

**CITY OF SAN CLEMENTE, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



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



CITY OF SAN CLEMENTE  
 Comprehensive Annual Financial Report  
 June 30, 2006

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# City of San Clemente

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

November 10, 2006

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, 2006.

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 Moreland & Associates, Inc., a firm of 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, 2006. The independent auditor's report is presented as the first component of the financial section of this report. The City implemented Government Accounting Standards Board Statement No. 44 in the fiscal year ended June 30, 2005 which modified the Statistical Section of the City's CAFR. The City implemented Government Accounting Standards Board Statement No.'s 34 and 40 in a previous fiscal year, which significantly modified the presentation of this report at that time.

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. 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 and fire), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, urban runoff and golf. In addition to general City activities, the Council is financially accountable for the San Clemente Redevelopment Agency and the Talega Joint Powers 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 A 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.

**Local economy.** The City, with a current population of 66,280, 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. The City has experienced a period of rapid growth and will continue to see 4-5% population growth through residential build-out, projected to be completed by 2009. The City has seen a corresponding increase in commercial and retail activity as well. The growth in residential, commercial and retail development should continue to have a positive impact on property and sales tax revenues.





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

**Community and Economic Development.** Improve land use standards and regulations and the economic development climate within the City to provide long-term financial stability and an attractive quality of life. City Council approved the following as key issues facing the City during its annual review of the Vital Few Priorities;

- Provide funding to implement 2002 Downtown Parking Needs Assessment
- Downtown Vision and Strategic Plan Implementation
- Update Pier Bowl Specific Plan
- Establish Contingency Fund for Future Opportunistic Sand Projects
- Master Sign Program for Public Signage
- Downtown Vision and Strategic Plan implementation - Downtown Advocate
- Local Coastal Program
- Downtown Parking Study Update

**Infrastructure Development & Management.** Establish adequate funding and management systems to provide for City infrastructure. City Council approved the following as key issues facing the City during its annual review of the Vital Few Priorities;

- Civic Center Feasibility Study
- Steed Park Athletic Field Complex Upgrades
- Analysis of Roller Hockey Arena Relocation
- Underground Utilities

**Organizational Development.** Continuously develop the City organization to provide maximum efficiency and effectiveness and maintain quality with given resources. City Council approved the following as key issues facing the City during its annual review of the Vital Few Priorities;

- Evaluate Permit Process to Improve Customer Service
- Conduct Community Survey
- Improve Existing Local Programming/Televise Commission Meetings
- Internet Broadcasting – City Meetings and Specialized Programming (Video Streaming)

**Quality of Life.** Preserve and protect the quality of life in the City. City Council approved the following as key issues facing the City during its annual review of the Vital Few Priorities;

- Conduct U.S. Army Corps of Engineers Shoreline Feasibility Study
- Identify and Prioritize Transportation Improvements for Measure M Renewal

**Current capital projects.** City Council approved a \$33.1 million Capital Improvement Program for fiscal year 2005-06. Significant projects included \$9.4 million for the Rail Corridor Pedestrian Beach Trail, \$2.0 million for Cypress Shores Pump Station and Pipeline Rehabilitation, \$2.8 million for the Downtown Fire Station and \$1.7 million for the Downtown Senior Center. Additionally, the City approved the carry forward of \$31.4 million of Capital Projects started prior to the 2005-06 fiscal year. Major projects carried forward included \$3.2 million for development of the Richard T. Steed Youth Sportsfield, \$2.2 million for

reimbursements to developers for Liberty and Tierra Grande Park, \$3.5 million for construction of the Municipal Golf course clubhouse and \$4.5 million for Sewer Cathodic Protection.

In July, 1995, the City Council adopted the Street Improvement Program to restore approximately 60 miles of the City's street system over an 18 year period. The program is funded by a combination of revenues from (1) Street Assessment District 95-1, which assesses all developed properties; (2) the General Fund; and (3) the Gas Tax Fund. Since the approval of the program, a total of 177 street projects have been completed. During fiscal year 2005-06, 12 projects were completed.

During the 2000-01 fiscal year, the City began a major restoration project on the Municipal Golf Course, involving golf course improvements and construction of a new clubhouse. The project was divided into two phases; (1) Golf course improvements; and (2) the new clubhouse. Design of the course improvements were completed during fiscal year 2001-02, and construction of the course improvements were completed during fiscal year 2002-03, thus completing the first phase of the restoration project. Design of the new clubhouse began during fiscal year 2002-03. Construction will begin in fiscal year 2006-07 and is projected to be completed by summer of 2007.



*Golf Clubhouse – Artist Rendering*

**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 programs, including the Street Improvement program, Economic Development and the Master Plan for the City, 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 growth patterns or inflation factors and the present level of services provided by the City.

**Cash management policies and practices.** 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. All securities, exclusive of repurchase agreements, were held in third party safekeeping by Union Bank of California as agent for the City. Overnight investments, including collateral from repurchase agreements and money market sweep accounts, were held by Union Bank in its Trust Department. All transactions originated and authorized by the City are transacted on a delivery versus payment (DVP) basis in order to perfect delivery. The average yield on the investments was 3.72% 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. At July 1, 2005 the City changed coverage from the Orange County Risk Management Association (OCCRMA) to the California Joint Powers Insurance Authority (CJPIA) for its general liability insurance. The City maintains excess liability insurance to provide coverage beyond the self insured retention of \$30,000 per occurrence for general liability claims and \$300,000 per occurrence for workers' compensation claims.

**Pension benefits.** The City provides pension benefits for Marine Safety employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS) and all other employees are covered under a private retirement plan which is reciprocal with CalPERS. The city has no liability in connection with employee benefits offered through these plans beyond its annual contractual payments. Additional information on these plans can be found in Note IV B in the Notes to the Financial Statements.

### **Awards and Acknowledgements**

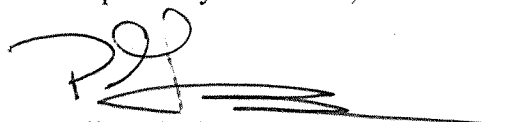
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Clemente for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the twentieth consecutive year that the City 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.

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City of San Clemente for the fiscal year ended June 2005.

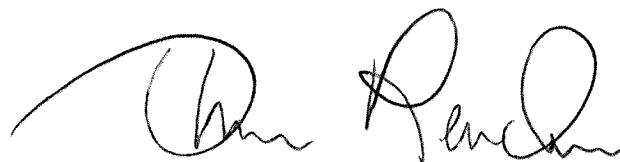
These awards are valid for a period of one year only. We believe that our current CAFR continues to meet the Programs requirements. The City will submit the CAFR to GFOA again this year.

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,



Pall Gudgerisson  
Assistant City Manager, City Treasurer



Thomas Rendina  
Finance Manager

**CITY OF SAN CLEMENTE**

**PRINCIPAL OFFICIALS**

**CITY COUNCIL**

G. Wayne Eggleston, Mayor  
Jim Dahl, Mayor Pro Tem  
Steve Knoblock  
Susan Ritschel  
Joe Anderson

**PLANNING COMMISSION**

Nesa Anderson  
Lewis Avera  
Lori Donchak  
Kelene Johnson  
Michael Kaupp  
Dorothy Prohaska  
Donald Prime

**PARKS AND RECREATION COMMISSION**

Leslie Loy  
Bob Maltinsky  
Jeff McConnell  
Bill Thomas  
Kathy Van Auken  
Peggy Vance  
Garrett Waters

**CITY STAFF**

George Scarborough, City Manager  
Pall Gudgeirsson, Assistant City Manager/City Treasurer  
Myrna Erway, City Clerk  
Jeffery M. Oderman, City Attorney  
William E. Cameron, City Engineer  
David N. Lund, Public Works/Economic Development Director  
Al King, Beaches, Parks & Recreation Director  
James S. Holloway, Community Development Director  
Lt. William Hunt, Chief of Police Services/Lieutenant  
Dave Pierce, 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, 2005

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.



*Carla E. Fudge*

President

*Jeffrey R. Emer*

Executive Director

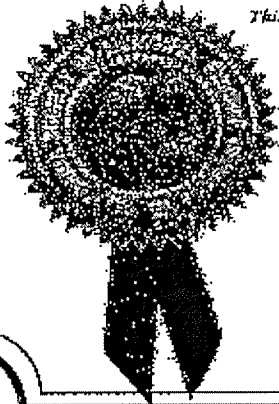
*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*City of San Clemente*



*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

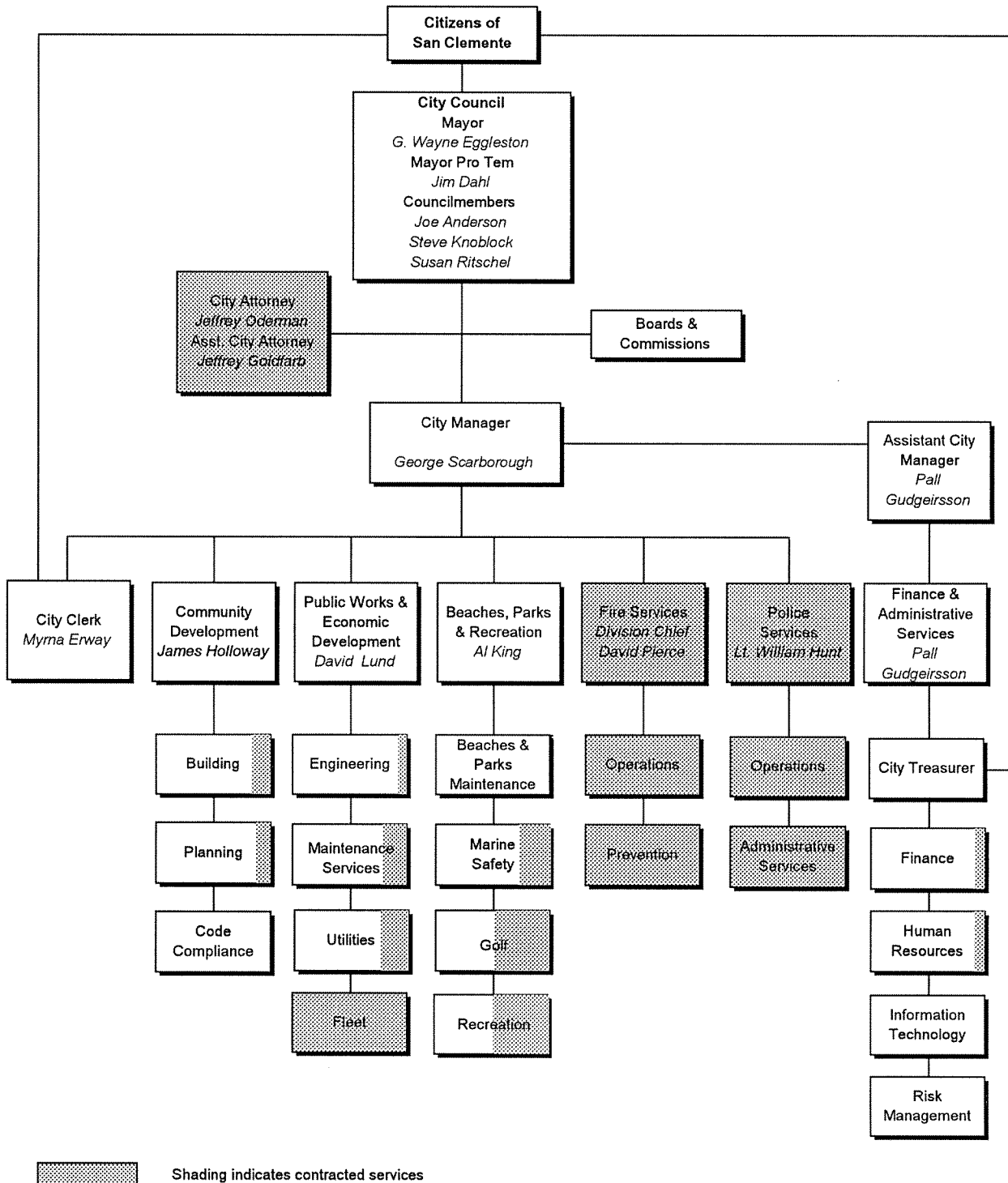
*February 24, 2006*

*William A. Deane*

Bill Deane, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

# City Organization Chart







September 26, 2006

The Honorable City Council of  
the City of San Clemente, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of San Clemente's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente, California, as of June 30, 2006, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2006 on our consideration of the City of San Clemente's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



# 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, 2006 and June 30, 2005. 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 13.

## FINANCIAL HIGHLIGHTS

- The City's net assets increased 6.7% to \$400.0 million as a result of this year's operations.
- During the year, the City's taxes and other governmental revenues exceeded expenses by \$18.8 million.
- Governmental net assets total \$221.0 million.
- The total revenues from all sources were \$97.7 million.
- The total cost of all City programs was \$72.7 million.
- The General Fund reported excess revenues over expenditures of \$3.8 million.
- For the General Fund, actual resources received exceeded final budget by \$3.3 million while actual expenditures were \$5.4 million less than final budget.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$18.3 million or 45% of total General Fund expenditures, excluding transfers.

## 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 based on the fund activities that 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.

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 Governmental Activities of the City include General Government, Public Safety (Police and Fire), Community Development and Beaches, Parks and Recreation. The City's Business-type activities include Water Utility, Sewer Utility, Storm Drain Utility, Clean Ocean Utility, Solid Waste Utility, and the Golf Fund.

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 Talega Joint Powers Authority are included as an integral part of the City's financial statements and reported as blended component units.

The Statement of Net Assets presents information on all of the City's assets and liabilities; the difference between the two is reported as net assets. These assets include infrastructure and all assets previously included in the General Fixed Asset Account Group. The liabilities include all obligations previously reported in the General Long Term Debt Account Group. Evaluating increases or decreases in net assets over time will serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information on the net cost of each governmental function (activity) during the fiscal year. This statement also identifies the amount of general revenues needed to fully fund each governmental function.

**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 18 and 22, 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, 2006 and June 30, 2005.

Table 1  
Net Assets  
(in millions)

	<b>Governmental Activities <u>2006</u></b>	<b>Governmental Activities <u>2005</u></b>	<b>Business-type Activities <u>2006</u></b>	<b>Business-type Activities <u>2005</u></b>	<b>Total <u>2006</u></b>	<b>Total <u>2005</u></b>
Current and other assets	\$114.5	\$104.5	\$ 53.6	\$ 53.0	\$168.1	\$157.5
Capital assets, net	123.6	110.4	128.2	122.5	251.8	232.9
Total assets	238.1	214.9	181.8	175.5	419.9	390.4
Current liabilities	6.8	7.0	2.3	2.1	9.1	9.1
Long-term liabilities	10.3	5.7	0.5	0.6	10.8	6.3
Total liabilities	17.1	12.7	2.8	2.7	19.9	15.4
Net assets:						
Invested in capital assets, net of related debt	120.4	107.2	128.1	122.5	248.5	229.7
Restricted	63.9	60.7	37.7	35.0	101.6	95.7
Unrestricted	<u>36.7</u>	<u>34.3</u>	<u>13.2</u>	<u>15.3</u>	<u>49.9</u>	<u>49.6</u>
Total Net Assets	<u>\$ 221.0</u>	<u>\$ 202.2</u>	<u>\$ 179.0</u>	<u>\$ 172.8</u>	<u>\$ 400.0</u>	<u>\$ 375.0</u>

The city's assets exceeded liabilities by \$400 million at June 30, 2006 as compared to \$375 million at June 30, 2005.

By far the largest portion of the City's net assets (62 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 \$25.0 million during the current fiscal year. Net assets invested in capital assets increased \$18.8 million. General Equipment and Machinery increased \$0.9 million, Water and Sewer lines increased \$7.0 million, Improvements other than Buildings increased \$3.3 million, and Infrastructure increased \$2.7 million as a result of Developer contributions of two new parks from the continued build-out of undeveloped areas within the City. An additional portion of the City's net assets (25.4 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net assets increased \$5.8 million from the prior fiscal year. The remaining balance of unrestricted net assets (\$49.9 million) may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$13.2 million is held by the business-type activities and \$36.7 million by the governmental activities. The San Clemente Redevelopment Agency (the Agency), a blended component unit of the City, represents \$0.8 million of negative unrestricted net assets. The

Agency exists to finance improvements to the commercial environment, upgrade residential neighborhoods and provide new public improvements. Often these activities do not result in a residual asset, but rather underwrite the cost of a development activity deemed beneficial in meeting the Agency's objectives. The resulting statement of net assets reflects the debt obligation to be repaid through future tax revenues, without an offsetting asset. This is considered the routine functioning of such an entity.

The condensed summary of activities, which follows, shows that net assets increased by \$25.0 million during the year.

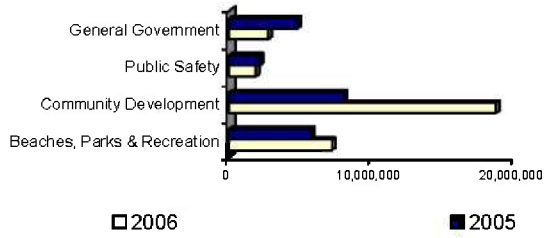
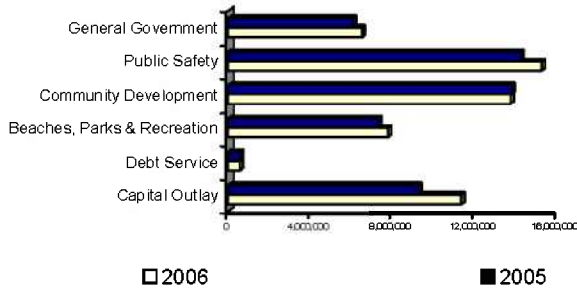
Table 2  
Summary of Activities  
(in millions)

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business- type Activities <u>2006</u>	Business- type Activities <u>2005</u>	Total <u>2006</u>	Total <u>2005</u>
Revenues						
Program revenues:						
Charges for services	\$ 12.1	\$ 19.5	\$ 21.5	\$ 24.0	\$ 33.6	\$ 43.5
Operating grants/contrib.	3.9	1.0			3.9	1.0
Capital grants/contrib.	14.6	0.3	4.1	0.9	18.7	1.2
General revenues:						
Property taxes	22.7	19.9			22.7	19.9
Sales taxes	5.2	5.2			5.2	5.2
Other taxes and fees	6.1	7.8	5.4	0.7	11.5	8.5
Other	2.1	3.4			2.1	3.4
Total revenues	66.7	57.1	31.0	25.6	97.7	82.7
Expenses:						
General government	9.6	6.7			9.6	6.7
Public safety	15.3	14.2			15.3	14.2
Community development	14.5	16.7			14.5	16.7
Beaches, parks & rec.	8.8	8.3			8.8	8.3
Interest and fiscal charges	0.3	0.4			0.3	0.4
Water			11.8	10.7	11.8	10.7
Sewer			8.8	7.8	8.8	7.8
Golf			2.2	1.9	2.2	1.9
Other			1.4	1.2	1.4	1.2
Total expenses	48.5	46.3	24.2	21.6	72.7	67.9
Increase in net assets before transfers	18.2	10.8	6.8	4.0	25.0	14.8
Transfers	0.6	0.7	(0.6)	(0.7)		
Increase in net assets	18.8	11.5	6.2	3.3	25.0	14.8
Net assets – July 1	<u>202.2</u>	<u>190.7</u>	<u>172.8</u>	<u>169.5</u>	<u>375.0</u>	<u>360.2</u>
Net assets – June 30	<u>\$ 221.0</u>	<u>\$ 202.2</u>	<u>\$ 179.0</u>	<u>\$ 172.8</u>	<u>\$ 400.0</u>	<u>\$ 375.0</u>

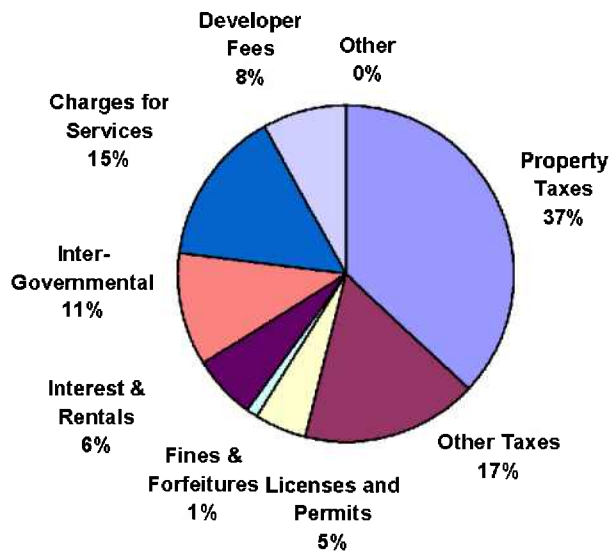
**Governmental activities.** Governmental activities increased the City's net assets by \$18.8 million as compared to a \$11.5 million increase in the previous year.

