



City of San Clemente, California



Comprehensive Annual Financial Report June 30, 2005

CITY OF SAN CLEMENTE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2005



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, 2005

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Comprehensive Annual Financial Report
June 30, 2005
Introductory Section



City of San Clemente

November 10, 2005

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, 2005.

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, 2005. 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 for 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 principals (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 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 or Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Manager.

Local economy. The City, with a current population of 65,338, 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 2008. The City has seen a corresponding increase in commercial and retail activity as well. Approximately 131,000 square feet of commercial space has been added in the last year. 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 are 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;

- La Pata/Vista Hermosa Master Plan
- Downtown Strategic Plan – Visioning
- Foothill South Corridor
- San Clemente Pedestrian Beach Trail
- Coastal Canyons and Bluffs – Zoning Amendment
- Landmark Preservation Ordinance
- Residential Bulk and Massing Analysis

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;

- Urban Runoff Management Plan
- New Fire Station and Senior Center
- San Gorgonio Park – Sports Field Enhancements
- Marblehead Coastal Parks & Trails Master Plans
- Sidewalk Repair – Obstruction Removal and Infill
- Beach, Park and Streetscape Design and Maintenance Standards

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 a key issue facing the City during its annual review of the Vital Few Priorities;

- New Development Tracking/Permit System

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

- Expansion of Joint-Use Agreement/City and Capistrano Unified School District (CUSD)

Current capital projects. City Council approved a \$13.5 million Capital Improvement Program for fiscal year 2004-05. Significant projects included \$1.3 million for sports field lighting and fencing upgrades at San Gorgonio Park, \$2.2 million for the Water Reclamation Plant land outfall cathodic protection and \$4.8 million for construction of the Rail Corridor Pedestrian Beach Trail. Additionally, the City approved the carry forward of \$23.3 million of Capital Projects started prior to the 2004-05 fiscal year. Major projects carried forward included \$2.2 million for the construction of a new fire station in Talega, \$2.4 million for Downtown El

Camino Real revitalization, \$3.6 million for construction of the Municipal Golf course clubhouse and \$3.2 million for development of the Richard T. Steed Youth Sportsfield.

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 158 street projects, representing approximately 45.46 miles of the street system, have been completed. During fiscal year 2004-05, 15 projects, representing approximately .46 miles of the street system 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 is anticipated to begin in fiscal year 2005-06 and is projected to be completed during fiscal year 2006-07.

Long-term financial planning. In 1993 the City began a long term financial strategic planning process, which is produced annually and 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 2.48% for the fiscal year.

Risk management. Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City is fully-funded for known liability and workers' compensation claims, and also for estimated claims incurred but not reported. The City maintains excess liability insurance to provide coverage beyond the self insured retention of \$100,000 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, 2004. This was the nineteenth 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 2004. This was the fourteenth consecutive year that the City received this prestigious award.

These awards are both valid for a period of one year only. We believe that our current CAFR continues to meet both Programs requirements. The City will submit the CAFR to both the GFOA and CSMFO 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 Gudgeirsson
Assistant City Manager, City Treasurer

Thomas Rendina
Finance Manager

CITY OF SAN CLEMENTE

PRINCIPAL OFFICIALS

CITY COUNCIL

Joe Anderson, Mayor
G. Wayne Eggleston, Mayor Pro Tem
Jim Dahl
Stephanie Dorey
Susan Ritschel

PLANNING COMMISSION

Nesa Anderson
Carol Bonner
Lori Donchak
David Hahn
Michael Kaupp
Dorothy Prohaska
Donald Prime

PARKS AND RECREATION COMMISSION

Ann Dickson
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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

