-	37,011	17,623	20,481	1,474	76,952
<u>1,296,720</u>	<u>1,661,271</u>	<u>2,855,440</u>	<u>382,103</u>	<u>1,201,474</u>	<u>8,113,553</u>
698,079	-	-	-	103,715	943,809
13,044	482,394	-	-	665	541,994
29,016	547,524	-	-	-	635,684
-	-	-	77,052	-	77,052
-	-	2,578,429	-	-	2,578,429
-	-	-	-	629,708	629,708
-	-	242,061	428,420	1,828,074	2,498,555
515,008	729,495	85,838	98,302	330,510	2,156,165
<u>1,255,147</u>	<u>1,759,413</u>	<u>2,906,328</u>	<u>603,774</u>	<u>2,892,672</u>	<u>10,061,396</u>
<u>41,573</u>	<u>(98,142)</u>	<u>(50,888)</u>	<u>(221,671)</u>	<u>(1,691,198)</u>	<u>(1,947,843)</u>
6,132	41,162	1,270	22,821	18,488	94,817
-	-	-	-	-	(2,943)
-	(15,456)	-	-	-	(15,456)
<u>6,132</u>	<u>25,706</u>	<u>1,270</u>	<u>22,821</u>	<u>18,488</u>	<u>76,418</u>
<u>47,705</u>	<u>(72,436)</u>	<u>(49,618)</u>	<u>(198,850)</u>	<u>(1,672,710)</u>	<u>(1,871,425)</u>
15,130	9,500	-	-	1,000,000	1,141,500
-	(542,720)	-	-	-	(542,720)
<u>15,130</u>	<u>(533,220)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>598,780</u>
62,835	(605,656)	(49,618)	(198,850)	(672,710)	(1,272,645)
<u>252,040</u>	<u>7,057,848</u>	<u>9,476</u>	<u>1,691,327</u>	<u>228,310</u>	<u>9,346,914</u>
<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>

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	Employee Benefits	Central Service
Cash Flows from Operating Activities:		
Cash received from customers	\$ 4,950	\$ 716,182
Cash paid to other suppliers of goods or services	(7,448)	(447,885)
Cash payment to employees	(129,468)	(148,392)
Cash from other operating revenues	5	358
Net Cash Provided by (Used for) Operating Activities	(131,961)	120,263
Cash Flows from Noncapital Financing Activities:		
Cash received from other funds	-	116,870
Cash paid to other funds	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	116,870
Cash Flows from Capital and Related Financing Activities:		
Purchase and construction of capital assets	-	-
Sale of capital assets	-	-
Payment on capital lease payable	-	(38,255)
Interest and fiscal charges	-	(2,943)
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(41,198)
Cash Flows from Investing Activities:		
Maturity (purchase) of investments	110,907	(116,180)
Investment income received	-	3,682
Net Cash Provided by (Used for) Investing Activities:	110,907	(112,498)
Net Increase (Decrease) in Cash and Cash Equivalents	(21,054)	83,437
Cash and Cash Equivalents at Beginning of Year	141,208	10,387
Cash and Cash Equivalents at End of Year	\$ 120,154	\$ 93,824
Reconciliation of Cash and Cash Equivalents to the balance sheet:		
Cash and cash equivalents	\$ 120,154	\$ 93,824
Investments	175,791	137,269
Total cash and investments per the balance sheet	\$ 295,945	\$ 231,093



Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,296,720	\$ 1,623,716	\$ 2,839,843	\$ 374,299	\$ 1,200,000	\$ 8,055,710
(519,637)	(1,217,703)	(2,789,674)	(496,524)	(1,662,751)	(7,141,622)
(675,705)	-	-	-	(101,082)	(1,054,647)
-	37,011	17,623	20,481	1,474	76,952
<u>101,378</u>	<u>443,024</u>	<u>67,792</u>	<u>(101,744)</u>	<u>(562,359)</u>	<u>(63,607)</u>
15,130	9,500	-	-	1,000,000	1,141,500
-	(542,720)	-	-	-	(542,720)
<u>15,130</u>	<u>(533,220)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>598,780</u>
(54,773)	(176,226)	-	-	-	(230,999)
-	14,399	-	-	-	14,399
-	-	-	-	-	(38,255)
-	-	-	-	-	(2,943)
<u>(54,773)</u>	<u>(161,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(257,798)</u>
(13,054)	421,588	(16,753)	203,186	(207,485)	382,209
6,214	48,562	1,286	26,374	16,715	102,833
<u>(6,840)</u>	<u>470,150</u>	<u>(15,467)</u>	<u>229,560</u>	<u>(190,770)</u>	<u>485,042</u>
54,895	218,127	52,325	127,816	246,871	762,417
<u>118,571</u>	<u>1,305,811</u>	<u>105,423</u>	<u>687,859</u>	<u>270,959</u>	<u>2,640,218</u>
<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>
\$ 173,466	\$ 1,523,938	\$ 157,748	\$ 815,675	\$ 517,830	\$ 3,402,635
253,789	2,229,604	230,794	1,193,376	757,613	4,978,236
<u>\$ 427,255</u>	<u>\$ 3,753,542</u>	<u>\$ 388,542</u>	<u>\$ 2,009,051</u>	<u>\$ 1,275,443</u>	<u>\$ 8,380,871</u>

(Continued)

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Internal Service Funds (Continued)  
For the Year Ended June 30, 2011

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ 5	\$ 72,478
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	59,144
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	4,950	-
Increase (decrease) in accounts payable	(129,468)	(4,982)
Increase (decrease) in accrued wages	(7,448)	(2,521)
Increase (decrease) in OPEB Obligation	-	-
Increase (decrease) in compensated absences	-	(3,856)
Increase (decrease) in claims and judgments payable	-	-
Total Adjustments	(131,966)	47,785
Net Cash Provided by (Used for) Operating Activities	\$ (131,961)	\$ 120,263
Noncash investing, capital, and financing activities:		
Unrealized gain(loss) on investments	\$ -	\$ 2,058