**Expenses – Governmental Activities**

**Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Funds  
Fiscal Year 2005-06**

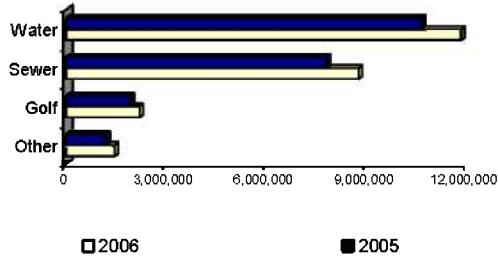


Function	2006 <u>Amounts</u>	% of <u>Total</u>	2005 <u>Amount</u>	% of <u>Total</u>
Property Taxes	\$22.7	37%	\$19.9	35%
Other Taxes	10.7	17%	9.9	17%
Licenses & Permits	3.3	5%	3.2	6%
Fines & Forfeitures	0.9	1%	0.9	1%
Interest & Rentals	3.8	6%	4.0	7%
Inter-Governmental	6.7	11%	5.1	9%
Charges for Services	9.1	15%	9.7	17%
Developer Fees	4.4	8%	4.3	8%
Other	0.2	0%	0.1	0%
	<u>\$61.8</u>	<u>100%</u>	<u>\$57.1</u>	<u>100%</u>

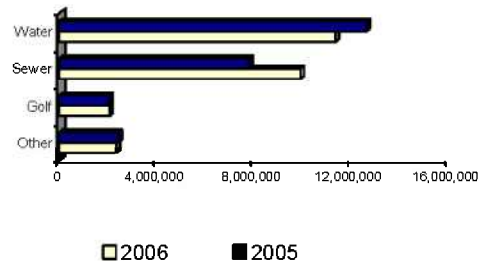


**Business-type activities.** Business-type activities increased the City’s net assets by \$6.2 million as compared to \$3.3 million in the previous year. This was due to a refund from an outside water agency to the City’s Water Fund.

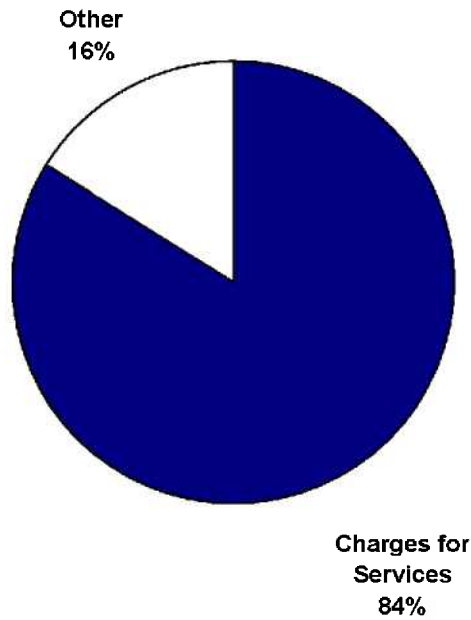
**Expenses – Business-type activities**



**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 \$93.1 million, an increase of \$4.3 million in comparison with the prior year. Approximately one third of this amount (\$29.9 million) constitutes unreserved fund balance, which is available for spending at the City's discretion. The unreserved fund balance decreased \$13.4 million from the previous year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$27.2 million), 2) for public facilities construction (\$14.5 million), and 3) for a variety of other restricted purposes (\$21.5 million). This represents a combined increase from the previous year of \$17.9 million in reserved fund balance.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$21.6 million, of which \$3.4 million was designated for future operating and economic contingencies. Unreserved fund balance decreased \$2.6 million from the previous year, of which \$0.4 million of the increase was designated for future operating and economic contingencies. The total fund balance reached \$28.5 million, an increase of \$1.3 million from the previous year.

The fund balance of the City's General Fund increased by \$1.3 million during the current fiscal year as compared to a budgeted decrease of \$7.5 million. This variance of \$8.8 million is due to actual revenues exceeding budget by \$3.3 million, expenditure savings of \$5.4 million achieved as a result of tight fiscal controls and multi-year projects, and Other Financing Sources of \$0.1 million greater than budgeted. For budget purposes, the City budgets transfers out for interfund loans. These transactions actually affect the balance sheet only and do not impact expenditure accounts, resulting in the lower Other Financing Sources detailed above.

**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 \$6.1 million, \$2.9 million and (\$0.2) million, respectively. The total change in unrestricted net assets of these funds was (\$1.5) million, \$0.1 million and \$0.7 million, respectively. In total, unrestricted net assets for all proprietary funds decreased \$0.7 million, or 6.2%, from the previous year. Total Enterprise Fund Net Assets increased from \$169.4 million in 2005 to \$176.9 million in 2006.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The total original budgeted revenues increased by \$0.2 million to the final budgeted amount and can be summarized as follows:

- Property tax revenue was increased by \$1.1 million.
- Permit revenue was increased by \$0.2 million.
- Motor vehicle tax was decreased by \$0.6 million.
- Charges for services decreased by \$1.5 million.

The actual results when compared to the final budget for revenues were higher in the taxes category and the charges for services category due to higher than anticipated property taxes and higher than anticipated inspection fees.

The increase from the total original budgeted expenditures to the final amount was \$4.3 million and can be summarized as follows:

- Appropriations of \$0.3 million for general government expenditures.
- Appropriations of \$0.7 million for beaches, parks and recreation expenditures.
- Appropriations of \$1.8 million for community development expenditures.
- Appropriations of \$1.5 million for capital outlays.

The actual results when compared to the final budget for expenditures were lower than anticipated in the public works, community development, and beaches, parks, and recreation categories and the capital outlay category due to a delay in capital projects being completed and the related maintenance costs not being incurred.

## 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, 2006, amounts to \$251.8 million (net of accumulated depreciation) as compared to the June 30, 2005 total of \$232.9 million (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, equipment, and construction-in-progress. The total increase in the City's net investment in capital assets for the current fiscal year was \$18.9 million (\$13.2 million for governmental activities and \$5.7 million for business-type activities).

Major capital improvements during the fiscal year consisted primarily of street, water and sewer line improvements. Capital outlay in these areas increased from \$4.1 million in fiscal year 2005 to \$10.0 million in fiscal year 2006. Construction in progress totaled \$34.8 million at June 30, 2006, an increase of \$1.8 million over the previous fiscal year, and depreciation expense during the fiscal year was \$3.1 million for governmental activities and \$3.3 million for business-type activities as compared to \$2.8 million and \$3.3 million respectively in the previous fiscal year. Further information can be found related to the Capital Assets in the Notes to the Financial Statements, Notes I-D, Assets, Liabilities, and Net Assets, and III-C, Capital Assets.

Table 3  
City of San Clemente  
Capital Assets  
(Net of Depreciation, in millions)

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business- type Activities <u>2006</u>	Business- type Activities <u>2005</u>	Total <u>2006</u>	Total <u>2005</u>
Land	\$ 38.3	\$ 36.4	\$ 4.0	\$ 4.0	\$ 42.3	\$ 40.4
Infrastructure	35.8	34.3	56.1	50.2	91.9	84.5
Buildings & Improvements	22.5	16.6	57.2	55.6	79.7	72.2
Equipment	2.1	1.8	1.0	1.1	3.1	2.9
Construction-in- progress	<u>24.9</u>	<u>21.3</u>	<u>9.9</u>	<u>11.6</u>	<u>34.8</u>	<u>32.9</u>
Totals	<u>\$ 123.6</u>	<u>\$ 110.4</u>	<u>\$ 128.2</u>	<u>\$ 122.5</u>	<u>\$ 251.8</u>	<u>\$ 232.9</u>

**Long-term Liabilities.** At the end of the current fiscal year, the City had total bonded debt of \$3.0 million outstanding and no significant outstanding balance of capitalized lease obligations. A principal payment of \$85,000 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, Note III-E, Long Term Liabilities.

Table 4  
City of San Clemente  
Outstanding Debt  
(in millions)

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business-type Activities <u>2006</u>	Business-type Activities <u>2005</u>
Certificates of Participation	<u>3.0</u>	<u>3.1</u>	-	-
Total	<u>\$ 3.0</u>	<u>\$ 3.1</u>	<u>\$ -</u>	<u>\$ -</u>

## 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, 2006

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 103,996,762	\$ 6,725,769	\$ 110,722,531
Receivables (net of allowance for uncollectibles)	8,945,420	3,103,749	12,049,169
Due from other governments	1,649,253	3,727,438	5,376,691
Inventories	-	235,220	235,220
Internal balances	(1,184,509)	1,184,509	-
Prepaid items	357,293	-	357,293
Total Current Assets	113,764,219	14,976,685	128,740,904
Noncurrent Assets:			
Restricted cash and investments	668,223	38,702,378	39,370,601
Loans receivable	36,045	27,657	63,702
Non-depreciable capital assets	63,252,624	13,865,456	77,118,080
Depreciable capital assets (net of accumulated depreciation)	60,346,241	114,279,688	174,625,929
Total Noncurrent Assets	124,303,133	166,875,179	291,178,312
Total Assets	238,067,352	181,851,864	419,919,216
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	3,137,827	1,845,854	4,983,681
Accrued wages	543,337	93,274	636,611
Unearned revenue	408,269	-	408,269
Deposits payable	1,746,151	216,060	1,962,211
Current portion of long-term obligations	964,147	101,240	1,065,387
Total Current Liabilities	6,799,731	2,256,428	9,056,159
Noncurrent Liabilities:			
Claims and judgments payable	6,128,806	-	6,128,806
Compensated absences	1,089,772	531,508	1,621,280
Noncurrent portion of long-term obligations	3,072,556	-	3,072,556
Total Noncurrent Liabilities	10,291,134	531,508	10,822,642
Total Liabilities	17,090,865	2,787,936	19,878,801
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	120,396,154	128,145,144	248,541,298
Restricted for:			
Public facilities construction	17,558,646	37,706,913	55,265,559
Local drainage facilities	3,391,612	-	3,391,612
Developer improvements	12,992,116	-	12,992,116
Park acquisition and development	13,879,985	-	13,879,985
Other capital	13,203,679	-	13,203,679
Low and moderate income housing	2,822,520	-	2,822,520
Unrestricted	36,731,775	13,211,871	49,943,646
Total Net Assets	\$ 220,976,487	\$ 179,063,928	\$ 400,040,415

See Accompanying Notes to Financial Statements.

CITY OF SAN CLEMENTE  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 9,648,050	\$ 2,537,862	\$ 201,397	\$ -
Police	9,565,635	1,180,869	128,929	-
Fire	5,710,457	582,914	-	-
Public works	9,070,583	1,320,339	2,572,171	2,987,684
Community development	5,396,690	4,585,546	998,947	6,252,645
Beaches, parks & recreation	8,725,821	1,899,328	-	5,317,352
Interest and fiscal charges	334,736	-	-	-
<b>Total governmental activities</b>	<b>48,451,972</b>	<b>12,106,858</b>	<b>3,901,444</b>	<b>14,557,681</b>
<b>Business-type activities:</b>				
Water	11,829,322	10,216,817	-	1,133,409
Sewer	8,761,770	7,285,939	-	2,617,125
Golf	2,197,204	2,057,159	-	-
Other	1,461,065	1,985,933	-	378,835
<b>Total business-type activities</b>	<b>24,249,361</b>	<b>21,545,848</b>	<b>-</b>	<b>4,129,369</b>
<b>Total</b>	<b>\$ 72,701,333</b>	<b>\$ 33,652,706</b>	<b>\$ 3,901,444</b>	<b>\$ 18,687,050</b>

General Revenue

Taxes:

Property taxes

Sales taxes

Sales taxes - in lieu

Transient occupancy taxes

Franchise taxes

Other taxes

Assessments

Investment earnings

Miscellaneous

Gain/Loss on sale of capital assets

Transfers

Total General Revenue and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Accompanying Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Net (Expense) Revenue	Governmental Activities	Business-type Activities	Total
\$ (6,908,791)	\$ (6,908,791)	\$ -	\$ (6,908,791)
(8,255,837)	(8,255,837)	-	(8,255,837)
(5,127,543)	(5,127,543)	-	(5,127,543)
(2,190,389)	(2,190,389)	-	(2,190,389)
6,440,448	6,440,448	-	6,440,448
(1,509,141)	(1,509,141)	-	(1,509,141)
<u>(334,736)</u>	<u>(334,736)</u>	<u>-</u>	<u>(334,736)</u>
<u>(17,885,989)</u>	<u>(17,885,989)</u>	<u>-</u>	<u>(17,885,989)</u>
(479,096)	-	(479,096)	(479,096)
1,141,294	-	1,141,294	1,141,294
(140,045)	-	(140,045)	(140,045)
<u>903,703</u>	<u>-</u>	<u>903,703</u>	<u>903,703</u>
<u>1,425,856</u>	<u>-</u>	<u>1,425,856</u>	<u>1,425,856</u>
<u>\$ (16,460,133)</u>	<u>(17,885,989)</u>	<u>1,425,856</u>	<u>(16,460,133)</u>
	22,663,198	-	22,663,198
	5,260,019	-	5,260,019
	1,375,318	-	1,375,318
	1,264,514	-	1,264,514
	2,127,233	-	2,127,233
	617,638	-	617,638
	668,756	-	668,756
	2,144,246	1,086,795	3,231,041
	4,832	4,266,287	4,271,119
	(18,819)	-	(18,819)
	<u>563,630</u>	<u>(563,630)</u>	<u>-</u>
	<u>36,670,565</u>	<u>4,789,452</u>	<u>41,460,017</u>
	18,784,576	6,215,308	24,999,884
	<u>202,191,911</u>	<u>172,848,620</u>	<u>375,040,531</u>
	<u>\$ 220,976,487</u>	<u>\$ 179,063,928</u>	<u>\$ 400,040,415</u>

CITY OF SAN CLEMENTE  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Special Revenue Gas Tax
Assets:		
Cash and investments	\$ 25,025,315	\$ 1,673,980
Receivables (net of allowance for uncollectibles)		
Taxes	2,634,944	-
Accounts	258,504	1,140,485
Accrued interest	327,278	16,812
Loan	-	-
Due from other funds	463,385	-
Due from other governments	310,645	368,646
Prepaid items	18,900	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Loans receivable	36,045	-
Advances to other funds	3,875,790	-
Total Assets	\$ 32,950,806	\$ 3,199,923
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,767,305	\$ 655,316
Accrued wages	263,409	-
SMIT tax payable	11,845	-
Apportionment fees	5,652	-
Advances from other funds	-	-
Deferred revenue	453,152	500,000
Unearned revenue	403,763	-
Deposits payable	1,545,938	-
Due to other funds	-	-
Total Liabilities	4,451,064	1,155,316
Fund Balance:		
Reserved:		
Encumbrances	2,900,353	10,693,988
Park acquisition and development	-	-
Local drainage	-	-
Low and moderate income housing	-	-
Loans, notes and long term receivables	3,875,790	-
Employee computer purchase loan program	75,000	-
Developer improvements	-	-
Accrued leave	-	-
Capital equipment replacement	-	-
Public facilities construction	-	-
Unreserved:		
Designated for contingencies	3,351,640	-
Undesignated	18,296,959	-
Undesignated, reported in:		
Special revenue funds	-	(8,649,381)
Debt service funds	-	-
Capital projects funds	-	-
Total Fund Balance	28,499,742	2,044,607
Total Liabilities and Fund Balance	\$ 32,950,806	\$ 3,199,923

See Accompanying Notes to Financial Statements.



<u>Capital Project Public Facilities Construction</u>	<u>Capital Project Parks Acquisition and Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 17,431,017	\$ 12,910,460	\$ 32,336,857	\$ 89,377,629
-	-	141,346	2,776,290
-	-	102,091	1,501,080
175,066	129,664	322,982	971,802
-	-	3,549,968	3,549,968
-	-	-	463,385
-	846,661	111,448	1,637,400
-	-	-	18,900
-	-	668,223	668,223
-	-	-	36,045
-	-	-	3,875,790
<u>\$ 17,606,083</u>	<u>\$ 13,886,785</u>	<u>\$ 37,232,915</u>	<u>\$ 104,876,512</u>
\$ 47,437	\$ 6,800	\$ 477,450	\$ 2,954,308
-	-	2,371	265,780
-	-	-	11,845
-	-	-	5,652
-	-	2,891,790	2,891,790
-	727,732	1,397,003	3,077,887
-	-	4,506	408,269
-	-	200,213	1,746,151
-	-	463,385	463,385
<u>47,437</u>	<u>734,532</u>	<u>5,436,718</u>	<u>11,825,067</u>
3,009,286	1,940,866	8,686,670	27,231,163
-	160,298	-	160,298
-	-	3,292,886	3,292,886
-	-	1,080,227	1,080,227
-	-	2,278,999	6,154,789
-	-	-	75,000
-	-	9,574,076	9,574,076
-	-	321,482	321,482
-	-	684,297	684,297
14,549,360	-	-	14,549,360
-	-	-	3,351,640
-	-	-	18,296,959
-	-	2,416,279	(6,233,102)
-	-	(994,400)	(994,400)
-	11,051,089	4,455,681	15,506,770
<u>17,558,646</u>	<u>13,152,253</u>	<u>31,796,197</u>	<u>93,051,445</u>
<u>\$ 17,606,083</u>	<u>\$ 13,886,785</u>	<u>\$ 37,232,915</u>	<u>\$ 104,876,512</u>

CITY OF SAN CLEMENTE  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

Fund balances for governmental funds \$ 93,051,445

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. \$121,765,372 is the total assets (net of depreciation) from the governmental funds; internal service funds provided assets (net of depreciation) of \$1,833,493. 123,598,865

Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the funds. Governmental fund long-term debt totaled \$4,207,254; internal service long term debt totaled \$7,048,027. (11,255,281)

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 and long-term liabilities of the internal service funds are included in total capital assets and long-term liabilities above. 12,503,571

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Therefore they are on the accrual basis used in the government-wide statements. 3,077,887

Net assets of governmental activities \$ 220,976,487

See Accompanying Notes to Financial Statements.



CITY OF SAN CLEMENTE  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	General	Special Revenue Gas Tax
Revenues:		
Taxes	\$ 30,697,668	\$ -
Licenses and permits	3,271,025	-
Fines and forfeits	921,583	-
Investment and rentals	1,502,346	46,344
Intergovernmental	873,450	4,400,237
Charges for services	6,914,345	-
Developers fees	-	-
Developers contribution	10,611	-
Other	94,526	20,695
Total Revenues	44,285,554	4,467,276
Expenditures:		
Current:		
General government	5,943,128	-
Police	9,436,650	-
Fire	5,670,855	-
Public works	7,069,664	256,921
Community development	4,242,259	-
Beaches, parks and recreation	7,715,791	-
Capital outlay	363,550	4,096,123
Debt Service:		
Property tax shift	-	-
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	40,441,897	4,353,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,843,657	114,232
Other Financing Sources (Uses):		
Transfers in	1,759,846	437,382
Transfers out	(4,319,880)	(1,067,466)
Total Other Financing Sources (Uses)	(2,560,034)	(630,084)
Net Change in Fund Balances	1,283,623	(515,852)
Fund Balances - Beginning of Year	27,216,119	2,560,459
Fund Balances - End of Year	\$ 28,499,742	\$ 2,044,607

See Accompanying Notes to Financial Statements.

<u>Capital Project Public Facilities Construction</u>	<u>Capital Project Parks Acquisition and Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,677,919	\$ 33,375,587
-	-	-	3,271,025
-	-	-	921,583
420,421	361,780	1,452,824	3,783,715
-	118,930	1,356,159	6,748,776
-	-	2,182,235	9,096,580
1,121,384	174,325	3,101,615	4,397,324
-	-	-	10,611
15,000	5,000	56,379	191,600
<u>1,556,805</u>	<u>660,035</u>	<u>10,827,131</u>	<u>61,796,801</u>
-	-	563,768	6,506,896
-	-	133,095	9,569,745
-	-	-	5,670,855
-	-	1,193,830	8,520,415
37,200	-	915,470	5,194,929
-	48,200	-	7,763,991
1,652,989	3,100,543	2,130,311	11,343,516
-	-	152,953	152,953
-	-	85,000	85,000
-	-	331,731	331,731
<u>1,690,189</u>	<u>3,148,743</u>	<u>5,506,158</u>	<u>55,140,031</u>
<u>(133,384)</u>	<u>(2,488,708)</u>	<u>5,320,973</u>	<u>6,656,770</u>
32,000	-	2,285,806	4,515,034
-	(100,000)	(1,399,048)	(6,886,394)
<u>32,000</u>	<u>(100,000)</u>	<u>886,758</u>	<u>(2,371,360)</u>
(101,384)	(2,588,708)	6,207,731	4,285,410
17,660,030	15,740,961	25,588,466	88,766,035
<u>\$ 17,558,646</u>	<u>\$ 13,152,253</u>	<u>\$ 31,796,197</u>	<u>\$ 93,051,445</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, 2006

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

Net change in fund balances - total governmental funds: \$ 4,285,410

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. Capital outlays capitalized for the governmental funds total \$12,054,529 and developer contributions of \$3,934,585. Depreciation expense for the governmental funds totaled \$2,631,973. The effect of the sale of capital assets was (\$32,997). The effect of the internal service fund activity is included in the adjustment below. 13,324,144

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The amount of \$187,398 is the net change in the internal service funds that is allocated to the governmental activities of the City. The loss on sale of assets (\$4,822) is included in this amount. The assets and liabilities of the internal service funds are included in the statement of net assets. 187,398

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This includes an increase in governmental fund compensated absences of \$85,242 and governmental principal reduction of \$85,000 for the Certificates of Participation and the governmental portion of the capital lease. 242

In the statement of activities, deferred revenue was recognized as revenue in the amount of \$3,077,887 and reduced by the prior year deferral of \$2,090,505. 987,382

Change in net assets of governmental activities \$ 18,784,576

See Accompanying Notes to Financial Statements.