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.*

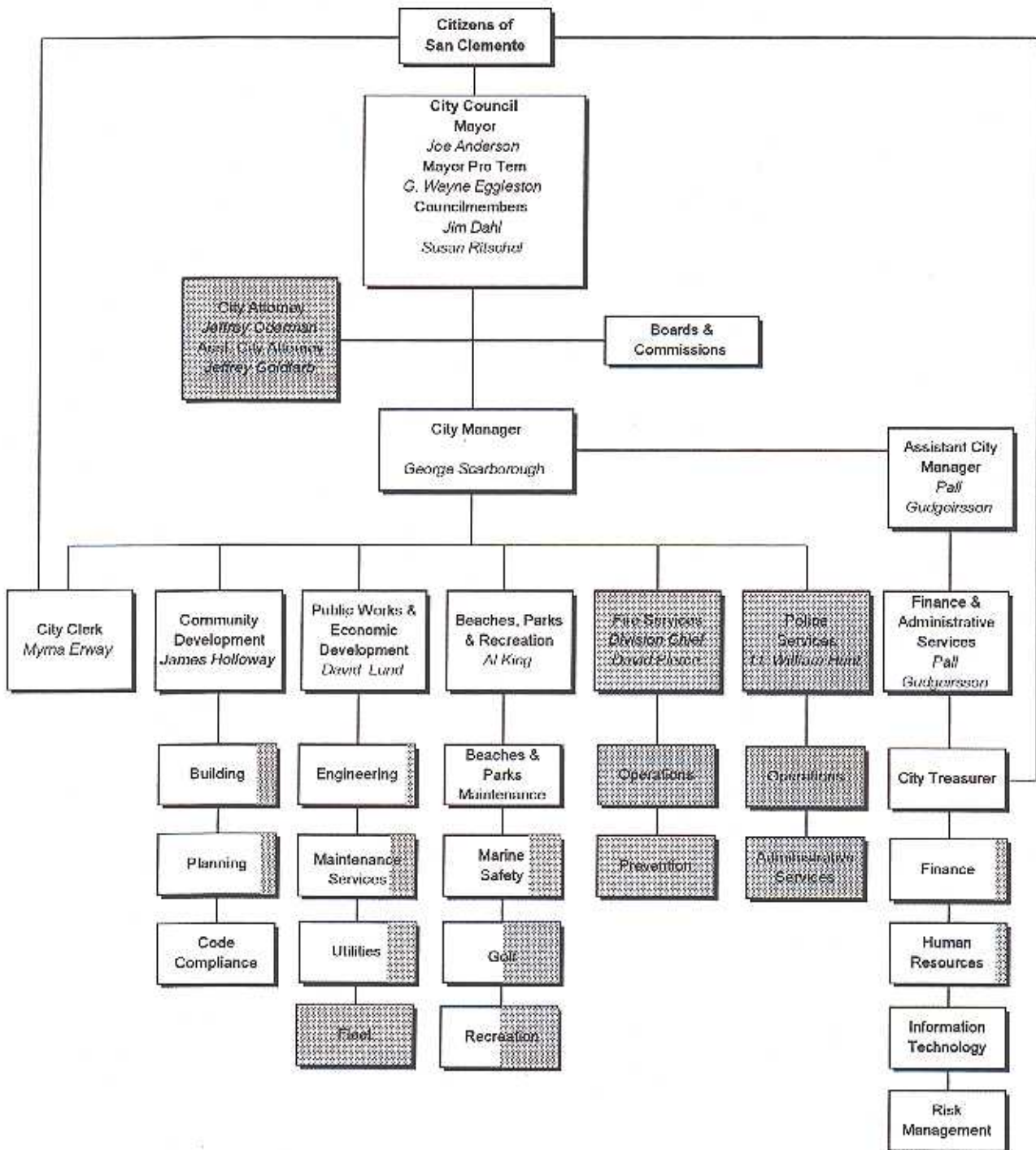
February 24, 2005


William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

City Organization Chart



 Shading indicates contracted services



Comprehensive Annual Financial Report
June 30, 2005
Financial Section

September 30, 2005

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, 2005, 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, 2005, 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 30, 2005 on our consideration of the City of San Clemente internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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.

1 Moreland & Associates, Inc.



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, 2005 and June 30, 2004. 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 4.1% to \$375.0 million as a result of this year's operations.
- During the year, the City's taxes and other governmental revenues exceeded expenses by \$11.5 million.
- Governmental net assets total \$202.2 million.
- The total revenues from all sources were \$82.7 million.
- The total cost of all City programs was \$67.9 million.
- The General Fund reported excess revenues over expenditures of \$6.6 million.
- For the General Fund, actual resources received exceeded final budget by \$5.9 million while actual expenditures were \$6.5 million less than final budget.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$21.1 million or 57% 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, 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) is included as an integral part of the City's financial statements and reported as a blended component unit.

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, 2005 and June 30, 2004.

Table 1
Net Assets
(in millions)

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-type Activities <u>2005</u>	Business-type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
Current and other assets	\$104.5	\$ 98.3	\$ 53.0	\$ 50.1	\$157.5	\$ 148.4
Capital assets, net	110.4	104.8	122.5	122.0	232.9	226.8
Total assets	214.9	203.1	175.5	172.1	390.4	375.2
Current liabilities	7.0	7.5	2.1	1.5	9.1	9.0
Long-term liabilities	5.7	4.9	0.6	1.1	6.3	6.0
Total liabilities	12.7	12.4	2.7	2.6	15.4	15.0
Net assets:						
Invested in capital assets, net of related debt	107.2	101.4	122.5	122.4	229.7	223.8
Restricted	60.7	60.1	35.0	34.3	95.7	94.4
Unrestricted	<u>34.3</u>	<u>29.2</u>	<u>15.3</u>	<u>12.8</u>	<u>49.6</u>	<u>42.0</u>
Total Net Assets	<u>\$ 202.2</u>	<u>\$ 190.7</u>	<u>\$ 172.8</u>	<u>\$ 169.5</u>	<u>\$ 375.0</u>	<u>\$ 360.2</u>

The city's assets exceeded liabilities by \$375.0 million at June 30, 2005 as compared to \$360.2 million at June 30, 2004.

By far the largest portion of the City's net assets (61 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 net assets increased \$14.8 million during the current fiscal year. General Equipment and Machinery increased \$0.3 million, Water and Sewer lines increased \$2.5 million, Improvements other than Buildings increased \$3.8 million, and Infrastructure increased \$1.2 million as a result of Developer contributions from the continued build-out of undeveloped areas within the City.

An additional portion of the City's net assets (25.5 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net assets increased \$1.3 million from the prior fiscal year. The remaining balance of unrestricted net assets (\$49.6 million) may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$15.3 million is held by the business-type activities and \$34.3 million by the governmental activities. The San Clemente Redevelopment Agency (the Agency), a blended component unit of the City, represents \$1.8 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 \$14.8 million during the year.

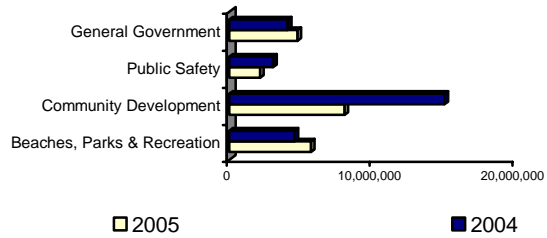
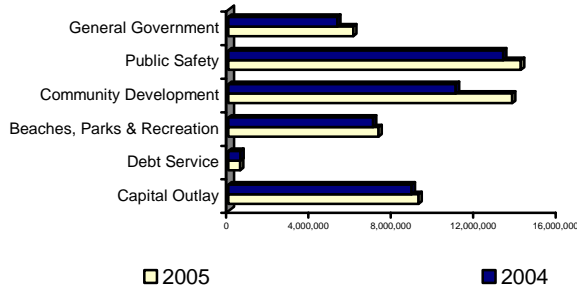
Table 2
Summary of Activities
(in millions)

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business- type Activities <u>2005</u>	Business- type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
Revenues						
Program revenues:						
Charges for services	\$ 19.5	\$ 22.4	\$ 24.0	\$ 24.3	\$ 43.5	\$ 46.7
Operating grants/contrib.	1.0	0.7		2.1	1.0	2.8
Capital grants/contrib.	0.3	3.5	0.9		1.2	3.5
General revenues:						
Property taxes	19.9	14.6			19.9	14.6
Sales taxes	5.2	6.2			5.2	6.2
Other taxes and fees	7.8	7.2	0.7		8.5	7.2
Other	3.4	1.2			3.4	1.2
Total revenues	57.1	55.8	25.6	26.4	82.7	82.2
Expenses:						
General government	6.7	5.3			6.7	5.3
Public safety	14.2	13.3			14.2	13.3
Community development	16.7	13.8			16.7	13.8
Beaches, parks & rec.	8.3	7.2			8.3	7.2
Interest and fiscal charges	0.4	0.4			0.4	0.4
Water			10.7	10.2	10.7	10.2
Sewer			7.8	6.6	7.8	6.6
Golf			1.9	1.9	1.9	1.9
Other			1.2	1.0	1.2	1.0
Total expenses	46.3	40.0	21.6	19.7	67.9	59.7
Increase in net assets before transfers	10.8	15.8	4.0	6.7	14.8	22.5
Transfers	0.7	0.6	(0.7)	(0.6)		
Increase in net assets	11.5	16.4	3.3	6.1	14.8	22.5
Net assets – July 1	<u>190.7</u>	<u>174.3</u>	<u>169.5</u>	<u>163.4</u>	<u>360.2</u>	<u>337.7</u>
Net assets – June 30	<u>\$ 202.2</u>	<u>\$ 190.7</u>	<u>\$ 172.8</u>	<u>\$ 169.5</u>	<u>\$ 375.0</u>	<u>\$ 360.2</u>