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 41,573	\$ (98,142)	\$ (50,888)	\$ (221,671)	\$ (1,691,198)	\$ (1,947,843)
29,016	547,524	-	-	-	635,684
-	(544)	2,026	12,677	-	19,109
8,415	(5,814)	5,654	2,429	54,327	(69,439)
2,008	-	-	-	(645)	(8,606)
-	-	111,000	-	-	111,000
20,366	-	-	-	3,278	19,788
-	-	-	104,821	1,071,879	1,176,700
<u>59,805</u>	<u>541,166</u>	<u>118,680</u>	<u>119,927</u>	<u>1,128,839</u>	<u>1,884,236</u>
<u>\$ 101,378</u>	<u>\$ 443,024</u>	<u>\$ 67,792</u>	<u>\$ (101,744)</u>	<u>\$ (562,359)</u>	<u>\$ (63,607)</u>
\$ (1,113)	\$ (23,382)	\$ (893)	\$ (11,683)	\$ 785	\$ (34,228)



## 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, 2011

Assets:	Street Assessment Collection	99-1 AD Collection	99-1 CFD Collection
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Taxes receivable	\$ -	\$ 599	\$ 216
Accounts receivable	-	-	-
Accrued interest receivable	25,621	1,050	8,808
Restricted cash and investments	844,179	66,644	315,297
Restricted cash and investments with fiscal agents	<u>673,600</u>	<u>92,573</u>	<u>749,529</u>
Total Assets	<u>\$ 1,543,400</u>	<u>\$ 160,866</u>	<u>\$ 1,073,850</u>
Liabilities:			
Accounts payable	\$ 4,066	\$ 917	\$ 1,171
Accrued wages	-	-	-
Deposits payable	-	-	-
Payable to bondholders	<u>1,539,334</u>	<u>159,949</u>	<u>1,072,679</u>
Total Liabilities	<u>\$ 1,543,400</u>	<u>\$ 160,866</u>	<u>\$ 1,073,850</u>

<u>98-1 RAD PFA Collection</u>	<u>Coastal Animal Services Authority</u>	<u>Totals</u>
\$ 17,478	\$ -	\$ 18,293
-	31,181	31,181
3,408	-	38,887
519,921	233,751	1,979,792
1,407,403	-	2,923,105
<u>\$ 1,948,210</u>	<u>\$ 264,932</u>	<u>\$ 4,991,258</u>
\$ 1,759	\$ 62,889	\$ 70,802
-	34,908	34,908
-	167,135	167,135
1,946,451	-	4,718,413
<u>\$ 1,948,210</u>	<u>\$ 264,932</u>	<u>\$ 4,991,258</u>

CITY OF SAN CLEMENTE  
Statement of Changes in  
Fiduciary Net Assets  
Agency Funds  
For the Fiscal Year Ended  
June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>STREET ASSESSMENT COLLECTION</u></b>				
Assets				
Taxes receivable	\$ 7,122	\$ -	\$ 7,122	\$ -
Accrued interest receivable	28,044	45,805	48,228	25,621
Cash and investments	2,191,193	98,185	771,599	1,517,779
Total Assets	<u>\$ 2,226,359</u>	<u>\$ 143,990</u>	<u>\$ 826,949</u>	<u>\$ 1,543,400</u>
Liabilities				
Accounts payable	\$ 4,247	\$ 670,080	\$ 670,261	\$ 4,066
Payable to bondholders	2,222,112	89,799	772,577	1,539,334
Total Liabilities	<u>\$ 2,226,359</u>	<u>\$ 759,879</u>	<u>\$ 1,442,838</u>	<u>\$ 1,543,400</u>
<b><u>99-1 AD COLLECTION</u></b>				
Assets				
Taxes receivable	\$ 30	\$ 599	\$ 30	\$ 599
Accrued interest receivable	523	527	-	1,050
Cash and investments	157,703	193,858	192,344	159,217
Total Assets	<u>\$ 158,256</u>	<u>\$ 194,984</u>	<u>\$ 192,374</u>	<u>\$ 160,866</u>
Liabilities				
Accounts payable	\$ 907	\$ 94,743	\$ 94,733	\$ 917
Payable to bondholders	157,349	107,057	104,457	159,949
Total Liabilities	<u>\$ 158,256</u>	<u>\$ 201,800</u>	<u>\$ 199,190</u>	<u>\$ 160,866</u>
<b><u>99-1 CFD COLLECTION</u></b>				
Assets				
Taxes receivable	\$ 5,797	\$ 216	\$ 5,797	\$ 216
Accrued interest receivable	5,648	3,160	-	8,808
Cash and investments	1,049,793	1,021,352	1,006,319	1,064,826
Total Assets	<u>\$ 1,061,238</u>	<u>\$ 1,024,728</u>	<u>\$ 1,012,116</u>	<u>\$ 1,073,850</u>
Liabilities				
Accounts payable	\$ 1,154	\$ 562,892	\$ 562,875	\$ 1,171
Payable to bondholders	1,060,084	461,425	448,830	1,072,679
Total Liabilities	<u>\$ 1,061,238</u>	<u>\$ 1,024,317</u>	<u>\$ 1,011,705</u>	<u>\$ 1,073,850</u>

(Continued)