CITY OF SAN CLEMENTE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

Assets:	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Current Assets:			
Cash and investments	\$ 1,626,877	\$ 3,123,960	\$ 61,752
Receivables (net allowances for uncollectible accounts)	1,263,626	917,578	-
Accrued interest	185,932	229,138	21,965
Inventory, at cost	151,180	38,178	45,862
Due from other governments	3,727,438	-	-
Prepays	-	-	-
Current restricted assets:			
Cash and investments:			
Water deposits	216,060	-	-
Developer impact fee reserves	9,130,511	11,778,223	807,062
Capital outlay replacement	7,539,498	7,912,837	1,318,187
Total Current Assets	<u>23,841,122</u>	<u>23,999,914</u>	<u>2,254,828</u>
Noncurrent Restricted Assets:			
Notes receivable	<u>-</u>	<u>27,657</u>	<u>-</u>
Capital Assets:			
Land	3,660,761	371,298	2,011
Water, sewer and storm lines	24,207,264	54,696,800	-
Utility assets	16,170,374	71,634,594	-
Buildings	175,941	211,884	879,751
Improvements other than buildings	-	-	3,190,925
Machinery and equipment	206,622	864,258	831,278
Construction in progress	2,483,725	6,353,563	605,045
Subtotal	<u>46,904,687</u>	<u>134,132,397</u>	<u>5,509,010</u>
Less accumulated depreciation	<u>(15,244,778)</u>	<u>(42,564,064)</u>	<u>(1,996,946)</u>
Total Capital Assets (net of accumulated depreciation)	<u>31,659,909</u>	<u>91,568,333</u>	<u>3,512,064</u>
Noncurrent Assets:			
Advance to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>31,659,909</u>	<u>91,595,990</u>	<u>3,512,064</u>
Total Assets	<u>55,501,031</u>	<u>115,595,904</u>	<u>5,766,892</u>

See Accompanying Notes to Financial Statements.



Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 1,913,180	\$ 6,725,769	\$ 14,619,133
466,295	2,647,499	2,043
19,215	456,250	144,237
-	235,220	-
-	3,727,438	11,853
-	-	338,393
-	216,060	-
-	21,715,796	-
-	16,770,522	-
<u>2,398,690</u>	<u>52,494,554</u>	<u>15,115,659</u>
-	27,657	-
-	4,034,070	-
843,064	79,747,128	-
-	87,804,968	-
-	1,267,576	201,986
-	3,190,925	411,227
234,941	2,137,099	4,443,183
389,052	9,831,385	47,128
<u>1,467,057</u>	<u>188,013,151</u>	<u>5,103,524</u>
<u>(62,219)</u>	<u>(59,868,007)</u>	<u>(3,270,031)</u>
<u>1,404,838</u>	<u>128,145,144</u>	<u>1,833,493</u>
-	-	1,000,000
<u>1,404,838</u>	<u>128,172,801</u>	<u>2,833,493</u>
<u>3,803,528</u>	<u>180,667,355</u>	<u>17,949,152</u>

(Continued)

CITY OF SAN CLEMENTE  
Statement of Net Assets (Continued)  
Proprietary Funds  
June 30, 2006

Liabilities:	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
<b>Current Liabilities</b>			
Payable from Current Assets:			
Accounts payable	\$ 653,239	\$ 1,073,772	\$ 43,267
Accrued wages	28,104	39,394	16,707
Long-term liabilities, current portion	24,391	50,604	22,641
<b>Total Current Liabilities</b>			
Payable from Current Assets	<u>705,734</u>	<u>1,163,770</u>	<u>82,615</u>
Payable from Restricted Assets:			
Deposits payable	<u>216,060</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>921,794</u>	<u>1,163,770</u>	<u>82,615</u>
<b>Noncurrent Liabilities:</b>			
Capitalized lease obligations	-	-	-
Compensated absences payable	128,051	265,672	118,865
Claims and judgments payable	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>984,000</u>
<b>Total Noncurrent Liabilities</b>	<u>128,051</u>	<u>265,672</u>	<u>1,102,865</u>
<b>Total Liabilities</b>	<u>1,049,845</u>	<u>1,429,442</u>	<u>1,185,480</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	31,659,909	91,568,333	3,512,064
Restricted	16,670,009	19,718,717	1,318,187
Unrestricted	<u>6,121,268</u>	<u>2,879,412</u>	<u>(248,839)</u>
<b>Total Net Assets</b>	<u>\$ 54,451,186</u>	<u>\$ 114,166,462</u>	<u>\$ 4,581,412</u>

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

Net assets of business-type activities

See Accompanying Notes to Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 75,576	\$ 1,845,854	\$ 166,022
9,069	93,274	277,557
3,604	101,240	679,986
<u>88,249</u>	<u>2,040,368</u>	<u>1,123,565</u>
-	216,060	-
<u>88,249</u>	<u>2,256,428</u>	<u>1,123,565</u>
-	-	142,556
18,920	531,508	96,679
-	-	6,128,806
-	984,000	1,000,000
<u>18,920</u>	<u>1,515,508</u>	<u>7,368,041</u>
<u>107,169</u>	<u>3,771,936</u>	<u>8,491,606</u>
1,404,838	128,145,144	1,655,782
-	37,706,913	-
2,291,521	11,043,362	7,801,764
<u>\$ 3,696,359</u>	176,895,419	<u>\$ 9,457,546</u>
	<u>2,168,509</u>	
	<u>\$ 179,063,928</u>	

CITY OF SAN CLEMENTE  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 10,216,817	\$ 7,285,939	\$ 1,874,926
Concessions	-	-	182,233
Other	3,923,224	14,473	2,638
Total Operating Revenues	<u>14,140,041</u>	<u>7,300,412</u>	<u>2,059,797</u>
Operating Expenses:			
Salaries and benefits	1,683,653	2,101,299	867,936
Cost of purchased water	6,444,511	-	-
Cost of materials and supplies	262,704	292,755	158,967
Depreciation	791,975	2,272,912	217,085
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	2,151,810	3,598,964	709,593
Total Operating Expenses	<u>11,334,653</u>	<u>8,265,930</u>	<u>1,953,581</u>
Operating Income (Loss)	<u>2,805,388</u>	<u>(965,518)</u>	<u>106,216</u>
Non-Operating Revenues (Expenses):			
Investment income	443,002	557,993	53,648
Interest and fiscal charges	-	-	-
Gain (Loss) on sale of capital assets	-	-	-
Total Non-Operating Revenues (Expenses)	<u>443,002</u>	<u>557,993</u>	<u>53,648</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>3,248,390</u>	<u>(407,525)</u>	<u>159,864</u>
Transfers in	101,260	283,990	39,730
Transfers out	(227,540)	(33,080)	(425,000)
Total Transfers	<u>(126,280)</u>	<u>250,910</u>	<u>(385,270)</u>
Capital grants	-	-	-
Capital contributions	1,133,409	2,617,125	-
Total Capital Contributions	<u>1,133,409</u>	<u>2,617,125</u>	<u>-</u>
Change in Net Assets	4,255,519	2,460,510	(225,406)
Net Assets - Beginning of Year	<u>50,195,667</u>	<u>111,705,952</u>	<u>4,806,818</u>
Net Assets - End of Year	<u>\$ 54,451,186</u>	<u>\$ 114,166,462</u>	<u>\$ 4,581,412</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 Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 1,985,933	\$ 21,363,615	\$ 7,065,696
-	182,233	-
325,952	4,266,287	18,135
<u>2,311,885</u>	<u>25,812,135</u>	<u>7,083,831</u>
453,159	5,106,047	589,892
-	6,444,511	-
56,633	771,059	621,091
31,178	3,313,150	418,386
-	-	2,461,760
-	-	5,031,528
826,917	7,287,284	2,336,009
<u>1,367,887</u>	<u>22,922,051</u>	<u>11,458,666</u>
943,998	2,890,084	(4,374,835)
32,152	1,086,795	307,759
-	-	(3,004)
-	-	(4,822)
<u>32,152</u>	<u>1,086,795</u>	<u>299,933</u>
976,150	3,976,879	(4,074,902)
66,120	491,100	3,765,310
(369,110)	(1,054,730)	(830,320)
<u>(302,990)</u>	<u>(563,630)</u>	<u>2,934,990</u>
378,835	378,835	-
-	3,750,534	-
<u>378,835</u>	<u>4,129,369</u>	<u>-</u>
1,051,995	7,542,618	(1,139,912)
2,644,364		10,597,458
<u>\$ 3,696,359</u>	<u>7,542,618</u>	<u>\$ 9,457,546</u>
	<u>(1,327,310)</u>	
	<u>\$ 6,215,308</u>	

CITY OF SAN CLEMENTE  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 10,378,730	\$ 7,387,896	\$ 1,892,584
Cash paid to other suppliers of goods or services	(9,266,319)	(3,412,935)	(860,449)
Cash payment to employees	(1,733,185)	(2,050,526)	(851,347)
Cash from rents and concessions	-	-	182,233
Cash from other operating revenues	196,614	14,473	2,638
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(424,160)</u>	<u>1,938,908</u>	<u>365,659</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from other funds	101,260	283,990	239,730
Cash paid to other funds	(227,540)	(33,080)	(427,000)
Payment on note receivable	-	1,891	-
<b>Net Cash Provided by (Used for) Noncapital   Financing Activities</b>	<u>(126,280)</u>	<u>252,801</u>	<u>(187,270)</u>
<b>Cash Flows from Capital and Related   Financing Activities:</b>			
Capital contributions and grants	69,283	619,839	-
Purchase and construction of capital assets	(279,262)	(4,144,486)	(437,407)
Sale of capital assets	-	-	-
Payment on capital lease payable	-	-	-
Interest and fiscal charges	-	-	-
<b>Net Cash Provided by (Used for)   Capital and Related Financing Activities</b>	<u>(209,979)</u>	<u>(3,524,647)</u>	<u>(437,407)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment income received	406,810	516,413	50,679
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>406,810</u>	<u>516,413</u>	<u>50,679</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(353,609)	(816,525)	(208,339)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>18,866,555</u>	<u>23,631,545</u>	<u>2,395,340</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 18,512,946</u>	<u>\$ 22,815,020</u>	<u>\$ 2,187,001</u>
<b>Reconciliation of Cash Equivalents to the balance sheet:</b>			
Total cash and investments per the balance sheet	\$ 1,626,877	\$ 3,123,960	\$ 61,752
Total restricted assets per the balance sheet	<u>16,886,069</u>	<u>19,691,060</u>	<u>2,125,249</u>
<b>Cash and Cash Equivalents at the End of Year</b>	<u>\$ 18,512,946</u>	<u>\$ 22,815,020</u>	<u>\$ 2,187,001</u>

See Accompanying Notes to Financial Statements.

Enterprise Funds		
Nonmajor	Totals	Internal Service
\$ 1,883,026	\$ 21,542,236	\$ 6,726,482
(846,965)	(14,386,668)	(5,976,339)
(472,244)	(5,107,302)	(547,771)
-	182,233	-
325,952	539,677	18,135
889,769	2,770,176	220,507
66,120	691,100	4,765,310
(369,110)	(1,056,730)	(1,830,320)
-	1,891	-
(302,990)	(363,739)	2,934,990
378,835	1,067,957	-
(1,007,371)	(5,868,526)	(287,438)
-	-	148,807
-	-	(30,505)
-	-	(3,004)
(628,536)	(4,800,569)	(172,140)
28,229	1,002,131	251,847
28,229	1,002,131	251,847
(13,528)	(1,392,001)	3,235,204
1,926,708	46,820,148	11,383,929
<u>\$ 1,913,180</u>	<u>\$ 45,428,147</u>	<u>\$ 14,619,133</u>
\$ 1,913,180	\$ 6,725,769	\$ 14,619,133
-	38,702,378	-
<u>\$ 1,913,180</u>	<u>\$ 45,428,147</u>	<u>\$ 14,619,133</u>

(Continued)

CITY OF SAN CLEMENTE  
Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Year Ended June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 2,805,388	\$ (965,518)	\$ 106,216
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	791,975	2,272,912	217,085
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(3,576,502)	101,957	17,658
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in inventories	12,245	11,892	(7,299)
Increase (decrease) in accounts payable	(419,539)	466,892	15,410
Increase (decrease) in accrued wages	(158)	7,973	(643)
Increase (decrease) in deposits payable	11,805	-	-
Increase (decrease) in compensated absences	(49,374)	42,800	17,232
Increase (decrease) in claims & judgments payable	-	-	-
Total Adjustments	(3,229,548)	2,904,426	259,443
Net Cash Provided by (Used for) Operating Activities	\$ (424,160)	\$ 1,938,908	\$ 365,659
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	1,064,126	1,997,286	-
Borrowing under capital lease	-	-	-

See Accompanying Notes to Financial Statements.



<u>Enterprise Funds</u>		<u>Internal Service</u>
<u>Nonmajor</u>	<u>Totals</u>	
\$ 943,998	\$ 2,890,084	\$ (4,374,835)
31,178	3,313,150	418,386
(102,907)	(3,559,794)	(6,395)
-	-	(337,703)
-	16,838	-
37,107	99,870	(98,484)
1,144	8,316	17,071
(522)	11,283	-
(20,229)	(9,571)	25,331
-	-	4,577,136
<u>(54,229)</u>	<u>(119,908)</u>	<u>4,595,342</u>
<u>\$ 889,769</u>	<u>\$ 2,770,176</u>	<u>\$ 220,507</u>

-	3,061,412	-
-	-	158,227

CITY OF SAN CLEMENTE  
Statement of Net Assets  
Fiduciary Funds  
June 30, 2006

	Pension Trust	Agency Funds
<b>Assets:</b>		
Taxes receivable	\$ -	\$ 27,848
Accounts receivable	-	56,573
Accrued interest receivable	-	145,183
Restricted cash and investments	-	3,579,962
Restricted cash and investments with fiscal agents	-	3,502,946
Investments, at fair value:		
Group annuity contract	4,650,502	-
Templeton International mutual fund	3,344,810	-
New England Life Large Cap mutual fund	6,498,411	-
New England Life Aggregate mutual fund	5,084,250	-
New England Life Small Cap mutual fund	2,099,732	-
Western Asset Management U.S. Government mutual fund	442,361	-
<b>Total Assets</b>	<b>22,120,066</b>	<b>\$ 7,312,512</b>
<b>Liabilities:</b>		
Accounts payable	-	\$ 38,102
Accrued wages	-	22,225
Deposits payable	-	267,859
Payable to bondholders	-	6,984,326
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 7,312,512</b>
<b>Net Assets:</b>		
Held in trust for employees' retirement system	<b>\$ 22,120,066</b>	

See Accompanying Notes to Financial Statements.

CITY OF SAN CLEMENTE  
Statement of Changes in Plan Net Assets  
Pension Trust Fund - Fiduciary Fund  
For the Year Ended June 30, 2006

Contributions:	
Employer	\$ 1,205,079
Employee	<u>714,878</u>
Total Contributions	<u>1,919,957</u>
Investment Income:	
Net appreciation in fair value of investments	1,202,203
Interest	<u>415,389</u>
Total Investment Income	<u>1,617,592</u>
Total Additions	<u>3,537,549</u>
Deductions:	
Benefits	1,941,241
Administrative expenses	<u>21,481</u>
Total Deductions	<u>1,962,722</u>
Change in net assets	1,574,827
Net assets - Beginning of Year	<u>20,545,239</u>
Net assets - End of Year	<u><u>\$ 22,120,066</u></u>

See Accompanying Notes to Financial Statements.



CITY OF SAN CLEMENTE  
Notes to the Financial Statements  
June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the Reporting Entity:

The financial statements of the City of San Clemente (the "City") include the financial activities of the City, the San Clemente Redevelopment Agency (the "Agency") and the Talega Joint Powers Authority (the "Authority").

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, parks and recreation, public improvements, planning and zoning, golf, utilities (water, sewer, storm drain and urban runoff) and general administrative services.

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 Authority was created in July 1999 pursuant to the State of California Government Code, Section 6500. The City and the County of Orange are member agencies. The Joint Powers Agreement provides for the Authority to jointly exercise the powers of the County and City with respect to the regulations of the planning and development of the Rolling Hills Planned Community prior to the effective date of the amendment of successive portions of the property. The property consists of approximately 792 acres of land located in unincorporated territory of the County adjacent to and within the sphere of influence of the City. The Authority has the power to adopt and enforce building, zoning, planning and other land-use regulations.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of San Clemente is the primary government unit. Component units are those entities which are financially accountable to the primary government, whether because the City appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency and the Authority as "blended" component units.

Despite being legally separate, the Agency is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of the Agency are reported as separate funds in the basic financial statements. The following specific criteria were used in determining that the Agency was a "blended" component unit:

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

1. The members of the City Council also act as the governing body of the Agency.
2. The City and the Agency are financially interdependent. The City makes loans to the Agency for use on redevelopment projects. Property tax revenues of the Agency are used to repay the loans from the City.
3. Employees of the City manage the Agency. A portion of the City's salary and overhead expenses are billed to the Agency each year.

The Authority is reported in a separate fund in the Special Revenue Funds. The following specific criteria were used in determining that the Authority was a "blended" component unit.

1. Three of the five board members are City Council members.
2. The City and the Authority are financially interdependent. The Authority follows uniform building codes. Fees are established by the City.
3. The Authority is managed by employees of the City.

The accounting polices of the City, the Agency and the Authority conform to generally accepted accounting principles applicable to governments. Separate financial statements for the Agency and for the Authority may be obtained from the City Clerk.

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) 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 rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

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.

C. 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.

Gas Tax Fund - This special revenue 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

The 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.

The 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.

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 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 in addition monies that are held as part of a joint powers authority agreement.

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



CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

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.

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.

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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

D. Assets, Liabilities, and Net Assets:

1. Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the propriety funds consider all cash and investments 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.

2. Cash and Investments:

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are 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 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, 2006

The County 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 capital assets 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 over the estimated useful lives 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, 2006 is recorded as a liability. Unpaid compensated absences in proprietary fund types are recorded as a liability in those funds as vested benefits accrue to the employees.

7. Claims and Judgments:

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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

8. Post Employment Benefits:

The City does not offer any significant City-paid benefits to retirees.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting:

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.
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, certain special revenue funds, and most capital projects funds have legally adopted budgets as well as the Negocio Building and Redevelopment debt service funds.

The City does not adopt an annual budget for the 98-1 A.D. Capital Improvements Capital Projects Fund, the 99-1 A.D. Capital Improvements Capital Projects Fund and the 99-1 C.F.D. Capital Improvements Capital Projects Fund.

The City made several supplemental budgetary appropriations during the fiscal year, including additional appropriations of \$3,621,418.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

B. Deficit Funds Balance and Excess of Expenditures Over Appropriations

The Redevelopment Debt Service Fund had a deficit fund balance of \$832,400. The Redevelopment Debt Service Fund deficit is expected to be eliminated with future tax revenues.

C. Encumbrance

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund, special revenue funds and capital projects funds. Unexpended appropriations of the governmental funds automatically lapse at the end of the fiscal year. Encumbrances at year-end are recorded as a reserve of fund balance and then reappropriated the following year by City Council action. The reappropriated amount from the year ended June 30, 2006 into the 2006/2007 fiscal year was \$15,784,405, which includes \$8,200,155 related to capital project funds.