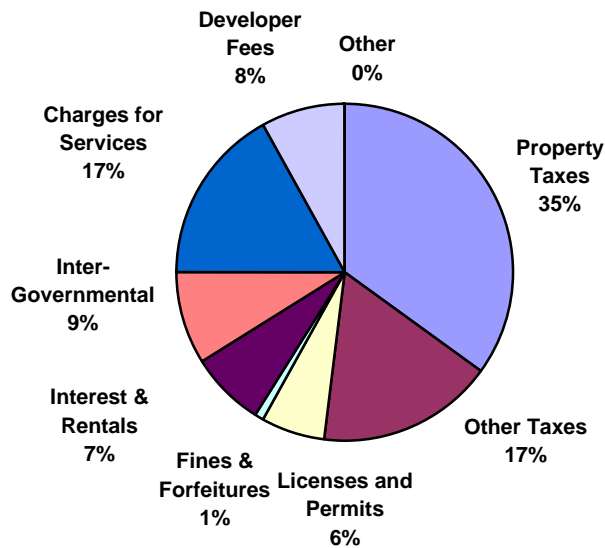
Governmental activities. Governmental activities increased the City’s net assets by \$11.5 million as compared to a \$16.4 million increase in the previous year.

Expenses – Governmental Activities

Program Revenues – Governmental Activities



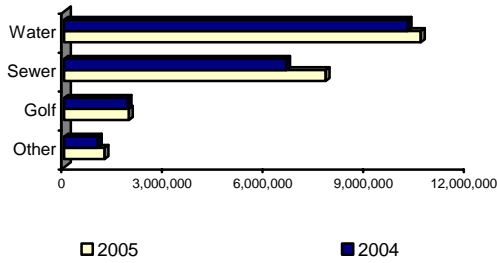
**Revenues by Source – Governmental Fund
Fiscal Year 2004-05**



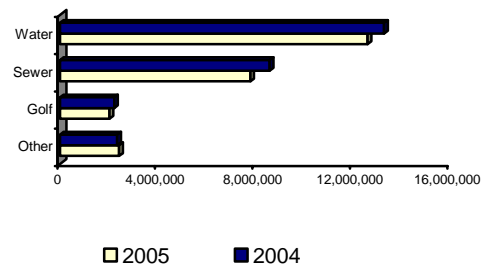
Function	2005 <u>Amounts</u>	% of <u>Total</u>	2004 <u>Amount</u>	% of <u>Total</u>
Property Taxes	\$19.9	35%	\$14.6	28%
Other Taxes	9.9	17%	9.5	18%
Licenses & Permits	3.2	6%	4.3	8%
Fines & Forfeitures	0.9	1%	0.9	2%
Interest & Rentals	4.0	7%	1.2	2%
Inter-Governmental	5.1	9%	6.5	12%
Charges for Services	9.7	17%	10.6	20%
Developer Fees	4.3	8%	4.7	9%
Other	0.1	0%	0.4	1%
	<u>\$57.1</u>	<u>100%</u>	<u>\$52.7</u>	<u>100%</u>

Business-type activities. Business-type activities increased the City’s net assets by \$3.3 million as compared to \$6.1 million in the previous year.

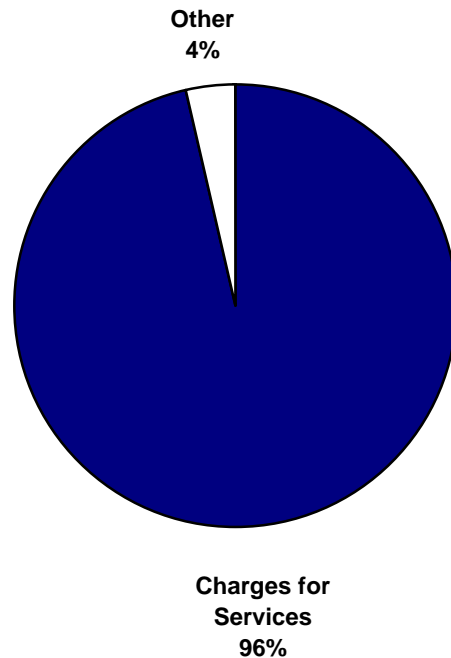
Expenses – Business-type activities



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 \$88.8 million, an increase of \$6.5 million in comparison with the prior year. Approximately half of this amount (\$43.5 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The unreserved fund balance increased \$7.2 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 (\$16.0 million), 2) for public facilities construction (\$16.0 million), and 3) for a variety of other restricted purposes (\$13.3 million). This represents a combined decrease from the previous year of \$0.8 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 \$24.2 million, of which \$3.0 million was designated for future operating and economic contingencies. Unreserved fund balance increased \$4.6 million from the previous year, of which \$0.3 million of the increase was designated for future operating and economic contingencies. The total fund balance reached \$27.2 million, an increase of \$6.7 million from the previous year.