CITY OF SAN CLEMENTE  
Statement of Changes in  
Fiduciary Net Assets  
Agency Funds  
For the Fiscal Year Ended  
June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>98-1 RAD PFA COLLECTION</u></b>				
Assets				
Taxes receivable	\$ 23,306	\$ 17,478	\$ 23,306	\$ 17,478
Accrued interest receivable	4,749	-	1,341	3,408
Cash and investments	1,860,784	2,293,600	2,227,060	1,927,324
Total Assets	<u>\$ 1,888,839</u>	<u>\$ 2,311,078</u>	<u>\$ 2,251,707</u>	<u>\$ 1,948,210</u>
Liabilities				
Accounts payable	\$ 1,760	\$ 1,180,837	\$ 1,180,838	\$ 1,759
Payable to bondholders	1,887,079	1,117,770	1,058,398	1,946,451
Total Liabilities	<u>\$ 1,888,839</u>	<u>\$ 2,298,607</u>	<u>\$ 2,239,236</u>	<u>\$ 1,948,210</u>
<b><u>COASTAL ANIMAL SERVICES AUTHORITY</u></b>				
Assets				
Accounts receivable	\$ 57,042	\$ 33,915	\$ 59,776	\$ 31,181
Cash and investments	206,225	1,343,407	1,315,881	233,751
Total Assets	<u>\$ 263,267</u>	<u>\$ 1,377,322</u>	<u>\$ 1,375,657</u>	<u>\$ 264,932</u>
Liabilities				
Accounts payable	\$ 46,205	\$ 891,608	\$ 874,924	\$ 62,889
Accrued wages	31,536	734,493	731,121	34,908
Deposits payable	185,526	1,353,428	1,371,819	167,135
Total Liabilities	<u>\$ 263,267</u>	<u>\$ 2,979,529</u>	<u>\$ 2,977,864</u>	<u>\$ 264,932</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
Assets				
Taxes receivable	\$ 36,255	\$ 18,293	\$ 36,255	\$ 18,293
Accounts receivable	57,042	33,915	59,776	31,181
Accrued interest receivable	38,964	49,492	49,569	38,887
Cash and investments	5,465,698	4,950,402	5,513,203	4,902,897
Total Assets	<u>\$ 5,597,959</u>	<u>\$ 5,052,102</u>	<u>\$ 5,658,803</u>	<u>\$ 4,991,258</u>
Liabilities				
Accounts payable	\$ 54,273	\$ 3,400,160	\$ 3,383,631	\$ 70,802
Accrued wages	31,536	734,493	731,121	34,908
Deposits payable	185,526	1,353,428	1,371,819	167,135
Payable to bondholders	5,326,624	1,776,051	2,384,262	4,718,413
Total Liabilities	<u>\$ 5,597,959</u>	<u>\$ 7,264,132</u>	<u>\$ 7,870,833</u>	<u>\$ 4,991,258</u>

(Concluded)





Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

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 (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2011. 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**

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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

To the Honorable Mayor and Members of the City Council  
of the City of San Clemente  
San Clemente, California  
Page 2

**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 basic 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 instance 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 the management, City Council, others within the entity, and the State Controller's office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
Irvine, California  
December 5, 2011

# STATISTICAL SECTION

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# 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.

<b>Contents</b>	<b>Page</b>
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>	134
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	146
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>	152
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>	156
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>	158

CITY OF SAN CLEMENTE

NET ASSETS BY COMPONENT

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 82,997,831	\$ 93,841,428	\$ 101,368,966	\$ 107,200,967
Restricted	19,628,964	24,022,643	25,407,502	60,646,071
Unrestricted	52,706,971	56,409,911	64,128,688	34,344,873
<b>Total governmental activities net assets</b>	<b>\$ 155,333,766</b>	<b>\$ 174,273,982</b>	<b>\$ 190,905,156</b>	<b>\$ 202,191,911</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 112,120,717	\$ 119,918,074	\$ 122,398,385	\$ 122,528,356
Restricted	-	-	34,288,047	35,045,918
Unrestricted	43,630,047	43,459,092	12,790,969	15,274,346
<b>Total business-type activities net assets</b>	<b>\$ 155,750,764</b>	<b>\$ 163,377,166</b>	<b>\$ 169,477,401</b>	<b>\$ 172,848,620</b>
<b>Primary Government</b>				
Invested in capital assets, net of related debt	\$ 195,118,548	\$ 213,759,502	\$ 223,767,351	\$ 229,729,323
Restricted	19,628,964	24,022,643	59,695,549	95,691,989
Unrestricted	96,337,018	99,869,003	76,919,657	49,619,219
<b>Total primary government net assets</b>	<b>\$ 311,084,530</b>	<b>\$ 337,651,148</b>	<b>\$ 360,382,557</b>	<b>\$ 375,040,531</b>



Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 120,396,154	\$ 139,240,988	\$ 150,591,242	\$ 160,753,531	\$ 164,975,785	\$ 184,880,908
63,848,558	73,257,751	72,576,665	70,789,068	72,358,104	61,254,366
36,731,775	32,975,491	34,432,738	36,234,606	33,143,594	38,223,976
<u>\$ 220,976,487</u>	<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>
\$ 128,145,144	\$ 138,419,739	\$ 141,188,272	\$ 148,073,703	\$ 145,862,033	\$ 144,382,566
37,706,913	43,020,332	45,175,807	44,132,042	48,219,563	49,019,121
13,211,871	7,061,711	9,510,733	5,255,209	2,535,183	2,556,796
<u>\$ 179,063,928</u>	<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>
\$ 248,541,298	\$ 277,660,727	\$ 291,779,514	\$ 308,827,234	\$ 310,837,818	\$ 329,263,474
101,555,471	116,278,083	117,752,472	114,921,110	120,577,667	110,273,487
49,943,646	40,037,202	43,943,471	41,489,815	35,678,777	40,780,772
<u>\$ 400,040,415</u>	<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>