III. DETAILED NOTES ON ALL FUNDS:

A. Cash and Investments:

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments - unrestricted	\$ 110,722,531
Cash and investments - restricted:	
Cash and investments	38,702,378
Cash and investments held by bond trustee	668,223
Fiduciary funds:	
Cash and investments	3,579,962
Cash and investments held by bond trustee	<u>3,502,946</u>
Total cash and investments	<u><u>\$ 157,176,040</u></u>

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$	3,950
Deposits with financial institutions		1,398,033
Investments		<u>155,774,057</u>
Total cash and investments	\$	<u><u>157,176,040</u></u>

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

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

<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	50%	30%
Banker's Acceptances	180 days	30%	None
Medium-Term Notes	5 years	10%	2 Million
Money Market Mutual Funds	N/A	15%	None
Local Agency Investment Fund (LAIF)	N/A	None	40 Million
Commercial Paper	270 days	15%	10%
Orange County Investment Pool	N/A	10%	None

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

<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
Local Agency Investment Fund	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and 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:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Treasury notes	\$ 49,804,688	\$ 13,797,813	\$ 18,652,188
Federal agency securities	71,576,166	10,287,093	25,026,685
Corporate medium term notes	14,823,067	4,972,841	3,889,200
Local agency investment fund	11,230,923	11,230,923	-
Money market funds	4,168,044	4,168,044	-
Held by bond trustee:			
Money market funds	602,207	602,207	-
Investment contracts	1,179,470	1,179,470	-
Local agency investment fund	344,849	344,849	-
Repurchase agreements	2,044,643	2,044,643	-
<b>Total</b>	<b>\$ 155,774,057</b>	<b>\$ 48,627,883</b>	<b>\$ 47,568,073</b>
	<b>\$ 59,578,101</b>		

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

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 required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type		Minimum Rating	Exempt From Rating	Rating as of Year End				
				AAA/AAA	AA3/AA	AA2/AA	AA1/AA	A1/A
U.S. Treasury notes	\$ 49,804,688	N/A	\$ 49,804,688	\$ -	\$ -	\$ -	\$ -	\$ -
Federal agency securities	71,576,166	N/A	71,576,166	-	-	-	-	-
Corporate medium term notes	14,823,067	A	-	2,893,867	6,944,035	2,041,525	964,399	1,979,241
Money market funds	4,168,044	A	4,168,044	-	-	-	-	-
Local agency investment fund	11,230,923	N/A	11,230,923	-	-	-	-	-
Held by Bond trustee:								
Money market funds	602,207	N/A	-	602,207	-	-	-	-
Investment contracts	1,179,470	N/A	1,179,470	-	-	-	-	-
Local agency investment fund	344,849	N/A	344,849	-	-	-	-	-
Repurchase agreements	2,044,643	N/A	2,044,643	-	-	-	-	-
	<u>\$ 155,774,057</u>		<u>\$ 140,348,783</u>	<u>\$ 3,496,074</u>	<u>\$ 6,944,035</u>	<u>\$ 2,041,525</u>	<u>\$ 964,399</u>	<u>\$ 1,979,241</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:

Issuer	Investment Type	Reported Amount
U.S. Treasury	U.S. Treasury notes	\$ 49,804,688
FNMA	Federal agency securities	16,185,017
Federal Home Loan Bank	Federal agency securities	20,051,725
Federal Home Loan Mortgage Corp	Federal agency securities	19,416,568
Federal Farm Credit Bank	Federal agency securities	15,922,856



CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes 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: \$1,683,416 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2006, 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 notes	\$49,804,688
Federal agency securities	71,576,166
Corporate medium term notes	14,823,067
Money market funds	4,168,044

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Investment in State Investment Pool

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

B. Receivables:

Receivables, including restricted amounts, at June 30, 2006 are as follows:

	Taxes	Accounts	Loans	Interest	Total
Governmental Activities:					
General fund	\$ 2,634,944	\$ 258,504	\$ 36,045	\$ 327,278	\$ 3,256,771
Gas tax fund	-	1,140,485	-	16,812	1,157,297
Public facilities fund	-	-	-	175,066	175,066
Parks acquisition and development fund	-	-	-	129,664	129,664
Nonmajor funds	141,346	102,091	3,549,968	322,982	4,116,387
Internal service funds	-	2,043	-	144,237	146,280
	<u>\$ 2,776,290</u>	<u>\$ 1,503,123</u>	<u>\$ 3,586,013</u>	<u>\$ 1,116,039</u>	<u>\$ 8,981,465</u>

	Accounts	Notes	Interest	Total
Business-type Activities:				
Water utility	\$ 1,263,626	\$ -	\$ 185,932	\$ 1,449,558
Sewer utility	917,578	27,657	229,138	1,174,373
Golf course	-	-	21,965	21,965
Nonmajor funds	466,295	-	19,215	485,510
	<u>\$ 2,647,499</u>	<u>\$ 27,657</u>	<u>\$ 456,250</u>	<u>\$ 3,131,406</u>

C. Capital Assets:

In accordance with GASB Statement No. 34, 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

A summary of changes in capital asset activity for the year ended June 30, 2006 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital Assets Not Being Depreciated:				
Land	\$ 36,399,926	\$ 1,972,647	\$ (28,318)	\$ 38,344,255
Construction in progress	<u>21,377,662</u>	<u>12,453,368</u>	<u>(8,922,661)</u>	<u>24,908,369</u>
Total Capital Assets, Not Being Depreciated	<u>57,777,588</u>	<u>14,426,015</u>	<u>(8,950,979)</u>	<u>63,252,624</u>
Capital Assets, Being Depreciated:				
Buildings	12,826,260	3,663,004	-	16,489,264
Improvements other than buildings	17,464,573	3,284,541	(13,894)	20,735,220
General equipment	6,059,791	837,814	(675,670)	6,221,935
Infrastructure	<u>69,127,434</u>	<u>3,011,155</u>	<u>(938,100)</u>	<u>71,200,489</u>
Total Capital Assets, Being Depreciated	<u>105,478,058</u>	<u>10,796,514</u>	<u>(1,627,664)</u>	<u>114,646,908</u>
Less Accumulated Depreciation For:				
Buildings	(6,644,303)	(357,579)	-	(7,001,882)
Improvements other than buildings	(7,075,855)	(637,613)	-	(7,713,468)
General equipment	(4,294,100)	(493,186)	666,167	(4,121,119)
Infrastructure	<u>(34,840,317)</u>	<u>(1,561,981)</u>	<u>938,100</u>	<u>(35,464,198)</u>
Total Accumulated Depreciation	<u>(52,854,575)</u>	<u>(3,050,359)</u>	<u>1,604,267</u>	<u>(54,300,667)</u>
Total Capital Assets, Being Depreciated	<u>52,623,483</u>	<u>7,746,155</u>	<u>(23,397)</u>	<u>60,346,241</u>
Governmental Activities Capital Assets	<u>\$ 110,401,071</u>	<u>\$ 22,172,170</u>	<u>\$ (8,974,376)</u>	<u>\$ 123,598,865</u>

Construction in progress consists primarily of street improvements and trails.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

A summary of property, plant and equipment at June 30, 2006 for the City's business-type activities is as follows:

Business-type Activities	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 4,034,070	\$ -	\$ -	\$ 4,034,070
Construction in progress	11,580,878	6,067,887	(7,817,379)	9,831,386
<b>Total Capital Assets, Not Being Depreciated</b>	<b>15,614,948</b>	<b>6,067,887</b>	<b>(7,817,379)</b>	<b>13,865,456</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	1,267,576	-	-	1,267,576
Water, sewer, storm lines	72,743,751	7,003,377	-	79,747,128
Utility assets	84,359,308	3,553,990	(108,330)	87,804,968
Improvements other than buildings	3,174,799	16,126	-	3,190,925
Machinery and equipment	2,031,162	105,937	-	2,137,099
<b>Total Capital Assets, Being Depreciated</b>	<b>163,576,596</b>	<b>10,679,430</b>	<b>(108,330)</b>	<b>174,147,696</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings	(701,523)	(36,254)	-	(737,777)
Water, sewer, storm lines	(22,549,019)	(1,084,803)	-	(23,633,822)
Utility assets	(31,660,641)	(1,859,443)	108,330	(33,411,754)
Improvements other than buildings	(813,265)	(131,793)	-	(945,058)
Machinery and equipment	(938,740)	(200,857)	-	(1,139,597)
<b>Total Accumulated Depreciation</b>	<b>(56,663,188)</b>	<b>(3,313,150)</b>	<b>108,330</b>	<b>(59,868,008)</b>
<b>Total Capital Assets, Being Depreciated</b>	<b>106,913,408</b>	<b>7,366,280</b>	<b>-</b>	<b>114,279,688</b>
<b>Business-type Activities Capital Assets</b>	<b>\$ 122,528,356</b>	<b>\$ 13,434,167</b>	<b>\$ (7,817,379)</b>	<b>\$ 128,145,144</b>

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

	Governmental Activities	Business-Type Activities
<b>Governmental activities</b>		
General government	\$ 15,886	\$ -
Fire	39,602	-
Public works	162,198	-
Community development	1,576,083	-
Beaches, parks and recreation	838,204	-
Internal service	418,386	-
Water	-	791,975
Sewer	-	2,272,912
Golf	-	217,085
Nonmajor	-	31,178
<b>Total depreciation expense</b>	<b>\$ 3,050,359</b>	<b>\$ 3,313,150</b>

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

D. Interfund receivables, payables, 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 Redevelopment Authority to consolidate prior long-term loans. Due to/from amounts are short term financing, the advances are for longer financing.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 463,385

Advances from/to other funds:

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 2,891,790
Golf fund	General fund	984,000
General liability fund	Workers' compensation fund	1,000,000
Total		<u>\$ 4,875,790</u>

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

Year Ending <u>June 30,</u>	<u>Advance Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 186,548	\$ 83,284
2008	191,921	77,911
2009	197,448	72,384
2010	203,135	66,697
2011	208,985	60,847
2012-2016	1,138,749	210,411
2017-2021	<u>765,004</u>	<u>44,482</u>
Totals	<u>\$ 2,891,790</u>	<u>\$ 616,016</u>

The Golf fund advance was made from the General Fund to provide capital for the Golf Course operations. This amount is to be repaid through a loan that the Golf Course will be issuing in the fiscal year ending June 30, 2007.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

The advance from the Workers Compensation fund to the General Liability fund was made to provide additional amounts due to a settlement during the June 30, 2006 fiscal year. This advance is to be repaid over five years in the amount of \$200,000 annually with interest due based on the City's investment return.

Interfund Transfers:

Transfer In	Transfer Out									Total
	General Fund	Gas Tax Fund	Parks Acquisition and Development Fund	Nonmajor Governmental Fund	Water Utility Fund	Sewer Utility Fund	Golf Course Fund	Nonmajor Proprietary Funds	Internal Service Funds	
General Fund	\$ -	\$ 536,416	\$ 100,000	\$ 196,000	\$ 25,000	\$ 25,000	\$ 425,000	\$ 173,110	\$ 279,320	\$ 1,759,846
Gas Tax Fund	9,110	-	-	428,272	-	-	-	-	-	437,382
Public facilities construction	32,000	-	-	-	-	-	-	-	-	32,000
Nonmajor Governmental Funds	779,930	531,050	-	774,776	198,500	-	-	-	1,550	2,285,806
Water Utility Fund	30,000	-	-	-	-	-	-	-	71,260	101,260
Sewer Utility Fund	-	-	-	-	-	-	-	196,000	87,990	283,990
Golf	-	-	-	-	-	-	-	-	39,730	39,730
Nonmajor Proprietary Funds	54,090	-	-	-	-	-	-	-	12,030	66,120
Internal Service Funds	3,414,750	-	-	-	4,040	8,080	-	-	338,440	3,765,310
<b>Total</b>	<b>\$ 4,319,880</b>	<b>\$ 1,067,466</b>	<b>\$ 100,000</b>	<b>\$ 1,399,048</b>	<b>\$ 227,540</b>	<b>\$ 33,080</b>	<b>\$ 425,000</b>	<b>\$ 369,110</b>	<b>\$ 830,320</b>	<b>\$ 8,771,444</b>

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 to the 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 authorizations. During the year ended June 30, 2006 a transfer from the General Fund to the General Liability Fund for \$3,400,000 was to provide funds for a settlement.

E. 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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

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. The obligation of the City to make the lease payments is guaranteed from annual appropriations of moneys from the Motor Vehicle Fee Account held by the State of California to which the City is entitled. The Bond Reserve is fully funded at June 30, 2006. 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%.

\$3,025,000

2. Capitalized Lease Obligations:

Central Service Fund – Two lease purchase agreements exist for the leasing of office equipment. These have been capitalized in the amount of \$191,227. The terms of the leases include 60 monthly payments which include interest. The last lease matures in February 2009. The monthly lease payments are \$690 and \$3,020. The lease payable amounts are recorded on the statement of net assets with the amount applicable to governmental-type activities.

\$ 177,711

3. Compensated Absences:

The City's policies relating to compensated absences are described in Note I.D.6. This liability will be paid in future years from future resources primarily from the general fund.

\$1,297,348

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, 2006 are as follows:

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Year Ending June 30,	Certificates of Participation		Capitalized Lease Obligations	
	Principal	Interest	Principal	Interest
2007	\$ 95,000	\$ 233,550	\$ 35,155	\$ 7,931
2008	100,000	226,385	36,928	7,539
2009	105,000	218,795	36,522	5,186
2010	115,000	210,780	32,952	3,237
2011	120,000	202,045	34,813	1,376
2012-2016	780,000	854,190	1,341	41
2017-2021	1,125,000	503,150	-	-
2022-2023	585,000	69,400	-	-
<b>Totals</b>	<b>\$ 3,025,000</b>	<b>\$ 2,518,295</b>	<b>\$ 177,711</b>	<b>\$ 25,310</b>

Business-type:

1. Compensated Absences:

The City's policies relating to compensated absences are described in Note I.D.6. Compensated absences at June 30, 2006 were obligations of the following funds:

Water Utility Fund	\$ 152,442
Sewer Utility Fund	316,276
Golf Course Fund	141,506
Nonmajor Enterprise Funds	<u>22,524</u>
<b>Total</b>	<b><u>\$ 632,748</u></b>



CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Certificates of participation	\$ 3,110,000	\$ -	\$ 85,000	\$ 3,025,000	\$ 95,000
Capital lease obligations	31,070	158,227	11,586	177,711	35,155
Claims and judgments payable (Note IV A)	2,178,086	4,812,115	234,979	6,755,222	626,416
Compensated absences	1,187,600	727,840	618,092	1,297,348	207,576
	<u>\$ 6,506,756</u>	<u>\$ 5,698,182</u>	<u>\$ 949,657</u>	<u>\$ 11,255,281</u>	<u>\$ 964,147</u>
Governmental Activities Long-term Liabilities	<u>\$ 6,506,756</u>	<u>\$ 5,698,182</u>	<u>\$ 949,657</u>	<u>\$ 11,255,281</u>	<u>\$ 964,147</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities</u>					
Compensated absences	\$ 642,319	\$ 252,438	\$ 262,009	\$ 632,748	\$ 101,240
	<u>\$ 642,319</u>	<u>\$ 252,438</u>	<u>\$ 262,009</u>	<u>\$ 632,748</u>	<u>\$ 101,240</u>
Business-type Activities Long-term Liabilities	<u>\$ 642,319</u>	<u>\$ 252,438</u>	<u>\$ 262,009</u>	<u>\$ 632,748</u>	<u>\$ 101,240</u>

IV. OTHER INFORMATION

A. Insurance:

Description of Self-Insurance Pool

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 109 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.

Self-Insurance Programs of the Authority

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Loss development reserves are allocated by pool and by loss layer.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10,000,000 and the loss development reserve associated with losses \$750,000 to \$10,000,000 are pooled based on payroll. Costs of covered claims above \$10,000,000 are currently paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Purchased Insurance

Environmental Insurance - The City participates in the pollution legal liability and remediation legal liability insurance which is 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, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$610,519. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds - The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Workers' Compensation

The City was self-insured for workers' compensation prior to fiscal year 1996-97. In fiscal year 1996-97, the City became fully insured through California's State Compensation Fund, and remained in that fund through fiscal year 2002-03. In fiscal year 2003-04, 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 California Public Entity 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 2003-04.

Adequacy of Protection

At June 30, 2006, 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

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

lawsuits will not materially affect the financial position of the City. The following claims schedule includes workers' compensation claims and general liability claims for the past two fiscal years.

	Beginning Balance	Claims Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2004-2005	\$ 1,317,541	\$ 1,188,731	\$ (328,186)	\$ 2,178,086
2005-2006	2,178,086	4,812,115	(234,979)	6,755,222

For the past three years, 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. The City has a significant claim accrued at June 30, 2006 that was not covered under the City's previous insurance policy related to a landslide.

B. Pension Plans:

Plan Description:

The City of San Clemente 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 is an agent multiple-employer public employee defined benefit pension plan. 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. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of 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, 2005, the plan had 175 active participants and 75 inactive participants with vested benefits. The plan currently is paying benefits to 53 participants. Stand-alone financial statements are not issued for the CSCERP.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

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 19.63% 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 11.1% of annual covered payroll, an actuarially determined rate.

For 2005-06, the City's annual pension costs of \$97,376 for PERS and \$1,919,957 for CSCERP were equal to the City's required and actual contributions. The covered payroll was \$283,805 and \$10,618,914, respectively. The required contribution was determined as part of the June 30, 2003 and July 1, 2005, actuarial valuations using the entry age normal actuarial cost method for CSCERP. The actuarial assumptions for PERS and CSCERP, included a) investment rate of return (net of administrative expenses) of 7.75% and 8.0% respectively, b) projected annual salary increases that vary by duration of service, and c) 2% per year cost-of-living adjustments for both plans. Both a) and b) included an inflation component of 3.0% for PERS and 5.0% for CSCERP. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2003, was for thirty years for the unfunded.

Annual Pension Cost:

**THREE-YEAR TREND INFORMATION FOR PERS**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 26,555	100.00%	-
6/30/05	70,977	100.00%	-
6/30/06	97,376	100.00%	-

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

**THREE-YEAR TREND INFORMATION FOR CSCERP**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 1,530,309	100.00%	-
6/30/05	1,628,497	100.00%	-
6/30/06	1,919,957	100.00%	-

CSCERP uses the Aggregate Actuarial Method in completing its actuarial valuation. Under this method, the plan's actuarial accrued liability is considered to be equal to the plan assets. The actuarial present value of future normal costs is calculated by subtracting the plan assets and the net balance of any mandatory amortization bases being maintained from the actuarial present value of future benefit payments under the plan. If there is a credit balance in the funding standard account, that amount is subtracted from the actuarial value of the assets (or any funding deficiency is added). The normal cost is then obtained by dividing the actuarial present value of future normal costs by the weighted average temporary annuity. The Aggregate Actuarial Cost Method does not identify or separately amortize unfunded actuarial liabilities.

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 balance sheet.

D. 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 faith and credit nor 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.

CITY OF SAN CLEMENTE  
Notes to the Financial Statements (Continued)  
June 30, 2006

Issue	Amount of Issue	Outstanding June 30, 2006
City of San Clemente 85-1 Refunding Assessment District, 1993	\$ 5,047,885	\$ 510,000
City of San Clemente 85-1 Refunding Assessment District, 1999	7,935,000	1,245,000
City of San Clemente 95-1 Assessment District	6,929,940	3,295,000
City of San Clemente 98-1 Assessment District	15,355,000	14,775,000
City of San Clemente 99-1 Assessment District	1,150,000	925,000
City of San Clemente 99-1 Community Facilities District	5,755,000	5,685,000

E. Joint Powers Agreement:

On October 3, 1995, the Coastal Animal Services Authority (the "Authority") 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 of San Clemente. The following entities are members of the Authority: The City of San Clemente and the City of Dana Point. 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. The Authority commenced operations on January 1, 1996.

Separate financial statements are prepared for Coastal Animal Services Authority and are on file within the City Clerk at the City of San Clemente.

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

CITY OF SAN CLEMENTE  
 PERS Schedule of Funding Progress  
 June 30, 2006

Funded Status of Plan						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded/ (Excess) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Marine Safety - Active (in dollars):*						
6/30/03	\$1,083,690,137	\$1,218,082,935	\$ 134,392,798	89.0%	\$ 184,098,257	73.0%
6/30/04	1,026,500,742	1,252,474,736	225,973,994	82.0%	154,903,754	145.9%
6/30/05	1,105,298,221	1,325,510,754	220,212,533	83.4%	161,446,071	136.4%
Safety - Inactive Plan (in dollars):*						
6/30/03	\$ 307,383,212	\$ 319,127,268	\$ 11,744,056	96.3%	\$ -	n/a
6/30/04	331,405,998	357,919,985	26,513,987	92.6%	-	n/a
6/30/05	347,539,822	369,091,183	21,551,361	94.2%	-	n/a

\* The City was merged into pension risk pool with other entities for both the active and inactive plans during 2002 and 2001, respectively.