The fund balance of the City's General Fund increased by \$6.7 million during the current fiscal year as compared to a budgeted decrease of \$5.9 million. This variance of \$12.6 million is due to actual revenues exceeding budget by \$5.9 million, expenditure savings of \$6.5 million achieved as a result of tight fiscal controls, and Other Financing Sources of \$0.2 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 \$7.6 million, \$2.8 million and (\$0.9) million, respectively. The total change in unrestricted net assets of these funds was \$0.9 million, \$0.6 million and (\$0.6) million, respectively. In total, unrestricted net assets for all proprietary funds increased \$1.6 million, or 16.3%, from the previous year. Total Enterprise Fund Net Assets increased from \$165.9 million in 2004 to \$169.4 million in 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Property tax revenue was increased by \$0.2 million.
- Permit revenue was decreased by \$0.7 million.
- Motor vehicle tax was increased by \$0.1 million.
- Charges for services were increased by \$0.2 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 \$1.7 million and can be summarized as follows:

- Appropriations of \$0.4 million for general government expenditures.
- Appropriations of \$0.4 million for beaches, parks and recreation expenditures.
- Reduction of \$0.3 million for public safety expenditures.
- Appropriations of \$1.1 million for community development expenditures.
- Appropriations of \$0.1 million for capital outlays.

The actual results when compared to the final budget for expenditures were lower than anticipated in the community development category and the capital outlay category due to a delay in certain maintenance and capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$232.9 million (net of accumulated depreciation) as compared to the June 30, 2004 total of \$226.8 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 \$6.1 million (\$5.1 million for governmental activities and \$1.0 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 decreased from \$9.2 million in fiscal year 2004 to \$4.1 million in fiscal year 2005. Construction in progress totaled \$32.9 million at June 30, 2005, an increase of \$4.1 million over the previous fiscal year, and depreciation expense during the fiscal year was \$3.0 million for governmental activities and \$3.3 million for business-type activities as compared to \$2.8 million and \$3.1 million respectively in the previous fiscal year. Further information can be found related to the Capital Assets in the Notes to the Financial Statements.

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

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business- type Activities <u>2005</u>	Business- type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
Land	\$ 36.4	\$ 36.4	\$ 4.0	\$ 4.0	\$ 40.4	\$ 40.4
Infrastructure	34.3	34.3	50.2	48.8	84.5	83.1
Buildings & Improvements	16.6	13.6	55.6	57.7	72.2	71.3
Equipment	1.8	2.0	1.1	1.2	2.9	3.2
Construction-in- progress	<u>21.3</u>	<u>19.0</u>	<u>11.6</u>	<u>9.8</u>	<u>32.9</u>	<u>28.8</u>
Totals	<u>\$ 110.4</u>	<u>\$ 105.3</u>	<u>\$ 122.5</u>	<u>\$ 121.5</u>	<u>\$ 232.9</u>	<u>\$ 226.8</u>

Long-term Liabilities. At the end of the current fiscal year, the City had total bonded debt of \$3.1 million outstanding and no significant outstanding balance of capitalized lease obligations. The principal payment of \$80,000 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.

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

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-type Activities <u>2005</u>	Business-type Activities <u>2004</u>
Certificates of Participation	<u>3.1</u>	<u>3.2</u>	-	-
Total	<u>\$ 3.1</u>	<u>\$ 3.2</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, 2005

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments:	\$ 96,893,631	\$ 11,599,523	\$ 108,493,154
Receivables (net of allowance for uncollectibles)	7,153,581	3,185,901	10,339,482
Due from other government	2,047,182	828	2,048,010
Inventories	-	252,058	252,058
Internal balances	(2,709,819)	2,709,819	-
Prepaid items	519,590	-	519,590
Total Current Assets	103,904,165	17,748,129	121,652,294
Non-current assets			
Restricted cash and investment:	612,102	35,220,625	35,832,727
Loans receivable	33,703	29,548	63,251
Non-depreciable capital assets	57,777,588	15,614,948	73,392,536
Depreciable capital assets (net of accumulated depreciation)	52,623,483	106,913,408	159,536,891
Total Noncurrent Assets	111,046,876	157,778,529	268,825,405
Total Assets	214,951,041	175,526,658	390,477,699
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	3,895,509	1,746,506	5,642,015
Accrued wages	517,202	84,958	602,160
Deferred revenue	288,939	-	288,939
Deposits payable	1,550,724	204,255	1,754,979
Current portion of long-term obligation	793,513	83,501	877,014
Total Current Liabilities	7,045,887	2,119,220	9,165,107
Non-current liabilities			
Claims and judgments payable	1,635,547	-	1,635,547
Compensated absences	1,033,211	558,818	1,592,029
Noncurrent portion of long-term obligation	3,044,485	-	3,044,485
Total Noncurrent Liabilities	5,713,243	558,818	6,272,061
Total Liabilities	12,759,130	2,678,038	15,437,168
<u>NET ASSETS</u>			
Invested in capital assets, net of related deb	107,200,967	122,528,356	229,729,323
Restricted for:			
Public facilities constructior	17,660,030	35,045,918	52,705,948
Local drainage facilities	3,309,080	-	3,309,080
Developer improvement:	8,206,704	-	8,206,704
Park acquisition and developmen	15,740,961	-	15,740,961
Other capital	13,614,928	-	13,614,928
Low and moderate income housin	2,114,368	-	2,114,368
Unrestricted	34,344,873	15,274,346	49,619,219
Total Net Assets	\$ 202,191,911	\$ 172,848,620	\$ 375,040,531

See Accompanying Notes to Financial Statements.

CITY OF SAN CLEMENTE
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,714,032	\$ 4,734,491	\$ -	\$ 46,518
Public safety	14,217,552	2,039,859	132,152	-
Community development	16,654,803	7,167,035	824,712	74,839
Beaches, parks & recreation	8,316,082	5,521,121	-	205,455
Interest and fiscal charges	345,345	-	-	-
Total governmental activities	46,247,814	19,462,506	956,864	326,812
Business-type activities:				
Water	\$ 10,636,696	\$ 12,236,707	\$ -	\$ 375,412
Sewer	7,798,634	7,276,394	-	530,973
Golf	1,934,882	2,034,533	-	-
Other	1,207,503	2,428,837	-	-
Total business-type activities	21,577,715	23,976,471		906,385
Total	\$ 67,825,529	\$ 43,438,977	\$ 956,864	\$ 1,233,197

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, as restated

Net Assets - End of Year

See Accompanying Notes to Financial Statement:

Net (Expense) Revenue and
Changes in Net Assets

Net (Expense) Revenue	Governmental Activities	Business-type Activities	Total
\$ (1,933,023)	\$ (1,933,023)	\$ -	\$ (1,933,023)
(12,045,541)	(12,045,541)	-	(12,045,541)
(8,588,217)	(8,588,217)	-	(8,588,217)
(2,589,506)	(2,589,506)	-	(2,589,506)
(345,345)	(345,345)	-	(345,345)
<u>(25,501,632)</u>	<u>(25,501,632)</u>	<u>-</u>	<u>(25,501,632)</u>
\$ 1,975,423	\$ -	\$ 1,975,423	\$ 1,975,423
8,733	-	8,733	8,733
99,651	-	99,651	99,651
1,221,334	-	1,221,334	1,221,334
<u>3,305,141</u>	<u>-</u>	<u>3,305,141</u>	<u>3,305,141</u>
<u>\$ (22,196,491)</u>	<u>(25,501,632)</u>	<u>3,305,141</u>	<u>(22,196,491)</u>
	19,904,158	-	19,904,158
	5,199,568	-	5,199,568
	1,625,595	-	1,625,595
	1,161,392	-	1,161,392
	1,727,451	-	1,727,451
	2,608,978	-	2,608,978
	636,041	-	636,041
	2,626,787	761,419	3,388,206
	798,840	-	798,840
	22,867	(2,371)	20,496
	692,970	(692,970)	-
	<u>37,004,647</u>	<u>66,078</u>	<u>37,070,725</u>
	11,503,015	3,371,219	14,874,234
	<u>190,688,896</u>	<u>169,477,401</u>	<u>360,166,297</u>
	<u>\$ 202,191,911</u>	<u>\$ 172,848,620</u>	<u>\$ 375,040,531</u>

CITY OF SAN CLEMENTE
Balance Sheet
Governmental Funds
June 30, 2005

	General	Capital Project Public Facilities Construction
Assets:		
Cash and investments	\$ 22,964,921	\$ 18,157,318
Receivables (net of allowance for uncollectibles)		
Taxes	2,219,107	-
Accounts	288,408	-
Accrued interest	375,161	144,111
Loan	-	-
Due from other funds	359,380	-
Due from other governments	1,492,929	-
Prepaid items	18,900	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Loans receivable	33,703	-
Advances to other funds	3,857,120	-
Total Assets	\$ 31,609,629	\$ 18,301,429
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,987,755	\$ 641,399
Accrued wages	253,146	-
SMIT tax payable	11,824	-
Apportionment fees	5,652	-
Advances from other funds	-	-
Deferred revenue	778,482	-
Deposits payable	1,356,651	-
Due to other funds	-	-
Total Liabilities	4,393,510	641,399
Fund Balance:		
Reserved:		
Encumbrances	2,982,948	1,648,422
Park acquisition and development	-	-
Local drainage	-	-
Low and moderate income housing	-	-
Loans, notes, taxes and receivable	33,703	-
Employee computer purchase loan program	41,297	-
Developer improvements	-	-
Accrued leave	-	-
Capital equipment replacement	-	-
Public facilities construction	-	16,011,608
Unreserved:		
Designated for contingencies	3,011,640	-
Undesignated	21,146,531	-
Undesignated, reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital projects funds	-	-
Total Fund Balance	27,216,119	17,660,030
Total Liabilities and Fund Balance	\$ 31,609,629	\$ 18,301,429

See Accompanying Notes to Financial Statements.

<u>Capital Project Parks Acquisition and Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 15,648,065	\$ 28,739,398	\$ 85,509,702
-	136,178	2,355,285
-	119,521	407,929
124,195	226,592	870,059
-	3,430,398	3,430,398
-	-	359,380
-	548,337	2,041,266
-	500,000	518,900
-	612,102	612,102
-	-	33,703
-	-	3,857,120
<u>\$ 15,772,260</u>	<u>\$ 34,312,526</u>	<u>\$ 99,995,844</u>
\$ 31,299	\$ 934,496	\$ 3,594,949
-	3,570	256,716
-	-	11,824
-	-	5,652
-	3,073,120	3,073,120
-	1,600,962	2,379,444
-	194,073	1,550,724
-	357,380	357,380
<u>31,299</u>	<u>6,163,601</u>	<u>11,229,809</u>
4,994,467	6,390,716	16,016,553
253,906	-	253,906
-	2,444,118	2,444,118
-	815,776	815,776
-	2,298,245	2,331,948
-	-	41,297
-	6,213,876	6,213,876
-	300,338	300,338
-	817,596	817,596
-	-	16,011,608
-	-	3,011,640
-	-	21,146,531
-	4,019,549	4,019,549
-	(1,793,022)	(1,793,022)
10,492,588	6,641,733	17,134,321
<u>15,740,961</u>	<u>28,148,925</u>	<u>88,766,035</u>
<u>\$ 15,772,260</u>	<u>\$ 34,312,526</u>	<u>\$ 99,995,844</u>

CITY OF SAN CLEMENTE
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2005

Fund balances for governmental funds	\$ 88,766,035
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$108,441,228 is the total assets (net of depreciation) from the governmental funds; internal service funds provided assets (net of depreciation) of \$1,959,843.</p>	110,401,071
<p>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 \$4,207,496; internal service long term debt totaled \$2,299,260.</p>	(6,506,756)
<p>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.</p>	7,441,056
<p>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.</p>	<u>2,090,505</u>
Net assets of governmental activities	<u><u>\$ 202,191,911</u></u>

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, 2005

	General	Capital Project Public Facilities Construction
Revenues:		
Taxes	\$ 27,335,363	\$ -
Licenses and permits	3,201,431	-
Fines and forfeits	913,447	-
Investment and rentals	2,180,646	312,550
Intergovernmental	1,827,054	-
Charges for services	8,043,144	-
Developers fees	-	728,243
Developers contribution	600	-
Other	70,491	-
Total Revenues	43,572,176	1,040,793
Expenditures:		
Current:		
General government	5,541,553	28,965
Public safety	14,049,834	-
Community development	9,843,701	-
Beaches, parks and recreation	7,281,436	-
Capital outlay	257,606	1,893,441
Debt Service:		
Property tax shift	-	-
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	36,974,130	1,922,406
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	6,598,046	(881,613)
Other Financing Sources (Uses):		
Transfers in	1,238,756	32,000
Transfers out	(1,132,660)	-
Total Other Financing Sources (Uses)	106,096	32,000
Net Change in Fund Balances	6,704,142	(849,613)
Fund Balances - Beginning of Year, as restated	20,511,977	18,509,643
Fund Balances - End of Year	\$ 27,216,119	\$ 17,660,030

See Accompanying Notes to Financial Statements.