CITY OF SAN CLEMENTE

CHANGES IN NET ASSETS

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year		
	2002	2003	2004
<b>Expenses</b>			
Governmental activities:			
General government	\$ 4,810,896	\$ 7,864,392	\$ 5,271,633
Public safety <sup>1</sup>	11,252,691	12,675,190	13,378,603
Police			
Fire			
Economic development <sup>2</sup>	13,025,687	15,154,477	13,807,963
Public works			
Community development			
Beaches, parks & recreation	6,141,525	6,893,752	7,193,450
Interest and fiscal charges	543,426	369,162	360,154
Total governmental activities expenses	<u>35,774,225</u>	<u>42,956,973</u>	<u>40,011,803</u>
Business-type activities:			
Water	9,732,719	10,128,995	10,244,563
Sewer	6,102,476	6,416,001	6,621,163
Golf	1,779,326	1,762,402	1,897,026
Other	114,468	700,328	1,001,525
Total business-type activities expenses	<u>17,728,989</u>	<u>19,007,726</u>	<u>19,764,277</u>
Total primary government expenses	<u>53,503,214</u>	<u>61,964,699</u>	<u>59,776,080</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
General government	1,505,745	3,662,307	3,438,615
Public safety <sup>1</sup>	3,105,344	2,690,730	2,699,963
Police			
Fire			
Economic development <sup>2</sup>	10,282,248	10,500,301	11,962,370
Public works			
Community development			
Beaches, parks & recreation	2,398,244	5,361,753	4,542,378
Operating grants and contributions	1,364,145	705,628	677,916
Capital grants and contributions	18,693,004	4,185,328	3,467,440
Total governmental activities program revenues	<u>37,348,730</u>	<u>27,106,047</u>	<u>26,788,682</u>
Business-type activities:			
Charges for services:			
Water	11,640,686	11,635,122	12,668,783
Sewer	7,400,557	7,133,464	7,090,001
Golf	2,234,317	1,859,841	2,227,188
Other	106,412	960,404	2,352,116
Operating grants and contributions	-	4,922,145	2,140,342
Capital grants and contributions	187,134	-	-
Total business-type activities program revenues	<u>21,569,106</u>	<u>26,510,976</u>	<u>26,478,430</u>
Total primary government program revenues	<u>58,917,836</u>	<u>53,617,023</u>	<u>53,267,112</u>
Net (expense)/revenue:			
Governmental activities	1,574,505	(15,850,926)	(13,223,121)
Business-type activities	3,840,117	7,503,250	6,714,153
Total primary government net expense	<u>\$ 5,414,622</u>	<u>\$ (8,347,676)</u>	<u>\$ (6,508,968)</u>

		Fiscal Year											
		2005	2006	2007	2008	2009	2010	2011					
\$	6,714,032	\$	9,648,050	\$	8,618,717	\$	7,067,972	\$	8,590,506	\$	8,197,612	\$	8,453,237
	14,217,552		9,565,635		10,111,028		11,432,223		11,643,872		12,295,976		12,051,622
			5,710,457		6,193,700		6,396,679		6,646,647		6,931,220		7,074,900
	16,654,803		9,070,583		22,373,476		9,824,925		9,651,386		10,665,664		10,407,140
			5,396,690		6,515,898		6,180,679		6,372,669		7,524,036		5,327,603
	8,316,082		8,725,821		9,519,314		9,817,651		10,258,139		10,173,361		9,926,388
	345,345		334,736		365,633		326,509		302,728		284,613		307,354
	<u>46,247,814</u>		<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>
	10,636,696		11,829,322		12,039,439		12,347,470		14,918,006		15,128,156		14,604,342
	7,798,634		8,761,770		8,261,682		8,544,283		10,410,640		9,739,844		10,706,741
	1,934,882		2,197,204		2,152,574		2,260,402		2,286,334		2,163,580		2,135,370
	1,207,503		1,461,065		1,493,220		1,927,960		1,808,289		1,982,432		2,070,131
	<u>21,577,715</u>		<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>67,825,529</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>
	4,734,491		2,537,862		2,880,811		2,643,881		2,674,407		2,408,851		2,742,791
	2,039,859		1,180,869		1,068,480		1,012,436		1,167,198		977,562		1,060,857
			582,914		637,426		564,867		793,180		823,135		681,144
	7,167,035		1,320,339		1,154,858		962,317		800,669		879,257		1,277,324
			4,585,546		3,690,114		2,914,280		1,412,939		1,619,726		1,456,230
	5,521,121		1,899,328		2,161,531		2,592,051		2,482,348		2,831,200		2,835,372
	956,864		3,901,444		5,730,426		3,303,950		2,670,368		3,373,731		3,287,276
	326,812		14,557,681		31,132,043		10,039,908		10,049,727		4,463,625		5,694,883
	<u>20,746,182</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>
	12,236,707		10,216,817		12,192,798		12,324,113		12,447,776		12,485,605		13,885,865
	7,276,394		7,285,939		7,558,957		8,134,083		8,132,002		8,358,121		8,977,702
	2,034,533		2,057,159		2,100,371		2,250,182		2,132,715		2,023,047		2,137,694
	2,428,837		1,985,933		2,063,647		2,049,309		2,010,211		1,985,289		2,362,352
	-		-		-		-		-		-		190,241
	906,385		4,129,369		5,498,771		2,693,366		3,025,094		769,923		1,100,855
	<u>24,882,856</u>		<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>45,629,038</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>
	(25,501,632)		(17,885,989)		(15,242,077)		(27,012,948)		(31,415,111)		(38,695,395)		(34,512,367)
	3,305,141		1,425,856		5,467,629		2,370,938		(1,675,471)		(3,392,027)		(861,875)
\$	<u>(22,196,491)</u>	\$	<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>