SIX-YEAR TREND INFORMATION FOR CSCERP  
 (in dollars)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 1,009,141	100.00%	-
6/30/02	1,115,815	100.00%	-
6/30/03	1,131,432	100.00%	-
6/30/04	1,530,309	100.00%	-
6/30/05	1,628,497	100.00%	-
6/30/06	1,919,957	100.00%	-



CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
General Fund  
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 26,898,410	\$ 28,048,410	\$ 30,697,668	\$ 2,649,258
Licenses and permits	2,998,520	3,154,520	3,271,025	116,505
Fines and forfeits	961,000	961,000	921,583	(39,417)
Investment and rentals	1,431,870	1,431,870	1,502,346	70,476
Intergovernmental	1,442,030	760,930	873,450	112,520
Charges for services	6,854,870	6,392,370	6,914,345	521,975
Developers contribution	10,000	10,000	10,611	611
Other	187,330	236,330	94,526	(141,804)
Total Revenues	<u>40,784,030</u>	<u>40,995,430</u>	<u>44,285,554</u>	<u>3,290,124</u>
<b>Expenditures:</b>				
Current:				
General government:				
Administration				
City council	55,660	55,660	55,540	120
City manager	496,930	540,732	454,950	85,782
City clerk	581,650	704,008	632,224	71,784
Finance and administrative services	2,089,510	2,285,439	2,219,160	66,279
City general	2,953,790	2,846,665	2,581,254	265,411
Police	9,639,350	9,640,350	9,436,650	203,700
Fire	5,713,930	5,713,930	5,670,855	43,075
Public works	7,103,290	8,524,489	7,069,664	1,454,825
Community development	4,358,980	4,723,985	4,242,259	481,726
Beaches, parks and recreation	8,316,300	9,002,199	7,715,791	1,286,408
Capital outlay	276,500	1,843,181	363,550	1,479,631
Total Expenditures	<u>41,585,890</u>	<u>45,880,638</u>	<u>40,441,897</u>	<u>5,438,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(801,860)</u>	<u>(4,885,208)</u>	<u>3,843,657</u>	<u>8,728,865</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,528,570	1,861,690	1,759,846	(101,844)
Transfers out	(905,130)	(4,519,880)	(4,319,880)	200,000
Total Other Financing Sources (Uses)	<u>623,440</u>	<u>(2,658,190)</u>	<u>(2,560,034)</u>	<u>98,156</u>
Net Change in Fund Balance	<u>(178,420)</u>	<u>(7,543,398)</u>	<u>1,283,623</u>	<u>8,827,021</u>
Fund Balance, Beginning of Year	<u>27,216,119</u>	<u>27,216,119</u>	<u>27,216,119</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 27,037,699</u>	<u>\$ 19,672,721</u>	<u>\$ 28,499,742</u>	<u>\$ 8,827,021</u>

See Note to Required Supplementary Information.

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, 2006

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Investment and rentals	\$ 57,600	\$ 57,600	\$ 46,344	\$ (11,256)
Intergovernmental	10,507,790	11,031,790	4,400,237	(6,631,553)
Other	-	-	20,695	20,695
<b>Total Revenues</b>	<b>10,565,390</b>	<b>11,089,390</b>	<b>4,467,276</b>	<b>(6,622,114)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	432,620	563,586	256,921	306,665
Capital outlay	12,750,150	14,756,310	4,096,123	10,660,187
<b>Total Expenditures</b>	<b>13,182,770</b>	<b>15,319,896</b>	<b>4,353,044</b>	<b>10,966,852</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,617,380)</b>	<b>(4,230,506)</b>	<b>114,232</b>	<b>4,344,738</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,670,760	2,940,760	437,382	(2,503,378)
Transfers out	(1,118,370)	(1,259,570)	(1,067,466)	192,104
<b>Total Other Financing Sources (Uses)</b>	<b>1,552,390</b>	<b>1,681,190</b>	<b>(630,084)</b>	<b>(2,311,274)</b>
<b>Net Change in Fund Balance</b>	<b>(1,064,990)</b>	<b>(2,549,316)</b>	<b>(515,852)</b>	<b>2,033,464</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,560,459</b>	<b>2,560,459</b>	<b>2,560,459</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,495,469</b>	<b>\$ 11,143</b>	<b>\$ 2,044,607</b>	<b>\$ 2,033,464</b>

CITY OF SAN CLEMENTE  
Note to the Required Supplementary Information  
June 30, 2006

I. Budgets and Budgetary Accounting:

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.
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 and certain special revenue funds have legally adopted budgets.



SUPPLEMENTARY INFORMATION

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Public Facilities Construction Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment and rentals	\$ 515,600	\$ 420,421	\$ (95,179)
Developer fees	1,062,430	1,121,384	58,954
Other	15,000	15,000	-
<b>Total Revenues</b>	<b>1,593,030</b>	<b>1,556,805</b>	<b>(36,225)</b>
<b>Expenditures:</b>			
Current:			
Community development	1,037,030	37,200	999,830
Capital outlay	4,632,416	1,652,989	2,979,427
<b>Total Expenditures</b>	<b>5,669,446</b>	<b>1,690,189</b>	<b>3,979,257</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,076,416)</b>	<b>(133,384)</b>	<b>3,943,032</b>
<b>Other Financing Sources:</b>			
Transfers in	32,000	32,000	-
<b>Net Change in Fund Balance</b>	<b>(4,044,416)</b>	<b>(101,384)</b>	<b>3,943,032</b>
<b>Fund Balance, Beginning of Year</b>	<b>17,660,030</b>	<b>17,660,030</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 13,615,614</b>	<b>\$ 17,558,646</b>	<b>\$ 3,943,032</b>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Parks Acquisition and Development Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment and rentals	\$ 341,500	\$ 361,780	\$ 20,280
Intergovernmental	846,660	118,930	(727,730)
Developer fees	2,424,500	174,325	(2,250,175)
Other	-	5,000	5,000
<b>Total Revenues</b>	<b>3,612,660</b>	<b>660,035</b>	<b>(2,952,625)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Beachs, parks, and recreation	102,960	48,200	54,760
Capital outlay	4,988,034	3,100,543	1,887,491
<b>Total Expenditures</b>	<b>5,090,994</b>	<b>3,148,743</b>	<b>1,942,251</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,478,334)</b>	<b>(2,488,708)</b>	<b>(1,010,374)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(100,000)	(100,000)	-
<b>Net Change in Fund Balance</b>	<b>(1,578,334)</b>	<b>(2,588,708)</b>	<b>(1,010,374)</b>
<b>Fund Balance, Beginning of Year</b>	<b>15,740,961</b>	<b>15,740,961</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 14,162,627</b>	<b>\$ 13,152,253</b>	<b>\$ (1,010,374)</b>





## 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 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 Miscellaneous Grants Fund is used to account for various grants, including federal grants received from the Department of Housing and Urban Development (HUD) and federal and state police grants. 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.

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

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

Talega Joint Powers Authority (JPA) Fund is used to account for the revenues and expenditures of the blended component unit.

## DEBT SERVICE FUNDS

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

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, San Clemente. Debt service is financed by revenues generated from the lease of the building.

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

## CAPITAL PROJECTS FUNDS

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

The 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 Projects 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.

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

The 98-1 AD Capital Improvements Fund is used to account for the proceeds of Community Facilities 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, 2006

	Special Revenue Funds		
	Air Quality Improvement	Street Improvement	Miscellaneous Grants
<b>Assets:</b>			
Cash and investments	\$ 651,393	\$ 4,689,493	\$ 9,266
Receivables (net of allowances for uncollectibles):			
Taxes	-	15,418	-
Accounts	-	-	67,081
Accrued interest	6,542	47,098	92
Loan	-	-	440,888
Due from other governments	19,670	-	91,778
Restricted assets:			
Cash and investments with fiscal agent	-	-	-
<b>Total Assets</b>	<b>\$ 677,605</b>	<b>\$ 4,752,009</b>	<b>\$ 609,105</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 91,553	\$ 22,254
Accrued wages	-	-	-
Advances from other funds	-	-	-
Deferred revenue	-	7,933	463,417
Unearned revenue	-	-	4,506
Deposits payable	-	-	-
Due to other funds	-	-	81,133
<b>Total Liabilities</b>	<b>-</b>	<b>99,486</b>	<b>571,310</b>
 <b>Fund Balances (Deficits):</b>			
Reserved for:			
Encumbrances	-	3,364,383	224,093
Local drainage	-	-	-
Low and moderate income housing	-	-	-
Loans, notes, and long term receivables	-	-	-
Developer improvements	-	-	-
Accrued leave	-	-	-
Capital equipment replacement	-	-	-
Unreserved - undesignated	677,605	1,288,140	(186,298)
<b>Total Fund Balances (Deficits)</b>	<b>677,605</b>	<b>4,652,523</b>	<b>37,795</b>
 <b>Total Liabilities and Fund Balances</b>	<b>\$ 677,605</b>	<b>\$ 4,752,009</b>	<b>\$ 609,105</b>

Special Revenue Funds			Debt Service Funds	
RDA Low and Income Housing	Reserve	Talega JPA	Negocio Building	Redevelopment
\$ 1,074,117	\$ 2,105,231	\$ -	\$ -	\$ 2,008,855
-	-	-	-	125,928
-	-	-	35,010	-
10,784	21,144	-	-	20,179
1,276,346	-	-	-	122,081
-	-	-	-	-
-	-	-	425,608	-
<u>\$ 2,361,247</u>	<u>\$ 2,126,375</u>	<u>\$ -</u>	<u>\$ 460,618</u>	<u>\$ 2,277,043</u>
\$ 305	\$ 32,233	\$ -	\$ -	\$ -
1,838	533	-	-	-
-	-	-	-	2,891,790
708,000	-	-	-	217,653
-	-	-	-	-
-	-	-	37,253	-
-	-	-	382,252	-
<u>710,143</u>	<u>32,766</u>	<u>-</u>	<u>419,505</u>	<u>3,109,443</u>
2,531	450,998	-	-	203,113
-	-	-	-	-
1,080,227	-	-	-	-
568,346	-	-	-	-
-	-	-	-	-
-	321,482	-	-	-
-	684,297	-	-	-
-	636,832	-	41,113	(1,035,513)
<u>1,651,104</u>	<u>2,093,609</u>	<u>-</u>	<u>41,113</u>	<u>(832,400)</u>
<u>\$ 2,361,247</u>	<u>\$ 2,126,375</u>	<u>\$ -</u>	<u>\$ 460,618</u>	<u>\$ 2,277,043</u>

(Continued)

CITY OF SAN CLEMENTE  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
June 30, 2006

	Capital Projects Funds		
	Local Drainage Facilities	Developers Improvement	RCFPP
<b>Assets:</b>			
Cash and investments	\$ 3,357,888	\$ 11,322,511	\$ 5,546,469
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	-
Accounts	-	-	-
Accrued interest	33,724	113,716	55,705
Loan	-	1,710,653	-
Due from other governments	-	-	-
<b>Restricted Assets:</b>			
Cash and investments with fiscal agent	-	-	-
<b>Total Assets</b>	<b>\$ 3,391,612</b>	<b>\$ 13,146,880</b>	<b>\$ 5,602,174</b>
 <u><b>Liabilities and Fund Balances</b></u>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 6,431	\$ 273,230
Accrued wages	-	-	-
Advance from general fund	-	-	-
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Deposits payable	-	148,333	-
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>154,764</b>	<b>273,230</b>
 <b>Fund Balances (Deficits):</b>			
Reserved for:			
Encumbrances	65,189	1,007,386	3,065,148
Local drainage	2,592,885	700,001	-
Low and moderate income housing	-	-	-
Loans, notes, and long term receivables	-	1,710,653	-
Developer improvements	-	9,574,076	-
Accrued leave	-	-	-
Capital equipment replacement	-	-	-
Unreserved - undesignated	733,538	-	2,263,796
<b>Total Fund Balances (Deficits)</b>	<b>3,391,612</b>	<b>12,992,116</b>	<b>5,328,944</b>
 <b>Total Liabilities and Fund Balances</b>	<b>\$ 3,391,612</b>	<b>\$ 13,146,880</b>	<b>\$ 5,602,174</b>

Capital Projects Funds

Redevelopment Project	99-1 AD Capital Improvements	99-1 CFD Capital Improvements	98-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ 1,160,829	\$ 232,982	\$ -	\$ 177,823	\$ 32,336,857
-	-	-	-	141,346
-	-	-	-	102,091
11,659	2,339	-	-	322,982
-	-	-	-	3,549,968
-	-	-	-	111,448
-	90,669	151,946	-	668,223
<u>\$ 1,172,488</u>	<u>\$ 325,990</u>	<u>\$ 151,946</u>	<u>\$ 177,823</u>	<u>\$ 37,232,915</u>
\$ 177	\$ -	\$ -	\$ 51,267	\$ 477,450
-	-	-	-	2,371
-	-	-	-	2,891,790
-	-	-	-	1,397,003
-	-	-	-	4,506
-	14,627	-	-	200,213
-	-	-	-	463,385
<u>177</u>	<u>14,627</u>	<u>-</u>	<u>51,267</u>	<u>5,436,718</u>
303,829	-	-	-	8,686,670
-	-	-	-	3,292,886
-	-	-	-	1,080,227
-	-	-	-	2,278,999
-	-	-	-	9,574,076
-	-	-	-	321,482
-	-	-	-	684,297
868,482	311,363	151,946	126,556	5,877,560
<u>1,172,311</u>	<u>311,363</u>	<u>151,946</u>	<u>126,556</u>	<u>31,796,197</u>
<u>\$ 1,172,488</u>	<u>\$ 325,990</u>	<u>\$ 151,946</u>	<u>\$ 177,823</u>	<u>\$ 37,232,915</u>

CITY OF SAN CLEMENTE  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds		
	Air Quality Improvement	Street Improvement	Miscellaneous Grants
Revenues:			
Taxes	\$ -	\$ 667,404	\$ -
Investment and rentals	14,381	100,660	1,610
Intergovernmental	79,349	-	1,009,476
Charges for services	-	-	-
Developer fees	-	-	-
Other	-	41,500	11,029
Total Revenues	93,730	809,564	1,022,115
Expenditures:			
Current:			
General government	-	-	-
Police	-	-	133,095
Public works	-	528,247	-
Community development	-	-	292,398
Capital outlay	-	1,560,035	-
Debt service:			
Property tax shift	-	-	-
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	-	2,088,282	425,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,730	(1,278,718)	596,622
Other Financing Sources (Uses):			
Transfers in	-	1,335,340	-
Transfers out	-	-	(624,272)
Total Other Financing Sources (Uses)	-	1,335,340	(624,272)
Net Change in Fund Balances	93,730	56,622	(27,650)
Fund Balance (Deficit) at Beginning of Year	583,875	4,595,901	65,445
Fund Balance (Deficit) at End of Year	\$ 677,605	\$ 4,652,523	\$ 37,795



Special Revenue Funds

Debt Service Funds

RDA Low and Income Housing	Reserve	Talega JPA	Negocio Building	Redevelopment
\$ -	\$ -	\$ -	\$ -	\$ 2,010,515
30,796	48,629	-	733,535	38,894
-	-	-	-	-
-	191,090	238,820	-	-
-	-	-	-	-
-	-	-	-	-
<u>30,796</u>	<u>239,719</u>	<u>238,820</u>	<u>733,535</u>	<u>2,049,409</u>
-	173,055	-	381,953	5,280
-	-	-	-	-
-	-	-	-	-
190,081	-	238,820	-	55,088
-	81,868	-	-	-
-	-	-	-	152,953
-	-	-	85,000	-
-	-	-	242,219	88,510
<u>190,081</u>	<u>254,923</u>	<u>238,820</u>	<u>709,172</u>	<u>301,831</u>
<u>(159,285)</u>	<u>(15,204)</u>	<u>-</u>	<u>24,363</u>	<u>1,747,578</u>
404,021	178,710	-	-	-
-	-	-	-	(770,206)
<u>404,021</u>	<u>178,710</u>	<u>-</u>	<u>-</u>	<u>(770,206)</u>
244,736	163,506	-	24,363	977,372
<u>1,406,368</u>	<u>1,930,103</u>	<u>-</u>	<u>16,750</u>	<u>(1,809,772)</u>
<u>\$ 1,651,104</u>	<u>\$ 2,093,609</u>	<u>\$ -</u>	<u>\$ 41,113</u>	<u>\$ (832,400)</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, 2006

	Capital Projects Funds		
	Local Drainage Facilities	Developers Improvement	RCFPP
Revenues:			
Taxes	\$ -	\$ -	\$ -
Investment and rentals	79,730	225,792	130,204
Intergovernmental	-	-	267,334
Charges for services	-	1,752,325	-
Developer fees	22,654	3,031,265	47,696
Other	-	-	-
Total Revenues	102,384	5,009,382	445,234
Expenditures:			
Current:			
General government	-	-	-
Police	-	-	-
Public works	19,852	64,910	580,821
Community development	-	-	-
Capital outlay	-	159,060	22,681
Debt service:			
Property tax shift	-	-	-
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	19,852	223,970	603,502
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,532	4,785,412	(158,268)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	(4,570)
Total Other Financing Sources (Uses)	-	-	(4,570)
Net Change in Fund Balances	82,532	4,785,412	(162,838)
Fund Balance (Deficit) at Beginning of Year	3,309,080	8,206,704	5,491,782
Fund Balance (Deficit) at End of Year	\$ 3,391,612	\$ 12,992,116	\$ 5,328,944

Capital Projects Funds

Redevelopment Project	99-1 AD Capital Improvements	99-1 CFD Capital Improvements	98-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,677,919
27,081	8,702	4,886	7,924	1,452,824
-	-	-	-	1,356,159
-	-	-	-	2,182,235
-	-	-	-	3,101,615
3,850	-	-	-	56,379
<u>30,931</u>	<u>8,702</u>	<u>4,886</u>	<u>7,924</u>	<u>10,827,131</u>
-	3,480	-	-	563,768
-	-	-	-	133,095
-	-	-	-	1,193,830
139,083	-	-	-	915,470
228,652	-	-	78,015	2,130,311
-	-	-	-	152,953
-	-	-	-	85,000
-	452	550	-	331,731
<u>367,735</u>	<u>3,932</u>	<u>550</u>	<u>78,015</u>	<u>5,506,158</u>
<u>(336,804)</u>	<u>4,770</u>	<u>4,336</u>	<u>(70,091)</u>	<u>5,320,973</u>
367,735	-	-	-	2,285,806
-	-	-	-	(1,399,048)
<u>367,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,758</u>
30,931	4,770	4,336	(70,091)	6,207,731
<u>1,141,380</u>	<u>306,593</u>	<u>147,610</u>	<u>196,647</u>	<u>25,588,466</u>
<u>\$ 1,172,311</u>	<u>\$ 311,363</u>	<u>\$ 151,946</u>	<u>\$ 126,556</u>	<u>\$ 31,796,197</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, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 13,800	\$ 14,381	\$ 581
Intergovernmental	71,300	79,349	8,049
Total Revenues	85,100	93,730	8,630
Other Financing Sources (Uses):			
Transfers out	(633,650)	-	633,650
Net Change in Fund Balance	(548,550)	93,730	642,280
Fund Balance, Beginning of Year	583,875	583,875	-
Fund Balance, End of Year	\$ 35,325	\$ 677,605	\$ 642,280

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, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 660,100	\$ 667,404	\$ 7,304
Investment and rentals	109,400	100,660	(8,740)
Other	-	41,500	41,500
	<u>769,500</u>	<u>809,564</u>	<u>40,064</u>
Expenditures:			
Current:			
Public works	934,733	528,247	406,486
Capital outlay	5,056,989	1,560,035	3,496,954
	<u>5,991,722</u>	<u>2,088,282</u>	<u>3,903,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,222,222)	(1,278,718)	3,943,504
Other Financing Sources (Uses):			
Transfers in	1,729,560	1,335,340	(394,220)
	<u>(3,492,662)</u>	<u>56,622</u>	<u>3,549,284</u>
Fund Balance, Beginning of Year	4,595,901	4,595,901	-
Fund Balance, End of Year	<u>\$ 1,103,239</u>	<u>\$ 4,652,523</u>	<u>\$ 3,549,284</u>