<u>Capital Project Parks Acquisition and Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,423,161	\$ 29,758,524
-	-	3,201,431
-	-	913,447
234,311	1,321,038	4,048,545
146,455	3,142,699	5,116,208
-	1,677,903	9,721,047
3,503,687	25,826	4,257,756
-	-	600
66	54,958	125,515
<u>3,884,519</u>	<u>8,645,585</u>	<u>57,143,073</u>
-	492,178	6,062,696
-	146,903	14,196,737
34,220	3,888,402	13,766,323
-	-	7,281,436
73,144	7,004,971	9,229,162
-	149,284	149,284
-	80,000	80,000
-	339,956	339,956
<u>107,364</u>	<u>12,101,694</u>	<u>51,105,594</u>
<u>3,777,155</u>	<u>(3,456,109)</u>	<u>6,037,479</u>
-	3,590,274	4,861,030
(100,000)	(3,114,790)	(4,347,450)
<u>(100,000)</u>	<u>475,484</u>	<u>513,580</u>
3,677,155	(2,980,625)	6,551,059
12,063,806	31,129,550	82,214,976
<u>\$ 15,740,961</u>	<u>\$ 28,148,925</u>	<u>\$ 88,766,035</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, 2005

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

Net change in fund balances - total governmental funds: \$ 6,551,059

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 \$7,469,189 and depreciation expense for the governmental funds totaled \$2,525,555. The effect of the sale of capital assets was (\$10,937). The affect of the internal service fund activity is included in the adjustment below. 4,932,697

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The loss on sale of assets (\$33,804) is included in this amount. The assets and liabilities of the internal service funds are included in the statement of net assets. 52,698

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 compensated absences and governmental principal reduction of \$80,000 for the Certificates of Participation and the governmental portion of the capital lease. (9,388)

In the statement of activities, deferred revenue was recognized as revenue in the amount of \$356,117 and reduced by the prior year deferral of \$380,168. (24,051)

Change in net assets of governmental activities \$ 11,503,015

See Accompanying Notes to Financial Statements.



CITY OF SAN CLEMENTE
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Assets:			
Current Assets:			
Cash and investments	\$ 7,172,380	\$ 2,472,243	\$ 28,192
Receivables (net allowances for uncollectible accounts)	1,413,734	1,019,535	17,658
Accrued interest	149,740	187,559	18,995
Inventory, at cost	163,425	50,070	38,563
Due from other governments	828	-	-
Prepays	-	-	-
Current restricted assets:			
Cash and investments:			
Water deposits	204,255	-	-
Developer impact fee reserves	8,858,521	7,094,778	-
Capital outlay replacement	2,631,399	14,064,524	2,367,148
Total Current Assets	<u>20,594,282</u>	<u>24,888,709</u>	<u>2,470,556</u>
Noncurrent Restricted Assets:			
Notes receivable	<u>-</u>	<u>29,548</u>	<u>-</u>
Capital Assets:			
Land	3,660,761	371,298	2,011
Water, sewer and storm lines	23,143,138	49,600,613	-
Utility assets	15,882,632	68,476,676	-
Buildings	175,941	211,884	879,751
Improvements other than buildings	-	-	3,174,799
Machinery and equipment	206,622	794,435	795,164
Construction in progress	2,600,536	8,535,718	219,879
Subtotal	<u>45,669,630</u>	<u>127,990,624</u>	<u>5,071,604</u>
Less accumulated depreciation	<u>(14,561,134)</u>	<u>(40,291,152)</u>	<u>(1,779,861)</u>
Total Capital Assets (net of accumulated depreciation)	<u>31,108,496</u>	<u>87,699,472</u>	<u>3,291,743</u>
Total Noncurrent Assets	<u>31,108,496</u>	<u>87,729,020</u>	<u>3,291,743</u>
Total Assets	<u>51,702,778</u>	<u>112,617,729</u>	<u>5,762,299</u>

See Accompanying Notes to Financial Statements

<u>Enterprise Funds</u>		
<u>Nonmajor</u>	<u>Totals</u>	<u>Internal Service</u>
\$ 1,926,708	\$ 11,599,523	\$ 11,383,929
363,388	2,814,315	1,585
15,292	371,586	88,325
-	252,058	-
-	828	5,916
-	-	690
-	204,255	-
-	15,953,299	-
-	19,063,071	-
<u>2,305,388</u>	<u>50,258,935</u>	<u>11,480,445</u>
-	29,548	-
-	4,034,070	-
-	72,743,751	-
-	84,359,308	-
-	1,267,576	201,986
-	3,174,799	19,307
234,941	2,031,162	4,749,229
224,745	11,580,878	505,125
459,686	179,191,544	5,475,647
(31,041)	(56,663,188)	(3,515,804)
<u>428,645</u>	<u>122,528,356</u>	<u>1,959,843</u>
<u>428,645</u>	<u>122,557,904</u>	<u>1,959,843</u>
<u>2,734,033</u>	<u>172,816,839</u>	<u>13,440,288</u>

(Continued)
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CITY OF SAN CLEMENTE
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2005

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	\$ 1,072,778	\$ 606,880	\$ 27,857
Accrued wages	28,262	31,421	17,350
Due to other funds	-	-	2,000
Long-term liabilities, current portion	26,236	35,552	16,156
Total Current Liabilities			
Payable from Current Assets	1,127,276	673,853	63,363
Payable from Restricted Assets:			
Deposits payable	204,255	-	-
Total Current Liabilities	1,331,531	673,853	63,363
Noncurrent Liabilities:			
Capitalized lease obligations	-	-	-
Compensated absences payable	175,580	237,924	108,118
Claims and judgments payable	-	-	-
Advances from other funds	-	-	784,000
Total Noncurrent Liabilities	175,580	237,924	892,118
Total Liabilities	1,507,111	911,777	955,481
Net Assets:			
Invested in capital assets, net of related debt	31,108,496	87,699,472	3,291,743
Restricted	11,489,920	21,188,850	2,367,148
Unrestricted	7,597,251	2,817,630	(852,073)
Total Net Assets	\$ 50,195,667	\$ 111,705,952	\$ 4,806,818