(Continued)

CITY OF SAN CLEMENTE

CHANGES IN NET ASSETS

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

	Fiscal Year		
	2002	2003	2004
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes:			
Property taxes	\$ 10,965,899	\$ 12,814,927	\$ 14,619,234
Sales taxes	5,065,266	5,473,506	6,213,258
Sales taxes - in lieu	-	-	-
Transient occupancy taxes	1,018,697	980,666	1,049,910
Franchise taxes	1,378,642	1,408,820	1,552,704
Other taxes	4,535,265	4,885,626	2,931,927
Assessments	664,291	6,501,604	1,700,901
Investment earnings	4,276,421	2,594,358	(189,088)
Miscellaneous	273,685	247,250	391,678
Gain on sale of capital assets	204,126	7,537	969,853
Pension side fund payment	-	-	-
Transfers	(2,370,642)	(123,152)	613,918
Total governmental activities	<u>26,011,650</u>	<u>34,791,142</u>	<u>29,854,295</u>
Business-type activities:			
Investment earnings	-	-	-
Gain/Loss on sale of capital assets	-	-	-
Miscellaneous	-	-	-
Transfers	2,370,642	123,152	(613,918)
Total business-type activities	<u>2,370,642</u>	<u>123,152</u>	<u>(613,918)</u>
Total primary government	<u>\$ 28,382,292</u>	<u>\$ 34,914,294</u>	<u>\$ 29,240,377</u>
<b>Change in Net Assets</b>			
Governmental activities	27,586,155	18,940,216	16,631,174
Business-type activities	6,210,759	7,626,402	6,100,235
Total primary government	<u>\$ 33,796,914</u>	<u>\$ 26,566,618</u>	<u>\$ 22,731,409</u>

Notes:

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

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

<sup>3</sup> 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						
2005	2006	2007	2008	2009	2010	2011
\$ 19,904,158	\$ 22,663,198	\$ 25,502,996	\$ 27,691,490	\$ 27,676,009	\$ 27,114,216	\$ 26,543,254
5,199,568	5,260,019	5,670,986	5,628,813	4,530,994	4,965,641	5,095,486
1,625,595	1,375,318	1,643,898	1,981,820	2,014,780	1,308,380	1,604,663
1,161,392	1,264,514	1,362,015	1,465,852	1,309,644	1,371,937	1,460,880
1,727,451	2,127,233	3,185,831	2,163,287	2,246,570	2,166,871	2,199,894
2,608,978	617,638	533,679	475,611	1,250,768	1,353,846	1,411,471
636,041	668,756	-	-	-	-	-
2,626,787	2,144,246	3,061,219	2,070,969	2,155,014	2,152,699	827,900
798,840	4,832	108,176	306,842	42,135	722,562	150,904
22,867	(18,819)	-	(2,695,057)	-	-	13,403,427
-	-	-	-	-	-	(4,754,163)
692,970	563,630	(1,328,980)	49,736	365,757	239,521	450,418
<u>37,004,647</u>	<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>
761,419	1,086,795	2,822,400	2,747,619	2,208,881	1,406,190	653,997
(2,371)	-	-	(662,391)	-	-	-
-	4,266,287	1,409,345	1,376,100	1,418,489	1,381,183	-
(692,970)	(563,630)	1,328,980	(49,736)	(365,757)	(239,521)	(450,418)
66,078	4,789,452	5,560,725	3,411,592	3,261,613	2,547,852	203,579
<u>\$ 37,070,725</u>	<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>
11,503,015	18,784,576	24,497,743	12,126,415	10,176,560	2,700,278	13,881,767
3,371,219	6,215,308	11,028,354	5,782,530	1,586,142	(844,175)	(658,296)
<u>\$ 14,874,234</u>	<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>

(Concluded)

CITY OF SAN CLEMENTE

GOVERNMENTAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years  
(modified accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Transient Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2001-2002	\$ 10,976,969	\$ 5,065,266	\$ 1,018,697	\$ 1,378,642	\$ 649,562	\$ 19,089,136
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

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)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Transient Occupancy Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Motor Vehicle Tax</b>	<b>Total</b>
2001-2002	\$ 10,965,899	\$ 5,065,266	\$ 1,018,697	\$ 1,378,642	\$ 2,262,765	\$ 2,936,791	\$ 23,628,060
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

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			
	2002	2003	2004	2005
General fund				
Reserved	\$ 913,246	\$ 655,693	\$ 913,246	\$ 3,057,948
Unreserved	13,204,037	16,920,044	13,204,037	24,158,171
Total general fund	<u>\$ 14,117,283</u>	<u>\$ 17,575,737</u>	<u>\$ 14,117,283</u>	<u>\$ 27,216,119</u>
All other governmental funds				
Reserved	\$ 32,265,740	\$ 34,587,366	\$ 32,265,740	\$ 42,189,068
Unreserved, reported in:				
Special revenue funds	5,056,323	5,420,890	5,056,323	4,019,549
Capital projects funds	14,624,165	19,797,413	14,624,165	17,134,321
Debt service funds	-	(2,309,871)	-	(1,793,022)
Total all other governmental funds	<u>\$ 51,946,228</u>	<u>\$ 57,495,798</u>	<u>\$ 51,946,228</u>	<u>\$ 61,549,916</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