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, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment and rentals	\$ 2,600	\$ 1,610	\$ (990)
Intergovernmental	1,142,357	1,009,476	(132,881)
Other	<u>100,000</u>	<u>11,029</u>	<u>(88,971)</u>
Total Revenues	<u>1,244,957</u>	<u>1,022,115</u>	<u>(222,842)</u>
Expenditures:			
Current:			
Police	113,662	133,095	(19,433)
Community development	<u>355,501</u>	<u>292,398</u>	<u>63,103</u>
Total Expenditures	<u>469,163</u>	<u>425,493</u>	<u>43,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	775,794	596,622	(179,172)
Other Financing Sources (Uses):			
Transfers out	<u>(818,600)</u>	<u>(624,272)</u>	<u>194,328</u>
Net Change in Fund Balance	(42,806)	(27,650)	15,156
Fund Balance, Beginning of Year	<u>65,445</u>	<u>65,445</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 22,639</u></u>	<u><u>\$ 37,795</u></u>	<u><u>\$ 15,156</u></u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
RDA Low and Moderate Income Housing Special Revenue Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 16,000	\$ 30,796	\$ 14,796
Expenditures:			
Current:			
Community development	199,050	190,081	8,969
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,050)	(159,285)	23,765
Other Financing Sources (Uses):			
Transfers in	344,850	404,021	59,171
Net Change in Fund Balance	161,800	244,736	82,936
Fund Balance, Beginning of Year	1,406,368	1,406,368	-
Fund Balance, End of Year	<u>\$ 1,568,168</u>	<u>\$ 1,651,104</u>	<u>\$ 82,936</u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Reserve Special Revenue Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 50,200	\$ 48,629	\$ (1,571)
Charges for services	191,090	191,090	-
	241,290	239,719	(1,571)
Expenditures:			
Current:			
General government	124,730	173,055	(48,325)
Capital outlay	626,171	81,868	544,303
	750,901	254,923	495,978
Excess (Deficiency) of Revenues Over (Under) Expenditures	(509,611)	(15,204)	494,407
Other Financing Sources:			
Transfers in	195,000	178,710	(16,290)
	(314,611)	163,506	478,117
Fund Balance, Beginning of Year	1,930,103	1,930,103	-
Fund Balance, End of Year	\$ 1,615,492	\$ 2,093,609	\$ 478,117



CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Talega Joint Powers Authority Special Revenue Fund  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 256,000	\$ 238,820	\$ (17,180)
Expenditures:			
Current:			
Community development	<u>256,000</u>	<u>238,820</u>	<u>17,180</u>
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment and rentals	\$ 715,800	\$ 733,535	\$ 17,735
Expenditures:			
Current:			
General government	450,160	381,953	68,207
Debt service:			
Principal retirement	85,000	85,000	-
Interest and fiscal charges	246,180	242,219	3,961
Total Expenditures	<u>781,340</u>	<u>709,172</u>	<u>72,168</u>
Net Change in Fund Balance	(65,540)	24,363	89,903
Fund Balance, Beginning of Year	<u>16,750</u>	<u>16,750</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (48,790)</u>	<u>\$ 41,113</u>	<u>\$ 89,903</u>

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, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,969,260	\$ 2,010,515	\$ 41,255
Investment and rentals	43,000	38,894	(4,106)
Total Revenues	<u>2,012,260</u>	<u>2,049,409</u>	<u>37,149</u>
Expenditures:			
Current:			
General government	5,280	5,280	-
Communtiy development	397,607	55,088	342,519
Debt service:			
Property tax shift	149,270	152,953	(3,683)
Interest and fiscal charges	94,810	88,510	6,300
Total Expenditures	<u>646,967</u>	<u>301,831</u>	<u>345,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,365,293	1,747,578	382,285
Other Financing Sources (Uses):			
Transfers out	<u>(1,544,850)</u>	<u>(770,206)</u>	<u>774,644</u>
Net Change in Fund Balance	(179,557)	977,372	1,156,929
Fund Balance (Deficit), Beginning of Year	<u>(1,809,772)</u>	<u>(1,809,772)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (1,989,329)</u>	<u>\$ (832,400)</u>	<u>\$ 1,156,929</u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Local Drainage Facilities Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 106,100	\$ 79,730	\$ (26,370)
Developer fees	-	22,654	22,654
Total Revenues	<u>106,100</u>	<u>102,384</u>	<u>(3,716)</u>
Expenditures:			
Current:			
Public works	48,250	19,852	28,398
Capital outlay	<u>31,560</u>	<u>-</u>	<u>31,560</u>
Total Expenditures	<u>79,810</u>	<u>19,852</u>	<u>59,958</u>
Net Change in Fund Balance	26,290	82,532	56,242
Fund Balance, Beginning of Year	<u>3,309,080</u>	<u>3,309,080</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,335,370</u></u>	<u><u>\$ 3,391,612</u></u>	<u><u>\$ 56,242</u></u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Developers Improvement Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 185,600	\$ 225,792	\$ 40,192
Charges for services	1,290,000	1,752,325	462,325
Developer fees	3,250,000	3,031,265	(218,735)
Total Revenues	<u>4,725,600</u>	<u>5,009,382</u>	<u>283,782</u>
Expenditures:			
Current:			
Public works	120,690	64,910	55,780
Capital outlay	2,072,975	159,060	1,913,915
Total Expenditures	<u>2,193,665</u>	<u>223,970</u>	<u>1,969,695</u>
Net Change in Fund Balance	2,531,935	4,785,412	2,253,477
Fund Balance, Beginning of Year	<u>8,206,704</u>	<u>8,206,704</u>	-
Fund Balance, End of Year	<u>\$ 10,738,639</u>	<u>\$ 12,992,116</u>	<u>\$ 2,253,477</u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
RCFPP Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 220,800	\$ 130,204	\$ (90,596)
Intergovernmental	267,330	267,334	4
Developer fees	25,000	47,696	22,696
Total Revenues	<u>513,130</u>	<u>445,234</u>	<u>(67,896)</u>
Expenditures:			
Current:			
Public works	641,824	580,821	61,003
Capital outlay	3,027,573	22,681	3,004,892
Total Expenditures	<u>3,669,397</u>	<u>603,502</u>	<u>3,065,895</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,156,267)	(158,268)	2,997,999
Other Financing Uses:			
Transfers out	<u>(10,000)</u>	<u>(4,570)</u>	<u>5,430</u>
Net Change in Fund Balance	(3,166,267)	(162,838)	3,003,429
Fund Balance, Beginning of Year	<u>5,491,782</u>	<u>5,491,782</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,325,515</u></u>	<u><u>\$ 5,328,944</u></u>	<u><u>\$ 3,003,429</u></u>

CITY OF SAN CLEMENTE  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Redevelopment Project Capital Projects Fund  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 31,900	\$ 27,081	\$ (4,819)
Other	-	3,850	3,850
	<u>31,900</u>	<u>30,931</u>	<u>(969)</u>
Total Revenues			
Expenditures:			
Current:			
Community development	194,657	139,083	55,574
Capital outlay	534,074	228,652	305,422
	<u>728,731</u>	<u>367,735</u>	<u>360,996</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(696,831)</u>	<u>(336,804)</u>	<u>360,027</u>
Other Financing Sources (Uses):			
Transfers in	1,200,000	367,735	(832,265)
Transfers out	(1,870,000)	-	1,870,000
	<u>(670,000)</u>	<u>367,735</u>	<u>1,037,735</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(1,366,831)	30,931	1,397,762
Fund Balance, Beginning of Year	<u>1,141,380</u>	<u>1,141,380</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (225,451)</u>	<u>\$ 1,172,311</u>	<u>\$ 1,397,762</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, 2006

	Clean Ocean	Solid Waste Management	Totals
Assets:			
Current Assets:			
Cash and investments	\$ 1,681,809	\$ 231,371	\$ 1,913,180
Receivables (net of allowances for uncollectible accounts)	457,420	8,875	466,295
Accrued interest	16,891	2,324	19,215
Total Current Assets	2,156,120	242,570	2,398,690
Capital Assets:			
Water, sewer and storm lines	843,064	-	843,064
Machinery and equipment	234,941	-	234,941
Construction in progress	389,052	-	389,052
Total Capital Assets	1,467,057	-	1,467,057
Less accumulated depreciation	(62,219)	-	(62,219)
Net Capital Assets	1,404,838	-	1,404,838
Total Assets	3,560,958	242,570	3,803,528
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	75,299	277	75,576
Accrued wages	7,812	1,257	9,069
Long-term liabilities, current portion	2,693	911	3,604
Total Current Liabilities	85,804	2,445	88,249
Long-Term Liabilities:			
Compensated absences payable	14,138	4,782	18,920
Total Liabilities	99,942	7,227	107,169
Net Assets:			
Invested in capital assets	1,404,838	-	1,404,838
Unrestricted	2,056,178	235,343	2,291,521
Total Net Assets	\$ 3,461,016	\$ 235,343	\$ 3,696,359

CITY OF SAN CLEMENTE  
Combining Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2006

	<u>Clean Ocean</u>	<u>Solid Waste Management</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,845,304	\$ 140,629	\$ 1,985,933
Other	302,131	23,821	325,952
	<u>2,147,435</u>	<u>164,450</u>	<u>2,311,885</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and benefits	393,867	59,292	453,159
Cost of materials and supplies	52,537	4,096	56,633
Depreciation	31,178	-	31,178
Maintenance and other operating expenses	741,466	85,451	826,917
	<u>1,219,048</u>	<u>148,839</u>	<u>1,367,887</u>
Total Operating Expenses			
Operating Income (Loss)	<u>928,387</u>	<u>15,611</u>	<u>943,998</u>
Non-Operating Revenues:			
Investment income	27,134	5,018	32,152
	<u>27,134</u>	<u>5,018</u>	<u>32,152</u>
Total Non-Operating Revenues			
Income (Loss) Before Transfers and Capital Contributions	<u>955,521</u>	<u>20,629</u>	<u>976,150</u>
Transfers:			
Transfers in	11,650	54,470	66,120
Transfers out	(369,110)	-	(369,110)
	<u>(357,460)</u>	<u>54,470</u>	<u>(302,990)</u>
Total Transfers			
Capital Contributions - capital grant	<u>378,835</u>	<u>-</u>	<u>378,835</u>
Change in Net Assets	976,896	75,099	1,051,995
Net Assets - Beginning of Year	<u>2,484,120</u>	<u>160,244</u>	<u>2,644,364</u>
Net Assets - End of Year	<u>\$ 3,461,016</u>	<u>\$ 235,343</u>	<u>\$ 3,696,359</u>

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2006

	Clean Ocean	Solid Waste Management	Totals
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,742,692	\$ 140,334	\$ 1,883,026
Cash paid to other suppliers of goods or services	(735,977)	(110,988)	(846,965)
Cash payment to employees	(398,848)	(73,396)	(472,244)
Cash from other operating revenues	302,131	23,821	325,952
Net Cash Provided by (Used for) Operating Activities	<u>909,998</u>	<u>(20,229)</u>	<u>889,769</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	11,650	54,470	66,120
Cash paid to other funds	(369,110)	-	(369,110)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(357,460)</u>	<u>54,470</u>	<u>(302,990)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants	378,835	-	378,835
Purchase and construction of capital assets	(1,007,371)	-	(1,007,371)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(628,536)</u>	<u>-</u>	<u>(628,536)</u>
Cash Flows from Investing Activities:			
Investment income received	24,004	4,225	28,229
Net Cash Provided by (Used for) Investing Activities	<u>24,004</u>	<u>4,225</u>	<u>28,229</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,994)	38,466	(13,528)
Cash and Cash Equivalents at Beginning of Year	<u>1,733,803</u>	<u>192,905</u>	<u>1,926,708</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,681,809</u>	<u>\$ 231,371</u>	<u>\$ 1,913,180</u>
Reconciliation of Cash and Cash Equivalents to the balance sheet:			
Total cash and investments per the balance sheet	<u>\$ 1,681,809</u>	<u>\$ 231,371</u>	<u>\$ 1,913,180</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 928,387</u>	<u>\$ 15,611</u>	<u>\$ 943,998</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	31,178	-	31,178
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(102,612)	(295)	(102,907)
Increase (decrease) in accounts payable	58,548	(21,441)	37,107
Increase (decrease) in accrued wages	461	683	1,144
Increase (decrease) in deposits payable	(522)	-	(522)
Increase (decrease) in compensated absences	(5,442)	(14,787)	(20,229)
Total Adjustments	<u>(18,389)</u>	<u>(35,840)</u>	<u>(54,229)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 909,998</u>	<u>\$ (20,229)</u>	<u>\$ 889,769</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, 2006

	Employee Benefits	Central Services
Assets:		
Current Assets:		
Cash and investments	\$ 257,647	\$ 713,113
Receivables (net of allowances for uncollectible accounts):		
Accounts	-	-
Accrued interest	-	7,162
Due from other governments	10,800	-
Prepaid expense	-	690
Total Current Assets	268,447	720,965
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	388,123
Construction in progress	-	-
Total Capital Assets	-	388,123
Less accumulated depreciation	-	(182,769)
Net Capital Assets	-	205,354
Noncurrent Assets:		
Advances to other funds	-	-
Total Noncurrent Assets	-	205,354
Total Assets	268,447	926,319
Liabilities:		
Current Liabilities:		
Accounts payable	-	34,633
Accrued wages	266,575	2,052
Long-term liabilities, current portion	-	35,680
Total Current Liabilities	266,575	72,365
Noncurrent Liabilities:		
Capitalized lease obligations	-	142,556
Advances from other funds	-	-
Compensated absences payable	-	2,754
Claims and judgments payable	-	-
Total Noncurrent Liabilities	-	145,310
Total Liabilities	266,575	217,675
Net Assets:		
Invested in capital assets, net of related debt	-	27,643
Unrestricted	1,872	681,001
Total Net Assets	\$ 1,872	\$ 708,644

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 52,002	\$ 4,413,485	\$ 338,123	\$ 1,302,501	\$ 7,542,262	\$ 14,619,133
458	-	1,585	-	-	2,043
522	44,326	3,396	13,081	75,750	144,237
-	1,053	-	-	-	11,853
-	-	-	-	337,703	338,393
<u>52,982</u>	<u>4,458,864</u>	<u>343,104</u>	<u>1,315,582</u>	<u>7,955,715</u>	<u>15,115,659</u>
-	201,986	-	-	-	201,986
-	411,227	-	-	-	411,227
551,071	3,503,989	-	-	-	4,443,183
-	-	-	-	47,128	47,128
<u>551,071</u>	<u>4,117,202</u>	<u>-</u>	<u>-</u>	<u>47,128</u>	<u>5,103,524</u>
<u>(394,559)</u>	<u>(2,692,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,270,031)</u>
<u>156,512</u>	<u>1,424,499</u>	<u>-</u>	<u>-</u>	<u>47,128</u>	<u>1,833,493</u>
-	-	-	1,000,000	-	1,000,000
<u>156,512</u>	<u>1,424,499</u>	<u>-</u>	<u>1,000,000</u>	<u>47,128</u>	<u>2,833,493</u>
<u>209,494</u>	<u>5,883,363</u>	<u>343,104</u>	<u>2,315,582</u>	<u>8,002,843</u>	<u>17,949,152</u>
3,804	87,281	16,880	-	23,424	166,022
8,465	-	-	-	465	277,557
17,890	-	-	45,043	581,373	679,986
<u>30,159</u>	<u>87,281</u>	<u>16,880</u>	<u>45,043</u>	<u>605,262</u>	<u>1,123,565</u>
-	-	-	-	-	142,556
-	-	-	-	1,000,000	1,000,000
93,925	-	-	-	-	96,679
-	-	-	440,860	5,687,946	6,128,806
<u>93,925</u>	<u>-</u>	<u>-</u>	<u>440,860</u>	<u>6,687,946</u>	<u>7,368,041</u>
<u>124,084</u>	<u>87,281</u>	<u>16,880</u>	<u>485,903</u>	<u>7,293,208</u>	<u>8,491,606</u>
156,512	1,424,499	-	-	47,128	1,655,782
<u>(71,102)</u>	<u>4,371,583</u>	<u>326,224</u>	<u>1,829,679</u>	<u>662,507</u>	<u>7,801,764</u>
<u>\$ 85,410</u>	<u>\$ 5,796,082</u>	<u>\$ 326,224</u>	<u>\$ 1,829,679</u>	<u>\$ 709,635</u>	<u>\$ 9,457,546</u>

CITY OF SAN CLEMENTE  
Combining Statement of Revenues, Expenses  
and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2006

	Employee Benefits	Central Services
Operating Revenues:		
Charges for current services	\$ -	\$ 1,120,677
Other	-	-
	<hr/>	<hr/>
Total Operating Revenues	-	1,120,677
	<hr/>	<hr/>
Operating Expenses:		
Salaries and benefits	-	101,166
Cost of materials and supplies	-	47,671
Depreciation	-	37,912
Maintenance and other operating expenses	-	847,675
Workers compensation insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
	<hr/>	<hr/>
Total Operating Expenses	-	1,034,424
	<hr/>	<hr/>
Operating Income (Loss)		86,253
	<hr/>	<hr/>
Nonoperating Revenues (Expenses):		
Investment income	-	20,630
Interest and fiscal charges	(730)	(2,274)
Gain (loss) on sale of property	-	-
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(730)	18,356
	<hr/>	<hr/>
Income (Loss) Before Transfers	(730)	104,609
	<hr/>	<hr/>
Transfers:		
Transfers in	-	3,930
Transfers out	-	(325,000)
	<hr/>	<hr/>
Total Transfers	-	(321,070)
	<hr/>	<hr/>
Change in Net Assets	(730)	(216,461)
	<hr/>	<hr/>
Net Assets - Beginning of Year	2,602	925,105
	<hr/>	<hr/>
Net Assets - End of Year	\$ 1,872	\$ 708,644
	<hr/> <hr/>	<hr/> <hr/>



Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 980,640	\$ 1,411,580	\$ 1,952,223	\$ 425,676	\$ 1,174,900	\$ 7,065,696
458	2,345	8,152	7,180	-	18,135
<u>981,098</u>	<u>1,413,925</u>	<u>1,960,375</u>	<u>432,856</u>	<u>1,174,900</u>	<u>7,083,831</u>
475,702	-	-	-	13,024	589,892
237,224	330,378	-	-	5,818	621,091
60,808	319,666	-	-	-	418,386
522,320	619,380	32,638	58,832	255,164	2,336,009
-	-	-	86,416	-	86,416
-	-	1,615,584	-	-	1,615,584
-	-	-	-	759,760	759,760
-	-	229,412	131,932	4,670,184	5,031,528
<u>1,296,054</u>	<u>1,269,424</u>	<u>1,877,634</u>	<u>277,180</u>	<u>5,703,950</u>	<u>11,458,666</u>
<u>(314,956)</u>	<u>144,501</u>	<u>82,741</u>	<u>155,676</u>	<u>(4,529,050)</u>	<u>(4,374,835)</u>
1,949	101,587	2,567	68,704	112,322	307,759
-	-	-	-	-	(3,004)
<u>-</u>	<u>(4,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,822)</u>
<u>1,949</u>	<u>96,765</u>	<u>2,567</u>	<u>68,704</u>	<u>112,322</u>	<u>299,933</u>
<u>(313,007)</u>	<u>241,266</u>	<u>85,308</u>	<u>224,380</u>	<u>(4,416,728)</u>	<u>(4,074,902)</u>
21,550	14,750	-	-	3,725,080	3,765,310
-	(5,320)	-	(500,000)	-	(830,320)
<u>21,550</u>	<u>9,430</u>	<u>-</u>	<u>(500,000)</u>	<u>3,725,080</u>	<u>2,934,990</u>
(291,457)	250,696	85,308	(275,620)	(691,648)	(1,139,912)
<u>376,867</u>	<u>5,545,386</u>	<u>240,916</u>	<u>2,105,299</u>	<u>1,401,283</u>	<u>10,597,458</u>
<u>\$ 85,410</u>	<u>\$ 5,796,082</u>	<u>\$ 326,224</u>	<u>\$ 1,829,679</u>	<u>\$ 709,635</u>	<u>\$ 9,457,546</u>

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2006

	Employee Benefits	Central Service
	<u>          </u>	<u>          </u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ -	\$ 1,120,677
Cash paid to other suppliers of goods or services	-	(881,800)
Cash payment to employees	3,092	(99,534)
Cash from other operating revenues	-	-
	<u>          </u>	<u>          </u>
Net Cash Provided by (Used for) Operating Activities	3,092	139,343
	<u>          </u>	<u>          </u>
Cash Flows from Noncapital Financing Activities:		
Cash received from other funds	-	3,930
Cash paid to other funds	-	(325,000)
	<u>          </u>	<u>          </u>
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(321,070)
	<u>          </u>	<u>          </u>
Cash Flows from Capital and Related Financing Activities:		
Purchase and construction of capital assets	-	(8,749)
Sale of capital assets	-	-
Payment on capital lease payable	-	(30,505)
Interest and fiscal charges	(730)	(2,274)
	<u>          </u>	<u>          </u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(730)	(41,528)
	<u>          </u>	<u>          </u>
Cash Flows from Investing Activities:		
Investment income received	-	20,735
	<u>          </u>	<u>          </u>
Net Cash Provided by (Used for) Investing Activities	-	20,735
	<u>          </u>	<u>          </u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,362	(202,520)
Cash and Cash Equivalents at Beginning of Year	<u>255,285</u>	<u>915,633</u>
Cash and Cash Equivalents at End of Year	<u>\$ 257,647</u>	<u>\$ 713,113</u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 980,182	\$ 1,410,527	\$ 1,952,223	\$ 425,676	\$ 837,197	\$ 6,726,482
(794,158)	(981,586)	(1,889,480)	(367,216)	(1,062,099)	(5,976,339)
(438,770)	-	-	-	(12,559)	(547,771)
458	2,345	8,152	7,180	-	18,135
(252,288)	431,286	70,895	65,640	(237,461)	220,507
21,550	14,750	-	-	4,725,080	4,765,310
-	(5,320)	-	(1,500,000)	-	(1,830,320)
21,550	9,430	-	(1,500,000)	4,725,080	2,934,990
-	(231,561)	-	-	(47,128)	(287,438)
148,807	-	-	-	-	148,807
-	-	-	-	-	(30,505)
-	-	-	-	-	(3,004)
148,807	(231,561)	-	-	(47,128)	(172,140)
2,470	89,916	1,282	76,736	60,708	251,847
2,470	89,916	1,282	76,736	60,708	251,847
(79,461)	299,071	72,177	(1,357,624)	4,501,199	3,235,204
131,463	4,114,414	265,946	2,660,125	3,041,063	11,383,929
<u>\$ 52,002</u>	<u>\$ 4,413,485</u>	<u>\$ 338,123</u>	<u>\$ 1,302,501</u>	<u>\$ 7,542,262</u>	<u>\$ 14,619,133</u>

(Continued)

CITY OF SAN CLEMENTE  
Combining Statement of Cash Flows  
Internal Service Funds (Continued)  
For the Year Ended June 30, 2006

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ -	\$ 86,253
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	37,912
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(4,884)	-
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	(6,769)	13,546
Increase (decrease) in accrued wages	14,745	637
Increase (decrease) in compensated absences	-	995
Increase (decrease) in claims and judgments payable	-	-
Total Adjustments	3,092	53,090
Net Cash Provided by (Used for) Operating Activities	\$ 3,092	\$ 139,343
Noncash investing, capital, and financing activities:		
Borrowing under capital lease	-	158,227

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ (314,956)	\$ 144,501	\$ 82,741	\$ 155,676	\$ (4,529,050)	\$ (4,374,835)
60,808	319,666	-	-	-	418,386
(458)	(1,053)	-	-	-	(6,395)
-	-	-	-	(337,703)	(337,703)
(23,242)	(31,828)	(11,846)	(488)	(37,857)	(98,484)
1,224	-	-	-	465	17,071
24,336	-	-	-	-	25,331
-	-	-	(89,548)	4,666,684	4,577,136
62,668	286,785	(11,846)	(90,036)	4,291,589	4,595,342
<u>\$ (252,288)</u>	<u>\$ 431,286</u>	<u>\$ 70,895</u>	<u>\$ 65,640</u>	<u>\$ (237,461)</u>	<u>\$ 220,507</u>

- - - - - 158,227



## AGENCY FUNDS

The SPREAD Collection Fund is used to record collections and payments to the holders of the 1915 Act Assessment.