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

<u>Enterprise Funds</u>		
<u>Nonmajor</u>	<u>Totals</u>	<u>Internal Service</u>
\$ 38,991	\$ 1,746,506	\$ 283,084
7,925	84,958	260,486
-	2,000	-
5,558	83,502	565,838
<u>52,474</u>	<u>1,916,966</u>	<u>1,109,408</u>
-	204,255	-
<u>52,474</u>	<u>2,121,221</u>	<u>1,109,408</u>
-	-	19,484
37,195	558,817	78,391
-	-	1,635,547
-	784,000	-
<u>37,195</u>	<u>1,342,817</u>	<u>1,733,422</u>
<u>89,669</u>	<u>3,464,038</u>	<u>2,842,830</u>
428,645	122,528,356	1,928,773
-	35,045,918	-
<u>2,215,719</u>	<u>11,778,527</u>	<u>8,668,685</u>
<u>\$ 2,644,364</u>	169,352,801	<u>\$ 10,597,458</u>
	<u>3,495,819</u>	
	<u>\$ 172,848,620</u>	

CITY OF SAN CLEMENTE
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 11,913,897	\$ 7,247,460	\$ 1,852,747
Concessions	-	-	177,305
Other	322,810	28,934	4,481
Total Operating Revenues	12,236,707	7,276,394	2,034,533
Operating Expenses:			
Salaries and benefits	1,680,540	1,729,038	856,188
Cost of purchased water	5,567,762	-	-
Cost of materials and supplies	176,935	266,361	132,236
Depreciation	771,758	2,240,503	215,210
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	2,387,696	3,516,472	699,893
Total Operating Expenses	10,584,691	7,752,374	1,903,527
Operating Income (Loss)	1,652,016	(475,980)	131,006
Non-Operating Revenues (Expenses):			
Investment income	305,582	391,597	36,622
Interest and fiscal charges	-	-	-
Gain (Loss) on sale of capital assets	-	(2,371)	-
Total Non-Operating Revenues (Expenses)	305,582	389,226	36,622
Income (Loss) Before Operating Transfers and Capital Contributions	1,957,598	(86,754)	167,628
Transfers in	30,000	196,000	-
Transfers out	(144,040)	(33,080)	(425,000)
Total Transfers	(114,040)	162,920	(425,000)
Capital Contributions	375,412	530,973	-
Change in Net Assets	2,218,970	607,139	(257,372)
Net Assets - Beginning of Year	47,976,697	111,098,813	5,064,190
Net Assets - End of Year	<u>\$ 50,195,667</u>	<u>\$ 111,705,952</u>	<u>\$ 4,806,818</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
\$ 2,041,483	\$ 23,055,587	\$ 6,844,076
-	177,305	-
387,354	743,579	487,893
<u>2,428,837</u>	<u>23,976,471</u>	<u>7,331,969</u>
416,029	4,681,795	555,179
-	5,567,762	-
53,320	628,852	434,947
28,203	3,255,674	445,869
-	-	1,943,104
-	-	1,480,731
712,385	7,316,446	2,936,422
<u>1,209,937</u>	<u>21,450,529</u>	<u>7,796,252</u>
<u>1,218,900</u>	<u>2,525,942</u>	<u>(464,283)</u>
27,618	761,419	181,990
-	-	(5,389)
-	(2,371)	33,804
<u>27,618</u>	<u>759,048</u>	<u>210,405</u>
<u>1,246,518</u>	<u>3,284,990</u>	<u>(253,878)</u>
52,260	278,260	179,390
(369,110)	(971,230)	-
<u>(316,850)</u>	<u>(692,970)</u>	<u>179,390</u>
-	906,385	-
929,668	3,498,405	(74,488)
<u>1,714,696</u>	<u>3,498,405</u>	<u>10,671,946</u>
<u>\$ 2,644,364</u>	<u>3,498,405</u>	<u>\$ 10,597,458</u>
	<u>(127,186)</u>	
	<u>\$ 3,371,219</u>	

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds		
	Water	Sewer	Golf Course
Cash Flows from Operating Activities:			
Cash received from customers	\$ 12,151,660	\$ 7,094,075	\$ 1,851,960
Cash paid to other suppliers of goods or services	(7,708,316)	(3,588,308)	(820,807)
Cash payment to employees	(1,690,253)	(1,707,075)	(850,939)
Cash from rents and concessions	-	-	177,305
Cash from other operating revenues	322,810	28,934	4,481
Net Cash Provided by (Used for) Operating Activities	<u>3,075,901</u>	<u>1,827,626</u>	<u>362,000</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	30,000	196,000	-
Cash paid to other funds	(144,040)	(33,080)	(425,000)
Proceeds of advances from other funds	-	-	310,000
Payment on note receivable	-	1,765	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(114,040)</u>	<u>164,685</u>	<u>(115,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	(1,921,272)	(1,275,910)	(72,754)
Proceeds on sale of capital assets	-	-	-
Payment on capital lease payable	-	-	-
Interest and fiscal charges	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,921,272)</u>	<u>(1,275,910)</u>	<u>(72,754)</u>
Cash Flows from Investing Activities:			
Investment income received	275,497	358,056	32,518
Net Cash Provided by (Used for) Investing Activities	<u>275,497</u>	<u>358,056</u>	<u>32,518</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,316,086	1,074,457	206,764
Cash and Cash Equivalents at Beginning of Year	<u>17,550,469</u>	<u>22,557,088</u>	<u>2,188,576</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,866,555</u>	<u>\$ 23,631,545</u>	<u>\$ 2,395,340</u>
Reconciliation of Cash Equivalents to the balance sheet:			
Total cash and investments per the balance sheet	\$ 7,172,380	\$ 2,472,243	\$ 28,192
Total restricted assets per the balance sheet	<u>11,694,175</u>	<u>21,159,302</u>	<u>2,367,148</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 18,866,555</u>	<u>\$ 23,631,545</u>	<u>\$ 2,395,340</u>

See Accompanying Notes to Financial Statements.