2006	2007	2008	2009	2010	2011*
\$ 6,851,143	\$ 7,270,478	\$ 5,144,358	\$ 5,023,665	\$ 4,649,496	\$ -
21,648,599	18,996,871	20,380,390	20,070,766	18,836,396	-
<u>\$ 28,499,742</u>	<u>\$ 26,267,349</u>	<u>\$ 25,524,748</u>	<u>\$ 25,094,431</u>	<u>\$ 23,485,892</u>	<u>\$ -</u>
\$ 56,272,435	\$ 79,299,565	\$ 81,250,042	\$ 79,749,708	\$ 69,850,312	\$ -
(6,233,102)	(6,051,182)	654,026	4,370,589	6,190,722	-
15,506,770	748,444	(7,833,364)	(11,345,685)	(1,218,011)	-
(994,400)	(370,320)	(719,835)	486,740	(2,545,344)	-
<u>\$ 64,551,703</u>	<u>\$ 73,626,507</u>	<u>\$ 73,350,869</u>	<u>\$ 73,261,352</u>	<u>\$ 72,277,679</u>	<u>\$ -</u>

2011*
\$ 2,169,291
18,923,274
3,770,456
4,110,236
<u>\$ 28,973,257</u>

\$ 2,351,847
31,352,050
11,792,319
17,517,914
<u>(2,001,968)</u>

<u>\$ 61,012,162</u>
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CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
Taxes	\$ 19,089,136	\$ 21,345,336	\$ 24,065,057	\$ 29,758,524
Licenses and permits	4,774,658	3,860,693	4,345,416	3,201,431
Fines and forfeits	960,459	996,500	872,930	913,447
Interest and rentals	5,721,366	4,072,323	1,188,381	4,048,545
Intergovernmental	10,905,720	6,913,673	6,519,475	5,116,208
Charges for services	7,973,166	7,762,794	10,555,824	9,721,047
Developers fees	17,538,825	7,276,576	4,712,400	4,257,756
Contributions	-	1,683,347	239,424	600
Other	1,036,922	1,330,126	188,133	125,515
Total revenues	<u>68,000,252</u>	<u>55,241,368</u>	<u>52,687,040</u>	<u>57,143,073</u>
<b>Expenditures</b>				
General government	5,521,902	4,970,714	5,281,848	6,062,696
Public safety	11,212,588	12,635,091	13,335,293	14,196,737
Police				
Fire				
Economic development	9,832,234	9,708,155	11,033,231	13,766,323
Public works				
Community development				
Beaches, parks and recreation	5,535,420	6,358,051	7,024,902	7,281,436
Capital outlay	17,184,889	17,879,090	8,891,849	9,229,162
Debt service:				
Property tax shift	-	40,957	72,464	149,284
Principal retirements	772,199	93,748	156,820	80,000
Interest and fiscal charges	543,426	369,162	356,256	339,956
Total expenditures	<u>50,602,658</u>	<u>52,054,968</u>	<u>46,152,663</u>	<u>51,105,594</u>
Excess of revenues over (under) expenditures	3,186,400	6,534,377	6,037,479	6,656,770
<b>Other financing sources (uses)</b>				
Proceeds from debt issue	-	-	-	-
Advance from component unit	-	-	-	-
Sale of capital assets	-	-	1,103,924	-
Transfers in	4,773,789	10,957,023	3,651,763	4,861,030
Transfers out	(9,188,219)	(4,719,729)	(3,218,083)	(4,347,450)
Total other financing sources (uses)	<u>(4,414,430)</u>	<u>6,237,294</u>	<u>1,537,604</u>	<u>513,580</u>
Pension side fund payment	-	-	-	-
Net change in fund balances	<u>\$ (1,228,030)</u>	<u>\$ 12,771,671</u>	<u>\$ 7,575,083</u>	<u>\$ 7,170,350</u>
Debt service as a percentage of noncapital expenditures	4%	1%	1%	1%

Source: City of San Clemente

Fiscal Year

	2006	2007	2008	2009	2010	2011
\$	33,375,587	\$ 37,703,296	\$ 39,381,570	\$ 38,642,481	\$ 35,436,230	\$ 38,098,699
	3,271,025	2,782,916	2,095,709	1,714,112	2,083,840	1,903,617
	921,583	896,133	880,206	1,033,082	820,170	931,685
	3,783,715	6,922,912	6,480,064	5,700,804	3,998,962	2,780,497
	6,748,776	8,305,713	7,555,145	6,987,223	5,975,543	5,767,169
	9,096,580	7,577,287	6,716,282	6,664,560	6,905,663	7,150,212
	4,397,324	918,600	444,916	203,899	238,620	700,150
	10,611	-	-	-	-	-
	191,600	665,580	473,262	168,956	892,015	1,152,865
	<u>61,796,801</u>	<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>
	6,506,896	6,868,943	7,169,531	7,311,045	7,740,422	7,274,138
	9,569,745	10,091,550	11,452,808	11,658,831	12,344,203	12,046,529
	5,670,855	6,013,151	6,234,977	6,484,946	6,769,519	6,913,198
	8,520,415	6,569,089	6,996,705	6,477,525	6,995,428	6,863,269
	5,194,929	5,689,852	5,841,406	5,561,874	6,139,496	4,723,758
	7,763,991	8,633,081	8,635,436	9,113,582	8,699,948	8,378,274
	11,343,516	13,956,352	16,702,514	13,515,137	9,353,222	25,632,719
	152,953	26,852	24,463	504,204	1,052,656	348,788
	85,000	95,000	100,000	105,000	115,000	125,000
	331,731	321,686	308,786	291,444	279,293	304,411
	<u>55,140,031</u>	<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>
	7,506,881	7,506,881	560,528	91,529	(3,138,144)	(14,125,190)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	33,617	35,000	70,952	13,449,123
	4,515,034	15,653,591	12,485,771	5,154,595	5,967,593	14,490,883
	(6,886,394)	(16,318,061)	(14,098,155)	(5,800,958)	(5,492,613)	(14,838,805)
	<u>(2,371,360)</u>	<u>(664,470)</u>	<u>(1,578,767)</u>	<u>(611,363)</u>	<u>545,932</u>	<u>13,101,201</u>
	-	-	-	-	-	(4,754,163)
\$	<u>5,135,521</u>	<u>6,842,411</u>	<u>(1,018,239)</u>	<u>(519,834)</u>	<u>(2,592,212)</u>	<u>(5,778,152)</u>
	1%	1%	1%	1%	1%	1%