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

The 98-1 AD Collection Fund is used to record collections and payments to the holders of the 1915 Act Assessment Bonds.

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

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 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, 2006

Assets:	<u>SPREAD Collection</u>	<u>Street Assessment Collection</u>
Taxes receivable	\$ 16	\$ 7,605
Accounts receivable	-	-
Accrued interest receivable	27,725	26,906
Restricted cash and investments	1,079,835	1,120,671
Restricted cash and investments with fiscal agents	<u>817,116</u>	<u>673,600</u>
Total Assets	<u>\$ 1,924,692</u>	<u>\$ 1,828,782</u>
Liabilities:		
Accounts payable	\$ 141	\$ 6,645
Accrued wages	-	-
Deposits payable	-	-
Payable to bondholders	<u>1,924,551</u>	<u>1,822,137</u>
Total Liabilities	<u>\$ 1,924,692</u>	<u>\$ 1,828,782</u>



<u>98-1 A D Collection</u>	<u>99-1 A D Collection</u>	<u>99-1 CFD Collection</u>	<u>Coastal Animal Services Authority</u>	<u>Totals</u>
\$ 18,518	\$ 1,272	\$ 437	\$ -	\$ 27,848
-	-	-	56,573	56,573
35,108	942	54,502	-	145,183
828,023	93,769	196,379	261,285	3,579,962
1,278,005	93,353	640,872	-	3,502,946
<u>\$ 2,159,654</u>	<u>\$ 189,336</u>	<u>\$ 892,190</u>	<u>\$ 317,858</u>	<u>\$ 7,312,512</u>
\$ 1,812	\$ 808	\$ 922	\$ 27,774	\$ 38,102
-	-	-	22,225	22,225
-	-	-	267,859	267,859
2,157,842	188,528	891,268	-	6,984,326
<u>\$ 2,159,654</u>	<u>\$ 189,336</u>	<u>\$ 892,190</u>	<u>\$ 317,858</u>	<u>\$ 7,312,512</u>

CITY OF SAN CLEMENTE  
Statement of Changes in  
Fiduciary Net Assets  
Agency Funds  
For the Fiscal Year Ended  
June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>SPREAD COLLECTION</u>				
Assets				
Taxes receivable	\$ 18,722	\$ 16	\$ 18,722	\$ 16
Accrued interest receivable	39,706	-	11,981	27,725
Cash and investments	3,693,119	2,404,111	4,200,279	1,896,951
Total Assets	<u>\$ 3,751,547</u>	<u>\$ 2,404,127</u>	<u>\$ 4,230,982</u>	<u>\$ 1,924,692</u>
Liabilities				
Accounts payable	\$ 6,058	\$ 1,765,225	\$ 1,771,142	\$ 141
Payable to bondholders	3,745,489	97,525	1,918,463	1,924,551
Total Liabilities	<u>\$ 3,751,547</u>	<u>\$ 1,862,750</u>	<u>\$ 3,689,605</u>	<u>\$ 1,924,692</u>
<u>STREET ASSESSMENT COLLECTION</u>				
Assets				
Taxes receivable	\$ 10,050	\$ 7,605	\$ 10,050	\$ 7,605
Accrued interest receivable	23,710	49,000	45,804	26,906
Cash and investments	1,689,152	787,019	681,900	1,794,271
Total Assets	<u>\$ 1,722,912</u>	<u>\$ 843,624</u>	<u>\$ 737,754</u>	<u>\$ 1,828,782</u>
Liabilities				
Accounts payable	\$ 5,519	\$ 661,748	\$ 660,622	\$ 6,645
Payable to bondholders	1,717,393	779,392	674,648	1,822,137
Total Liabilities	<u>\$ 1,722,912</u>	<u>\$ 1,441,140</u>	<u>\$ 1,335,270</u>	<u>\$ 1,828,782</u>
<u>98-1 A D COLLECTION</u>				
Assets				
Taxes receivable	\$ 28,137	\$ 18,518	\$ 28,137	\$ 18,518
Accrued interest receivable	21,623	13,485	-	35,108
Cash and investments	2,014,842	2,187,392	2,096,206	2,106,028
Total Assets	<u>\$ 2,064,602</u>	<u>\$ 2,219,395</u>	<u>\$ 2,124,343</u>	<u>\$ 2,159,654</u>
Liabilities				
Accounts payable	\$ 3,417	\$ 1,014,402	\$ 1,016,007	\$ 1,812
Payable to bondholders	2,061,185	1,182,005	1,085,348	2,157,842
Total Liabilities	<u>\$ 2,064,602</u>	<u>\$ 2,196,407</u>	<u>\$ 2,101,355</u>	<u>\$ 2,159,654</u>

(Continued)

CITY OF SAN CLEMENTE  
Statement of Changes in  
Fiduciary Net Assets (Continued)  
Agency Funds  
For the Fiscal Year Ended  
June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>99-1 A D COLLECTION</u>				
Assets				
Taxes receivable	\$ 4	\$ 1,272	\$ 4	\$ 1,272
Accrued interest receivable	707	235	-	942
Cash and investments	181,718	213,222	207,818	187,122
Total Assets	<u>\$ 182,429</u>	<u>\$ 214,729</u>	<u>\$ 207,822</u>	<u>\$ 189,336</u>
Liabilities				
Accounts payable	\$ 750	\$ 102,939	\$ 102,881	\$ 808
Payable to bondholders	181,679	119,900	113,051	188,528
Total Liabilities	<u>\$ 182,429</u>	<u>\$ 222,839</u>	<u>\$ 215,932</u>	<u>\$ 189,336</u>
<u>99-1 C F D COLLECTION</u>				
Assets				
Taxes receivable	\$ -	\$ 437	\$ -	\$ 437
Accrued interest receivable	54,035	467	-	54,502
Cash and investments	801,888	868,315	832,952	837,251
Total Assets	<u>\$ 855,923</u>	<u>\$ 869,219</u>	<u>\$ 832,952</u>	<u>\$ 892,190</u>
Liabilities				
Accounts payable	\$ 893	\$ 409,314	\$ 409,285	\$ 922
Payable to bondholders	855,030	457,710	421,472	891,268
Total Liabilities	<u>\$ 855,923</u>	<u>\$ 867,024</u>	<u>\$ 830,757</u>	<u>\$ 892,190</u>
<u>COASTAL ANIMAL SERVICES AUTHORITY</u>				
Assets				
Accounts receivable	\$ 15,856	\$ 58,277	\$ 17,560	\$ 56,573
Cash and investments	320,591	1,087,199	1,146,505	261,285
Total Assets	<u>\$ 336,447</u>	<u>\$ 1,145,476</u>	<u>\$ 1,164,065</u>	<u>\$ 317,858</u>
Liabilities				
Accounts payable	\$ 37,196	\$ 720,354	\$ 729,776	\$ 27,774
Accrued wages	18,318	581,568	577,661	22,225
Deposits payable	280,933	1,178,608	1,191,682	267,859
Total Liabilities	<u>\$ 336,447</u>	<u>\$ 2,480,530</u>	<u>\$ 2,499,119</u>	<u>\$ 317,858</u>

(Continued)

CITY OF SAN CLEMENTE  
Statement of Changes in  
Fiduciary Net Assets (Continued)  
Agency Funds  
For the Fiscal Year Ended  
June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>Assets</b>				
Taxes receivable	\$ 56,913	\$ 27,848	\$ 56,913	\$ 27,848
Accounts receivable	15,856	58,277	17,560	56,573
Accrued interest receivable	139,781	63,187	57,785	145,183
Cash and investments	8,701,310	7,547,258	9,165,660	7,082,908
Total Assets	<u>\$ 8,913,860</u>	<u>\$ 7,696,570</u>	<u>\$ 9,297,918</u>	<u>\$ 7,312,512</u>
<b>Liabilities</b>				
Accounts payable	\$ 53,833	\$ 4,673,982	\$ 4,689,713	\$ 38,102
Accrued wages	18,318	581,568	577,661	22,225
Deposits payable	280,933	1,178,608	1,191,682	267,859
Payable to bondholders	8,560,776	2,636,532	4,212,982	6,984,326
Total Liabilities	<u>\$ 8,913,860</u>	<u>\$ 9,070,690</u>	<u>\$ 10,672,038</u>	<u>\$ 7,312,512</u>

STATISTICAL SECTION

CITY OF SAN CLEMENTE

NET ASSETS BY COMPONENT

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year	
	2002	2003
Governmental Activities		
Invested in capital assets, net of related debt	\$ 82,997,831	\$ 93,841,428
Restricted	19,628,964	24,022,643
Unrestricted	52,706,971	56,409,911
Total governmental activities net assets	<u>\$ 155,333,766</u>	<u>\$ 174,273,982</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 112,120,717	\$ 119,918,074
Restricted	-	-
Unrestricted	43,630,047	43,459,092
Total business-type activities net assets	<u>\$ 155,750,764</u>	<u>\$ 163,377,166</u>
Primary Government		
Invested in capital assets, net of related debt	\$ 195,118,548	\$ 213,759,502
Restricted	19,628,964	24,022,643
Unrestricted	96,337,018	99,869,003
Total primary government net assets	<u>\$ 311,084,530</u>	<u>\$ 337,651,148</u>

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

Source: City of San Clemente

	Fiscal Year	
2004	2005	2006
\$ 101,368,966	\$ 107,200,967	\$ 120,396,154
25,407,502	60,646,071	63,848,558
64,128,688	34,344,873	36,731,775
<u>\$ 190,905,156</u>	<u>\$ 202,191,911</u>	<u>\$ 220,976,487</u>
\$ 122,398,385	\$ 122,528,356	\$ 128,145,144
34,288,047	35,045,918	37,706,913
12,790,969	15,274,346	13,211,871
<u>\$ 169,477,401</u>	<u>\$ 172,848,620</u>	<u>\$ 179,063,928</u>
\$ 223,767,351	\$ 229,729,323	\$ 248,541,298
59,695,549	95,691,989	101,555,471
76,919,657	49,619,219	49,943,646
<u>\$ 360,382,557</u>	<u>\$ 375,040,531</u>	<u>\$ 400,040,415</u>

**CITY OF SAN CLEMENTE**  
**CHANGES IN NET ASSETS**

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,810,896	\$ 7,864,392	\$ 5,271,633	\$ 6,714,032	\$ 9,648,050
Public safety <sup>1</sup>	11,252,691	12,675,190	13,378,603	14,217,552	
Police					9,565,635
Fire					5,710,457
Economic development <sup>2</sup>	13,025,687	15,154,477	13,807,963	16,654,803	
Public works					9,070,583
Community development					5,396,690
Beaches, parks & recreation	6,141,525	6,893,752	7,193,450	8,316,082	8,725,821
Interest and fiscal charges	543,426	369,162	360,154	345,345	334,736
Total governmental activities expenses	<u>35,774,225</u>	<u>42,956,973</u>	<u>40,011,803</u>	<u>46,247,814</u>	<u>48,451,972</u>
Business-type activities:					
Water	9,732,719	10,128,995	10,244,563	10,636,696	11,829,322
Sewer	6,102,476	6,416,001	6,621,163	7,798,634	8,761,770
Golf	1,779,326	1,762,402	1,897,026	1,934,882	2,197,204
Other	114,468	700,328	1,001,525	1,207,503	1,461,065
Total business-type activities expenses	<u>17,728,989</u>	<u>19,007,726</u>	<u>19,764,277</u>	<u>21,577,715</u>	<u>24,249,361</u>
Total primary government expenses	<u>53,503,214</u>	<u>61,964,699</u>	<u>59,776,080</u>	<u>67,825,529</u>	<u>72,701,333</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	1,505,745	3,662,307	3,438,615	4,734,491	2,537,862
Public safety <sup>1</sup>	3,105,344	2,690,730	2,699,963	2,039,859	
Police					1,180,869
Fire					582,914
Economic development <sup>2</sup>	10,282,248	10,500,301	11,962,370	7,167,035	
Public works					1,320,339
Community development					4,585,546
Beaches, parks & recreation	2,398,244	5,361,753	4,542,378	5,521,121	1,899,328
Operating grants and contributions	1,364,145	705,628	677,916	956,864	3,901,444
Capital grants and contributions	18,693,004	4,185,328	3,467,440	326,812	14,557,681
Total governmental activities program revenues	<u>37,348,730</u>	<u>27,106,047</u>	<u>26,788,682</u>	<u>20,746,182</u>	<u>30,565,983</u>
Business-type activities:					
Charges for services:					
Water	11,640,686	11,635,122	12,668,783	12,236,707	10,216,817
Sewer	7,400,557	7,133,464	7,090,001	7,276,394	7,285,939
Golf	2,234,317	1,859,841	2,227,188	2,034,533	2,057,159
Other	106,412	960,404	2,352,116	2,428,837	1,985,933
Operating grants and contributions	-	4,922,145	2,140,342	-	-
Capital grants and contributions	187,134	-	-	906,385	4,129,369
Total business-type activities program revenues	<u>21,569,106</u>	<u>26,510,976</u>	<u>26,478,430</u>	<u>24,882,856</u>	<u>25,675,217</u>
Total primary government program revenues	<u>58,917,836</u>	<u>53,617,023</u>	<u>53,267,112</u>	<u>45,629,038</u>	<u>56,241,200</u>
Net (expense)/revenue:					
Governmental activities	1,574,505	(15,850,926)	(13,223,121)	(25,501,632)	(17,885,989)
Business-type activities	3,840,117	7,503,250	6,714,153	3,305,141	1,425,856
Total primary government net expense	<u>\$ 5,414,622</u>	<u>\$ (8,347,676)</u>	<u>\$ (6,508,968)</u>	<u>\$ (22,196,491)</u>	<u>\$ (16,460,133)</u>

Source: City of San Clemente



CITY OF SAN CLEMENTE  
CHANGES IN NET ASSETS

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	10,965,899	12,814,927	14,619,234	19,904,158 <sup>3</sup>	22,663,198
Sales taxes	5,065,266	5,473,506	6,213,258	5,199,568	5,260,019
Sales taxes - in lieu	-	-	-	1,625,595	1,375,318
Transient occupancy taxes	1,018,697	980,666	1,049,910	1,161,392	1,264,514
Franchise taxes	1,378,642	1,408,820	1,552,704	1,727,451	2,127,233
Other taxes	4,535,265	4,885,626	2,931,927	2,608,978	617,638
Assessments	664,291	6,501,604	1,700,901	636,041	668,756
Investment earnings	4,276,421	2,594,358	(189,088)	2,626,787	2,144,246
Miscellaneous	273,685	247,250	391,678	798,840	4,832
Gain on sale of capital assets	204,126	7,537	969,853	22,867	(18,819)
Transfers	(2,370,642)	(123,152)	613,918	692,970	563,630
Total governmental activities	<u>26,011,650</u>	<u>34,791,142</u>	<u>29,854,295</u>	<u>37,004,647</u>	<u>36,670,565</u>
Business-type activities:					
Investment earnings	-	-	-	761,419	1,086,795
Gain/Loss on sale of capital assets	-	-	-	(2,371)	-
Miscellaneous	-	-	-	-	4,266,287
Transfers	2,370,642	123,152	(613,918)	(692,970)	(563,630)
Total business-type activities	<u>2,370,642</u>	<u>123,152</u>	<u>(613,918)</u>	<u>66,078</u>	<u>4,789,452</u>
Total primary government	<u>\$ 28,382,292</u>	<u>\$ 34,914,294</u>	<u>\$ 29,240,377</u>	<u>\$ 37,070,725</u>	<u>\$ 41,460,017</u>
<b>Change in Net Assets</b>					
Governmental activities	27,586,155	18,940,216	16,631,174	11,503,015	18,784,576
Business-type activities	6,210,759	7,626,402	6,100,235	3,371,219	6,215,308
Total primary government	<u>\$ 33,796,914</u>	<u>\$ 26,566,618</u>	<u>\$ 22,731,409</u>	<u>\$ 14,874,234</u>	<u>\$ 24,999,884</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.

Source: City of San Clemente

CITY OF SAN CLEMENTE

GOVERNMENTAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years  
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Franchise Tax</u>	<u>Other Taxes</u>	<u>Total</u>
1996-1997	\$ 6,707,114	\$ 3,322,951	\$ 643,998	\$ 859,784	\$ 632,872	\$ 12,166,719
1997-1998	7,469,298	3,808,371	635,671	922,652	640,197	13,476,189
1998-1999	7,854,159	3,725,718	723,270	1,019,687	644,266	13,967,100
1999-2000	8,802,429	4,550,231	988,286	1,118,133	453,385	15,912,464
2000-2001	8,356,636	5,267,552	994,902	1,229,028	964,218	16,812,336
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

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)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Franchise Tax</u>	<u>Other Taxes</u>	<u>Motor Vehicle Tax</u>	<u>Total</u>
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

Note:

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

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.

CITY OF SAN CLEMENTE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	1997	1998	1999	2000
General fund				
Reserved	\$ 472,374	\$ 523,656	\$ 777,607	\$ 635,586
Unreserved	2,816,022	3,564,932	5,074,340	8,963,611
Total general fund	<u>\$ 3,288,396</u>	<u>\$ 4,088,588</u>	<u>\$ 5,851,947</u>	<u>\$ 9,599,197</u>
All other governmental funds				
Reserved	\$ 9,756,155	\$ 13,053,393	\$ 15,413,625	\$ 26,676,350
Unreserved, reported in:				
Special revenue funds	3,192,160	4,044,461	1,303,370	3,975,204
Capital projects funds	16,296,957	11,700,399	21,390,767	9,396,953
Debt service funds	-	-	(403,327)	(1,097,763)
Total all other governmental funds	<u>\$ 29,245,272</u>	<u>\$ 28,798,253</u>	<u>\$ 37,704,435</u>	<u>\$ 38,950,744</u>

Source: City of San Clemente

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 840,084	\$ 913,246	\$ 655,693	\$ 913,246	\$ 3,057,948	\$ 6,851,143
15,678,694	13,204,037	16,920,044	13,204,037	24,158,171	21,648,599
<u>\$ 16,518,778</u>	<u>\$ 14,117,283</u>	<u>\$ 17,575,737</u>	<u>\$ 14,117,283</u>	<u>\$ 27,216,119</u>	<u>\$ 28,499,742</u>
\$ 35,866,450	\$ 32,265,740	\$ 34,587,366	\$ 32,265,740	\$ 42,189,068	\$ 56,272,435
5,628,202	5,056,323	5,420,890	5,056,323	4,019,549	(6,233,102)
(1,722,777)	14,624,165	19,797,413	14,624,165	17,134,321	15,506,770
-	-	(2,309,871)	-	(1,793,022)	(994,400)
<u>\$ 39,771,875</u>	<u>\$ 51,946,228</u>	<u>\$ 57,495,798</u>	<u>\$ 51,946,228</u>	<u>\$ 61,549,916</u>	<u>\$ 64,551,703</u>

CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
<b>Revenues</b>				
Taxes	\$ 12,145,745	\$ 12,917,656	\$ 13,322,848	\$ 16,122,937
Licenses and permits	1,101,306	1,404,391	1,710,193	3,881,645
Fines and forfeits	497,184	570,310	816,296	906,319
Interest and rentals	3,056,658	3,676,296	3,030,611	4,268,074
Intergovernmental	5,273,000	4,075,991	5,192,049	6,244,652
Charges for services	7,538,233	4,876,372	5,903,197	6,500,963
Developers fees	926,971	617,600	5,542,329	4,753,461
Contributions	-	-	6,288,152	7,302,877
Other	259,915	985,492	797,986	339,603
Total revenues	<u>30,799,012</u>	<u>29,124,108</u>	<u>42,603,661</u>	<u>50,320,531</u>
<b>Expenditures</b>				
General government	5,316,698	4,907,318	4,286,829	5,373,998
Public safety	9,823,689	9,779,027	10,112,102	10,550,937
Police				
Fire				
Economic development	5,476,939	4,617,370	5,946,663	8,911,931
Public works				
Community development				
Beaches, parks and recreation	3,846,811	3,207,887	3,662,489	4,004,865
Capital outlay	7,096,849	6,254,260	7,743,892	15,809,239
Debt service:				
Property tax shift	-	-	-	-
Principal retirements	414,378	778,559	104,655	278,197
Interest and fiscal charges	532,331	509,034	345,740	590,175
Total expenditures	<u>32,507,695</u>	<u>30,053,455</u>	<u>32,202,370</u>	<u>45,519,342</u>
Excess of revenues over (under) expenditures	(1,708,683)	(929,347)	10,401,291	4,801,189
<b>Other financing sources (uses)</b>				
Proceeds from debt issue	6,256,343	-	-	-
Advance from component unit	1,210,000	942,490	-	-
Repayment of advances	(210,000)	-	-	-
Transfers in	2,597,845	3,193,762	2,665,175	4,363,371
Transfers out	(2,797,265)	(2,853,732)	(2,396,925)	(4,171,001)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>7,056,923</u>	<u>1,282,520</u>	<u>268,250</u>	<u>192,370</u>
Net change in fund balances	<u>\$ 5,348,240</u>	<u>\$ 353,173</u>	<u>\$ 10,669,541</u>	<u>\$ 4,993,559</u>
Debt service as a percentage of noncapital expenditures	4%	5%	2%	3%

Source: City of San Clemente

Fiscal Year						
	2001	2002	2003	2004	2005	2006
\$	18,363,313	\$ 19,089,136	\$ 21,345,336	\$ 24,065,057	\$ 29,758,524	\$ 33,375,587
	5,361,788	4,774,658	3,860,693	4,345,416	3,201,431	3,271,025
	956,556	960,459	996,500	872,930	913,447	921,583
	5,507,379	5,721,366	4,072,323	1,188,381	4,048,545	3,783,715
	6,600,977	10,905,720	6,913,673	6,519,475	5,116,208	6,748,776
	7,812,347	7,973,166	7,762,794	10,555,824	9,721,047	9,096,580
	10,259,902	17,538,825	7,276,576	4,712,400	4,257,756	4,397,324
	-	-	1,683,347	239,424	600	10,611
	421,206	1,036,922	1,330,126	188,133	125,515	191,600
	<u>55,283,468</u>	<u>68,000,252</u>	<u>55,241,368</u>	<u>52,687,040</u>	<u>57,143,073</u>	<u>61,796,801</u>
	5,199,048	5,521,902	4,970,714	5,281,848	6,062,696	6,506,896
	10,636,471	11,212,588	12,635,091	13,335,293	14,196,737	9,569,745
						5,670,855
	9,634,966	9,832,234	9,708,155	11,033,231	13,766,323	8,520,415
						5,194,929
	5,003,671	5,535,420	6,358,051	7,024,902	7,281,436	7,763,991
	17,853,001	17,184,889	17,879,090	8,891,849	9,229,162	11,343,516
	-	-	40,957	72,464	149,284	152,953
	291,540	772,199	93,748	156,820	80,000	85,000
	554,090	543,426	369,162	356,256	339,956	331,731
	<u>49,172,787</u>	<u>50,602,658</u>	<u>52,054,968</u>	<u>46,152,663</u>	<u>51,105,594</u>	<u>55,140,031</u>
	6,110,681	17,397,594	3,186,400	6,534,377	6,037,479	6,656,770
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3,632,371	4,773,789	10,957,023	3,651,763	4,861,030	4,515,034
	(2,700,273)	(9,188,219)	(4,719,729)	(3,218,083)	(4,347,450)	(6,886,394)
	-	-	-	1,103,924	-	-
	<u>932,098</u>	<u>(4,414,430)</u>	<u>6,237,294</u>	<u>1,537,604</u>	<u>513,580</u>	<u>(2,371,360)</u>
\$	<u>7,042,779</u>	<u>\$ 12,983,164</u>	<u>\$ 9,423,694</u>	<u>\$ 8,071,981</u>	<u>\$ 6,551,059</u>	<u>\$ 4,285,410</u>
	3%	4%	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		
1996 - 1997	\$ 3,789,588,632	\$ 90,678,015	\$ 3,880,266,647	1.00%
1997 - 1998	3,868,157,332	100,846,907	3,969,004,239	1.00%
1998 - 1999	4,066,052,856	114,128,037	4,180,180,893	1.00%
1999 - 2000	4,489,427,283	125,775,162	4,615,202,445	1.00%
2000 - 2001	5,025,254,373	113,271,434	5,138,525,807	1.00%
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%

NOTE:

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

Source: Orange County Auditor Controller's Office



Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Taxable Actual Value
\$ 3,880,266,647	100%
3,969,004,239	100%
4,180,180,893	100%
4,615,202,445	100%
5,138,525,807	100%
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%

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Orange County Flood Control District	\$ -	\$ -	\$ -	\$ -
Metropolitan Water District	.0089	.0089	.0089	.0089
Capistrano Unified School District (various issues)	.0030	.0024	.0009	-
Tri-Cities Municipal Water District	-	-	-	-
Capistrano Beach Sanitary District	-	-	-	-
Total Basic Tax Levy per Article 13A of California State Constitution	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
	<u>\$ 1.0119</u>	<u>\$ 1.0113</u>	<u>\$ 1.0098</u>	<u>\$ 1.0089</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.

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
.0088	.0077	.0067	.0061	.0058	.0047
.0086	.0083	.0105	.0129	.0119	.0095
-	-	-	-	-	-
-	-	-	-	-	-
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
<u>\$ 1.0174</u>	<u>\$ 1.0160</u>	<u>\$ 1.0172</u>	<u>\$ 1.0190</u>	<u>\$ 1.0177</u>	<u>\$ 1.0142</u>

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

Taxpayer	Type of Business	2006			1997		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Bre Properties, Inc.	Real Estate	\$ 57,000,641	1	0.56%	\$ -		
Seacrest Apartment Holding Company	Real Estate	53,918,262	2	0.53%	-		
SAF Whispering Winds LLC	Real Estate	46,427,650	3	0.45%	-		
Centro Watt Operating Partnership LLC	Real Estate	39,079,446	4	0.38%	-		
Standard Pacific Corporation	Real Estate	36,823,537	5	0.36%	-		
ICU Medical, Inc.	Medical	33,169,837	6	0.32%	10,274,272	7	0.26%
Cox Communications Orange	Public Utilities	22,844,343	7	0.22%	-		
Heritage Golf Talega LLC	Golf Course	19,067,773	8	0.19%	-		
Alberton's Inc.	Grocery Store	17,585,424	9	0.17%	-		
Shea Homes Limited Partnership	Real Estate	17,230,410	10	0.17%	-		
Samaritan Health System	Hospital	-			20,867,593	1	0.54%
Yee, Eric	Real Estate	-			19,642,014	2	0.51%
Pacific Golf Club, Inc.	Golf Club	-			18,664,948	3	0.48%
Whispering Winds Apartments	Real Estate	-			13,750,000	4	0.35%
US Bancorp Financial, Inc.	Financial	-			13,161,000	5	0.34%
T-PAC Investments, Inc.	Real Estate	-			11,079,093	6	0.29%
Matsushita International	Commercial	-			7,978,979	8	0.21%
M & H Realty Partners	Real Estate	-			6,334,000	9	0.16%
Overstreet, Monte	Real Estate	-			6,000,000	10	0.15%
		<u>\$ 343,147,323</u>		<u>3.35%</u>	<u>\$ 127,751,899</u>		<u>3.29%</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
1996 - 1997	\$ 9,337,804	\$ 9,263,205	99.20%	\$ 257,630	\$ 9,520,835	101.96%	\$ 252,975	2.71%
1997 - 1998	7,684,452	7,593,383	98.81%	103,349	7,696,732	100.16%	204,054	2.66%
1998 - 1999	8,184,611	7,797,963	95.20%	94,421	7,892,384	96.40%	268,116	3.28%
1999 - 2000	9,611,137	9,386,921	97.67%	194,126	9,581,047	99.69%	252,919	2.63%
2000 - 2001	11,354,546	11,138,314	98.10%	228,028	11,366,342	100.10%	270,748	2.38%
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	15,143,845	98.95%	299,444	15,443,289	100.91%	216,357	1.42%
2004 - 2005	16,559,037	21,306,966	128.67%	216,894	21,523,860	129.98%	281,451	1.70%
2005 - 2006	20,652,249	26,157,146	126.66%	248,893	26,406,039	127.86%	440,028	2.13%

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.

Source: Orange County Auditor Controller's Office

CITY OF SAN CLEMENTE

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Certificates of Participation	Special Assessment Bonds	Capital Leases	Capital Leases			
1996 - 1997	\$ 3,620,000	\$ 30,859,940	\$ 1,260,014	\$ 236,610	\$ 35,976,564	2.50%	761
1997 - 1998	3,570,000	26,190,000	1,186,992	539,444	31,486,436	2.06%	653
1998 - 1999	3,520,000	41,545,000	1,109,019	141,991	46,316,010	2.89%	940
1999 - 2000	3,460,000	39,090,000	1,025,963	340,452	43,916,415	2.58%	873
2000 - 2001	3,400,000	37,355,000	1,091,349	85,531	41,931,880	2.18%	799
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

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 Deconomic Statistics for personal income and population data.

Source: City of San Clemente

CITY OF SAN CLEMENTE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2006

2005-06 assessed valuation was \$9,999,403,871 (\$9,810,768,749 plus  
Redevelopment Agency incremental valuation of \$188,635,122)

	%	Debt
	Applicable	June 30, 2006
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
Orange County Teeter Plan Obligations	3.185%	\$ 3,940,641
Metropolitan Water District	0.671%	2,613,981
Capistrano Unified School District School Facilities Improvement District No. 1	22.38%	13,450,447
Santa Margarita Water District CFD No. 99-1	59.26%	58,875,821
Capistrano Unified School District Community Facilities District No. 90-2	94.07%	94,456,235
City of San Clemente Community Facilities District No. 99-1	100%	5,685,000
City of San Clemente 1915 Act Bonds	100%	20,750,000
<b>TOTAL OVERLAPPING TAX AND ASSESSED DEBT</b>		<b>199,772,125</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>		
Orange County General Fund Obligations	3.185%	20,066,201
Orange County Pension Obligations	3.185%	3,175,964
Orange County Transit Authority	3.185%	78,670
Orange County Board of Education Certificates of Participation	3.185%	631,267
Orange County Fire Authority	6.245%	1,041,042
Municipal Water District of Orange County Water Facilities Corporation	3.791%	1,069,252
South Coast Water District Revenue Bonds	2.784%	96,605
South Orange County Community College District Certificates of Participation	7.523%	2,918,172
Capistrano Unified School District Certificates of Participation	18.220%	7,001,035
Capistrano Bay Park and Recreation District Certificates of Participation	0.004%	117
City of San Clemente Certificates of Participation	100%	3,025,000
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>39,103,325</b>
LESS: ORANGE COUNTY TRANSIT AUTHORITY (80% SELF-SUPPORTING)		62,936
LESS: MWDOC WATER FACILITIES CORPORATION (100% SELF-SUPPORTING)		1,069,252
LESS: SOUTH COAST WATER DISTRICT (100% SELF-SUPPORTING)		96,605
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 37,874,532</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>238,875,450</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>237,646,657</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.

Source: California Municipal Statistics

CITY OF SAN CLEMENTE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 3,880,266,647	\$ 3,969,004,239	\$ 4,180,180,893	\$ 4,615,202,445
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	970,066,662	992,251,060	1,045,045,223	1,153,800,611
Debt limit percentage	15%	15%	15%	15%
Debt limit	145,509,999	148,837,659	156,756,783	173,070,092
Total net debt applicable to limit	<u>3,162,483</u>	<u>3,042,183</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 142,347,516</u>	<u>\$ 145,795,476</u>	<u>\$ 156,756,783</u>	<u>\$ 173,070,092</u>
Total net debt applicable to the limit as a percentage of debt limit	2%	2%	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					
2001	2002	2003	2004	2005	2006
\$ 5,138,525,807	\$ 5,886,511,281	\$ 6,831,695,883	\$ 7,738,679,928	\$ 7,707,375,828	\$ 9,999,403,871
25%	25%	25%	25%	25%	25%
1,284,631,452	1,471,627,820	1,707,923,971	1,934,669,982	1,926,843,957	2,499,850,968
15%	15%	15%	15%	15%	15%
192,694,718	220,744,173	256,188,596	290,200,497	289,026,594	374,977,645
-	-	-	-	-	-
<u>\$ 192,694,718</u>	<u>\$ 220,744,173</u>	<u>\$ 256,188,596</u>	<u>\$ 290,200,497</u>	<u>\$ 289,026,594</u>	<u>\$ 374,977,645</u>
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	School Enrollment (3)	Unemployment Rate (4)
1996 - 1997	47,305	\$ 1,439,964	\$ 30,440	36	N/A	6,840	3.6%
1997 - 1998	48,250	1,526,388	31,635	36	N/A	7,642	2.1%
1998 - 1999	49,253	1,599,885	32,483	36	N/A	7,404	1.9%
1999 - 2000	50,302	1,702,722	33,850	36	N/A	7,538	2.0%
2000 - 2001	52,455	1,921,531	36,632	37	N/A	8,287	2.0%
2001 - 2002	54,919	2,062,044	37,547	38	N/A	8,104	3.2%
2002 - 2003	60,701	2,343,726	38,611	38	90%	8,487	3.10%
2003 - 2004	63,100	2,367,512	37,520	38	90%	8,733	2.50%
2004 - 2005	65,338	2,493,102	38,157	38	90%	9,072	3.00%
2005 - 2006	66,280	2,617,529	39,492	38	90%	9,361	2.70%

- Sources: (1) State Department of Finance  
 (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	2006			1997		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
ICU Medical	604	10	2.13%	Not available		
Don Roberto Jewelers	550	9	1.94%			
San Clemente Hospital, Memorial	320	8	1.13%			
San Juan Capistrano Fiesta	265	7	0.93%			
Wal-Mart	235	6	0.83%			
Campus Crusade for Christ	210	5	0.74%			
Fisherman's Restaurant	195	4	0.69%			
City of San Clemente	191	3	0.67%			
Inspirational Films	180	2	0.63%			
Albertson's Grocery	110	1	0.39%			

" 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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	29	26	26	27	28	28	28	28	30	29
Public safety										
Police (contract)	-	57	57	57	62	63	63	63	55	55
Fire (contract)	-	37	37	37	37	37	37	37	41	42
Marine Safety	12	12	12	13	13	13	13	13	13	7
Community Development										
Engineering	19	18	19	20	22	22	22	22	23	24
Building	12	12	13	14	12	13	13	14	15	22
Code Compliance	-	-	-	-	3	3	3	3	4	4
Planning	10	10	10	10	10	10	10	12	12	12
Administration	3	3	4	4	3	3	3	3	3	3
Public Works	3	3	3	3	3	3	3	3	3	3
Maintenance	23	13	13	15	16	16	15	16	16	17
Beaches, Parks, and Recreation	22	17	17	20	25	25	27	30	31	23
Water	15	12	16	16	20	23	23	23	23	22
Sewer	20	16	13	13	15	17	17	17	18	24
Clean Ocean	-	-	-	-	-	-	4	4	5	7
Storm Drain Utility	2	2	2	2	1	1	1	1	2	2
Solid Waste	-	1	1	1	1	1	1	1	1	1
Golf Course	17	16	16	16	16	16	16	16	16	10
<b>Total</b>	<b>187</b>	<b>255</b>	<b>259</b>	<b>268</b>	<b>287</b>	<b>292</b>	<b>299</b>	<b>306</b>	<b>311</b>	<b>305</b>

Source: City of San Clemente Budget



CITY OF SAN CLEMENTE

OPERATING INDICATORS  
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Police</b>					
Arrests - adult/juvenile	N.A.	N.A.	N.A.	N.A.	1,910
Parking citations issued	17,984	18,287	18,311	23,298	21,128
<b>Fire</b>					
Number of fire calls	117	110	97	101	110
Number of emergency medical calls	1,399	1,583	1,593	1,610	1,713
Inspections	N.A.	2,700	2,799	2,799	2,557
<b>Highways and streets</b>					
Street resurfacing (miles)	N.A.	19.59	24.08	28.58	31.90
<b>Beach, parks and recreation</b>					
Number of recreation classes, activities, and clinics	N.A.	69	289	242	434
Total experiences in classes, activities, and clinics	N.A.	58,000	75,933	70,288	157,544
Total number of facility rentals	N.A.	N.A.	2,200	1,242	2,572
Golf rounds played	119,210	108,800	111,027	109,884	100,887
<b>Water</b>					
New customers	267	213	331	114	344
Average daily consumption (thousands of gallons)	8,097	7,290	7,912	8,905	8,519
<b>Sewer</b>					
New customers	(681)	81	418	114	131
Average daily sewage treatment (thousands of gallons)	N.A.	4,380	4,630	4,410	4,380

N.A. - not available

Source: City of San Clemente

Fiscal Year				
2002	2003	2004	2005	2006
2,216	1,519	1,951	2,192	2,492
24,347	22,742	21,947	23,623	22,523
99	86	89	77	81
1,689	1,937	2,262	2,324	2,365
2,700	1,786	1,320	1,396	1,647
40.38	40.83	45.46	48.94	51.59
N.A.	2,187	3,221	3,704	4,033
N.A.	152,538	154,560	174,792	170,015
N.A.	3,173	3,208	3,414	3,398
96,298	77,985	86,379	73,847	86,564
547	320	186	95	156
9,398	9,127	9,226	8,602	10,333
584	243	265	117	901
4,360	4,430	4,450	4,660	4,708

CITY OF SAN CLEMENTE

CAPITAL ASSET STATISTICS  
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	1997	1998	1999	2000	2001
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	121.20	122.08	122.08	122.08	122.08
Streetlights	2,810	2,810	2,842	3,115	2,956
Traffic signals	34	35	38	44	44
Beach, parks and recreation					
Parks	17	18	18	18	18
Swimming pools	1	1	1	1	1
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)	158.40	158.90	161.44	166.44	167.90
Fire hydrants	1,890	1,929	1,968	2,009	2,051
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Sewer					
Sanitary sewers (miles)	167.70	167.80	171.32	175.82	176.90
Storm sewers (miles)	38.10	38.30	42.30	49.30	51.40
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976

N.A. - not available

Source: City of San Clemente



	Fiscal Year				
	2002	2003	2004	2005	2006
	1	1	1	1	1
	3	3	3	3	3
	127.14	131.76	132.60	133.10	131.10
	2,967	3,039	3,183	3,185	3,259
	48	51	58	69	68
	19	19	19	21	21
	1	1	1	2	2
	1	1	1	1	1
	1	1	1	1	1
	1	1	1	1	1
	170.60	172.80	172.90	172.90	173.10
	2,093	2,135	2,179	2,224	2,230
	12,500	12,500	12,500	12,500	13,571
	178.40	179.15	179.15	179.15	179.15
	53.50	57.60	57.60	57.60	62.50
	6,976	6,976	6,976	6,976	6,976