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		
2001 - 2002	\$ 5,750,130,638	\$ 136,380,643	\$ 5,886,511,281	1.00%
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%

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
\$	5,886,511,281	100%
	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%

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Orange County Flood Control District	\$ -	\$ -	\$ -	\$ -
Metropolitan Water District	.0077	.0067	.0061	.0058
Capistrano Unified School District (various issues)	.0083	.0105	.0129	.0119
Total Basic Tax Levy per Article 13A of California State Constitution	1.0000	1.0000	1.0000	1.0000
	<u>\$ 1.0160</u>	<u>\$ 1.0172</u>	<u>\$ 1.0190</u>	<u>\$ 1.0177</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					
2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
.0052	.0047	.0045	.0043	.0043	.0037
.0108	.0095	.0102	.0097	.0108	.0111
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>\$ 1.0160</u>	<u>\$ 1.0142</u>	<u>\$ 1.0147</u>	<u>\$ 1.0140</u>	<u>\$ 1.0151</u>	<u>\$ 1.0148</u>

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

Taxpayer	Type of Business	2011			2002		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Suncal Marblehead LLC	Real Estate	\$ 125,521,328	1	1.01%	\$ -		
Villa San Clemente LLC	Real Estate	62,784,937	2	0.51%	-		
Seacrest San Clemente LP	Real Estate	62,200,000	3	0.50%	49,755,000	1	0.84%
BRE-FMCA LLC	Real Estate	42,664,997	4	0.34%	-		
Centro Watt Operating Partnership LLC	Real Estate	41,127,013	5	0.33%	-		
SAF Whispering Winds LLC	Real Estate	38,534,229	6	0.31%	-		
Cox Communications Inc.	Public Utilities	25,745,772	7	0.21%	21,488,541	8	0.36%
Won and Jay Inc	Real Estate	21,899,091	8	0.18%	-		
Talega Village Center LLC	Real Estate	21,238,389	9	0.17%	-		
Raymond Taccolini Trust	Grocery	20,635,990	10	0.17%	-		
ICU Medical, Inc.	Medical	-			26,886,857	2	0.46%
LBK IB Limited Partnership	Real Estate	-			23,948,274	3	0.41%
Pacific Golf Club, Inc.	Golf Course	-			23,687,988	4	0.40%
Shea Homes Limited Partnership	Real Estate	-			23,281,208	5	0.40%
Kaufman and Broad Coastal	Real Estate	-			23,210,629	6	0.39%
Beazer Homes Holdings	Real Estate	-			21,682,755	8	0.37%
M and H Realty Partners III	Real Estate	-			20,393,769	9	0.35%
MT No 1 LLC	Real Estate	-			17,835,624	10	0.30%
		<u>\$ 462,351,746</u>		<u>3.72%</u>	<u>\$ 252,170,645</u>		<u>4.28%</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
2001 - 2002	12,103,606	11,516,653	95.15%	188,043	11,704,696	96.70%	235,679	1.95%
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%

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			
2001 - 2002	3,335,000	35,370,000	310,451	64,223	39,079,674	1.90%	712
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

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, 2011

2010-11 assessed valuation was \$12,431,717,267 (\$12,199,144,318 plus  
Redevelopment Agency incremental valuation of \$232,572,949)

	%	Debt
	Applicable	June 30, 2011
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
Metropolitan Water District	0.684%	\$ 1,557,263
Capistrano Unified School District School Facilities Improvement District No. 1	22.92%	11,102,786
Santa Margarita Water District CFD No. 99-1	100%	98,425,000
Capistrano Unified School District Community Facilities District No. 90-2	100%	90,625,000
City of San Clemente Community Facilities District No. 99-1	100%	5,190,000
City of San Clemente 1915 Act Bonds	100%	14,350,000
<b>TOTAL OVERLAPPING TAX AND ASSESSED DEBT</b>		<b>221,250,049</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>		
Orange County General Fund Obligations	3.266%	10,349,889
Orange County Pension Obligations	3.266%	1,785,930
Orange County Board of Education Certificates of Participation	3.266%	620,540
Municipal Water District of Orange County Water Facilities Corporation	3.859%	544,891
South Orange County Community College District Certificates of Participation	7.600%	1,320,500
Capistrano Unified School District Certificates of Participation	19.093%	4,387,571
City of San Clemente Certificates of Participation	100%	2,490,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>21,499,321</b>
<b>LESS: MWDOC WATER FACILITIES CORPORATION (100% SELF-SUPPORTING)</b>		<b>544,891</b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 20,954,430</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>240,259,370</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>242,204,479</b>

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			
	2002	2003	2004	2005
Assessed valuation	\$ 5,138,525,807	\$ 5,886,511,281	\$ 6,831,695,883	\$ 7,738,679,928
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,284,631,452	1,471,627,820	1,707,923,971	1,934,669,982
Debt limit percentage	15%	15%	15%	15%
Debt limit	192,694,718	220,744,173	256,188,596	290,200,497
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 192,694,718</u>	<u>\$ 220,744,173</u>	<u>\$ 256,188,596</u>	<u>\$ 290,200,497</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						
2006	2007	2008	2009	2010	2011	
\$ 7,707,375,828	\$ 9,999,403,871	\$ 12,486,975,516	\$ 12,855,038,349	\$ 12,631,336,846	\$ 12,430,204,040	
25%	25%	25%	25%	25%	25%	25%
1,926,843,957	2,499,850,968	3,121,743,879	3,213,759,587	3,157,834,212	3,107,551,010	
15%	15%	15%	15%	15%	15%	15%
289,026,594	374,977,645	468,261,582	482,063,938	473,675,132	466,132,652	
-	-	-	-	-	-	-
<u>\$ 289,026,594</u>	<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>	
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)
2001 - 2002	57,127	\$ 1,993,245	\$ 34,891	38	N/A	8,104	3.2%
2002 - 2003	60,698	2,181,024	35,932	38	90%	8,487	3.1%
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%

- Sources: (1) State Department of Finance and 2010 U.S. Census  
 (2) Office of Economic Development  
 (3) 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	2011			2002		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
First Team San Clemente Real Estate	4,060	1	12.86%	Not available		
ICU Medical	2,216	2	7.02%			
Don Roberto Jewelers Inc.	550	3	1.74%			
City of San Clemente	306	4	0.97%			
Cross Section Ventures	300	5	0.95%			
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%			
Cameron Health, Inc.	150	10	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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	28	28	28	30	29	31	31	34	34	33
Public safety										
Police (contract)	63	63	63	55	55	55	56	57	57	55
Fire (contract)	37	37	37	41	42	43	43	43	43	43
Marine Safety	13	13	13	13	7	7	7	7	7	7
Community Development										
Engineering	22	22	22	23	24	24	24	24	22	22
Building	13	13	14	15	22	22	15	15	14	14
Code Compliance	3	3	3	4	4	4	7	5	5	5
Planning	10	10	12	12	12	12	12	12	12	12
Administration	3	3	3	3	3	3	3	3	3	4
Public Works	3	3	3	3	3	3	3	3	3	3
Maintenance	16	15	16	16	17	17	17	17	18	19
Beaches, Parks, and Recreation	25	27	30	31	23	26	28	27	27	27
Water	23	23	23	23	22	22	23	23	25	25
Sewer	17	17	17	18	24	24	24	23	20	21
Clean Ocean	-	4	4	5	7	7	7	4	4	4
Storm Drain Utility	1	1	1	2	2	2	2	2	3	3
Solid Waste	1	1	1	1	1	1	1	1	1	1
Golf Course	16	16	16	16	10	10	10	10	9	9
<b>Total</b>	<u>292</u>	<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>

Source: City of San Clemente Budget





CITY OF SAN CLEMENTE

OPERATING INDICATORS  
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Police</b>					
Arrests - adult/juvenile	2,216	1,519	1,951	2,192	2,492
Parking citations issued	24,347	22,742	21,947	23,623	22,523
<b>Fire</b>					
Number of fire calls	99	86	89	77	81
Number of emergency medical calls	1,689	1,937	2,262	2,324	2,365
Inspections	2,700	1,786	1,320	1,396	1,647
<b>Highways and streets</b>					
Street resurfacing (miles) **	8.48	0.45	4.63	3.48	2.65
<b>Beaches, parks and recreation</b>					
Number of recreation classes, activities, and clinics	N.A.	2,187	3,221	3,704	4,033
Total experiences in classes, activities, and clinics	N.A.	152,538	154,560	174,792	170,015
Total number of facility rentals	N.A.	3,173	3,208	3,414	3,398
Golf rounds played	96,298	77,985	86,379	73,847	86,564
<b>Water</b>					
New customers	547	320	186	95	156
Average daily consumption (thousands of gallons)	9,398	9,127	9,226	8,602	10,333
<b>Sewer</b>					
New customers	584	243	265	117	901
Average daily sewage treatment (thousands of gallons)	4,360	4,430	4,450	4,660	4,708

N.A. - not available

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

\*\* Changed amounts during 2010 and was not able to estimate the measurement as of FY 2001.

Fiscal Year				
2007	2008	2009	2010	2011
3,608	3,312	3,662	1,771	1,423
20,331	20,652	22,528	17,855	18,591
99	84	70	72	49
2,114	2,283	2,159	2,418	2,084
1,221	1,203	968	1,361	696
5.27	6.06	4.24	3.50	2.83
568	531	514	452	359
120,903	86,882	89,464	104,879	106,809
1,043	1,238	1,169	694	664
95,375	95,898	95,190	91,834	89,117
190	24	27	7	34
9,833	9,329	9,901	8,396	7,266
42	33	19	3	5
4,206	4,120	4,050	3,971	4,060

CITY OF SAN CLEMENTE

CAPITAL ASSET STATISTICS  
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2002	2003	2004	2005	2006
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	127.14	131.76	132.60	133.10	131.10
Streetlights	2,967	3,039	3,183	3,185	3,259
Traffic signals	48	51	58	69	68
Beaches, parks and recreation					
Parks	19	19	19	21	21
Swimming pools	1	1	1	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)	170.60	172.80	172.90	172.90	173.10
Fire hydrants	2,093	2,135	2,179	2,224	2,230
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	13,571
Sewer					
Sanitary sewers (miles)	178.40	179.15	179.15	179.15	179.15
Storm sewers (miles)	53.50	57.60	57.60	57.60	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				
2007	2008	2009	2010	2011
1	1	1	1	1
3	3	3	3	3
131.15	134.00	149.68	134.00	134.00
3,259	3,357	3,357	3,360	3,404
70	72	74	74	74
25	20	20	19	19
2	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
173.10	206.40	206.40	206.40	206.40
2,230	2,281	2,281	2,281	2,281
12,297	12,600	12,600	12,600	12,600
179.15	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