Enterprise Funds		Internal
Nonmajor	Totals	Service
\$ 2,025,229	\$ 23,122,924	\$ 6,905,283
(762,726)	(12,880,157)	(5,964,018)
(406,117)	(4,654,384)	(546,236)
-	177,305	-
387,354	743,579	487,893
<u>1,243,740</u>	<u>6,509,267</u>	<u>882,922</u>
52,260	278,260	179,390
(369,110)	(971,230)	-
-	310,000	-
-	1,765	-
<u>(316,850)</u>	<u>(381,205)</u>	<u>179,390</u>
(174,914)	(3,444,850)	(603,543)
-	-	55,566
-	-	(26,874)
-	-	(5,389)
<u>(174,914)</u>	<u>(3,444,850)</u>	<u>(580,240)</u>
13,232	679,303	166,273
<u>13,232</u>	<u>679,303</u>	<u>166,273</u>
765,208	3,362,515	648,345
<u>1,161,500</u>	<u>43,457,633</u>	<u>10,735,584</u>
<u>\$ 1,926,708</u>	<u>\$ 46,820,148</u>	<u>\$ 11,383,929</u>
\$ 1,926,708	\$ 11,599,523	\$ 11,383,929
-	35,220,625	-
<u>\$ 1,926,708</u>	<u>\$ 46,820,148</u>	<u>\$ 11,383,929</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Cash Flow:
Proprietary Funds (Continued)
For the Year Ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 1,652,016	\$ (475,980)	\$ 131,006
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	771,758	2,240,503	215,210
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	247,006	(153,385)	(787)
(Increase) decrease in inventories	(24,304)	29,078	(6,344)
Increase (decrease) in accounts payable	448,381	165,447	17,666
Increase (decrease) in accrued wages	3,286	9,035	1,961
Increase (decrease) in compensated absences	(12,999)	12,928	3,288
Increase (decrease) in claims & judgements payable	-	-	-
Increase (decrease) in deposits payable	(9,243)	-	-
Total Adjustments	1,423,885	2,303,606	230,994
Net Cash Provided by (Used for) Operating Activities	\$ 3,075,901	\$ 1,827,626	\$ 362,000

Noncash investing, capital, and financing
activities:

Contributions of capital assets from developers	375,412	530,973	-
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See Accompanying Notes to Financial Statements.

<u>Enterprise Funds</u>		<u>Internal</u>
<u>Nonmajor</u>	<u>Totals</u>	<u>Service</u>
<u>\$ 1,218,900</u>	<u>\$ 2,525,942</u>	<u>\$ (464,283)</u>
28,203	3,255,674	445,869
(16,254)	76,580	(3,367)
-	(1,570)	-
2,979	634,473	(22,590)
2,254	16,536	59,050
7,658	10,875	7,698
-	-	860,545
-	(9,243)	-
<u>24,840</u>	<u>3,983,325</u>	<u>1,347,205</u>
<u>\$ 1,243,740</u>	<u>\$ 6,509,267</u>	<u>\$ 882,922</u>

-	906,385	-
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CITY OF SAN CLEMENTE
Statement of Net Assets
Fiduciary Funds
June 30, 2005

	Pension Trust	Agency Funds
Assets:		
Taxes receivable	\$ -	\$ 56,913
Accounts receivable	-	15,856
Accrued interest receivable	-	139,781
Restricted cash and investments	-	5,236,613
Restricted cash and investments with fiscal agents	-	3,464,697
Investments, at fair value:		
Group annuity contract	4,303,578	-
Templeton International mutual fund	3,032,101	-
New England Life Large Cap mutual fund	6,055,327	-
New England Life Aggregate mutual fund	4,751,032	-
New England Life Small Cap mutual fund	1,993,169	-
Salomon Brothers U.S. Government mutual fund	410,032	-
	20,545,239	\$ 8,913,860
Total Assets	20,545,239	\$ 8,913,860
Liabilities:		
Accounts payable	-	\$ 53,833
Accrued wages	-	18,318
Deposits payable	-	280,933
Payable to bondholders	-	8,560,776
	-	\$ 8,913,860
Total Liabilities	-	\$ 8,913,860
Net Assets:		
Held in trust for employees' retirement system	\$ 20,545,239	

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, 2005

Contributions:	
Employer	\$ 953,972
Employee	<u>674,525</u>
Total Contributions	<u>1,628,497</u>
Investment Income:	
Net appreciation in fair value of investments	1,331,691
Interest	<u>236,995</u>
Total Investment Income	<u>1,568,686</u>
Total Additions	<u>3,197,183</u>
Deductions:	
Benefits	1,313,794
Administrative expenses	<u>1,509</u>
Total Deductions	<u>1,315,303</u>
Change in net assets	1,881,880
Net assets - Beginning of Year	<u>18,663,359</u>
Net assets - End of Year	<u><u>\$ 20,545,239</u></u>

See Accompanying Notes to Financial Statements



Comprehensive Annual Financial Report
June 30, 2005
Notes to the Financial Statements Section

CITY OF SAN CLEMENTE
Notes to Financial Statements
June 30, 2005

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 Financial Statements (Continued)
June 30, 2005

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 Financial Statements (Continued)
June 30, 2005

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.

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.

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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. 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.

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.

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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 Financial Statements (Continued)
June 30, 2005

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 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 Financial Statements (Continued)
June 30, 2005

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 and compensatory time at June 30, 2005 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

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

estimate for “incurred but not reported claims” (“IBNR”), are recorded in an internal service fund.

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 Talega JPA Special Revenue Fund, 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 \$5,384,122.

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Notes to Financial Statements (Continued)
June 30, 2005

B. Deficit Funds Balance and Excess of Expenditures Over Appropriations

The Redevelopment Debt Service Fund had a deficit fund balance of \$1,809,772. 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, 2004 into the 2004/2005 fiscal year was \$18,328,645, which includes \$13.5 million related to capital project funds.

III. DETAILED NOTES ON ALL FUNDS:

A. Cash and Investments:

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments - unrestricted	\$ 108,493,154
Cash and investments - restricted:	
Cash and investments	35,220,625
Cash and investments held by bond trustee	612,102
Fiduciary funds:	
Cash and investments	5,236,613
Cash and investments held by bond trustee	<u>3,464,697</u>
Total cash and investments	<u><u>\$ 153,027,191</u></u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$	5,050
Deposits with financial institutions		3,488,816
Investments		149,533,325
Total cash and investments	\$	153,027,191

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

Investment 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 Financial Statements (Continued)
June 30, 2005

<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	\$ 38,584,040	\$ 11,930,297	\$ 13,837,108	\$ 12,816,635
Federal agency securities	61,103,633	11,728,693	21,915,119	27,459,821
Corporate medium term notes	18,199,089	2,007,163	8,137,829	8,054,097
Local agency investment fund	27,367,962	27,367,962	-	-
Money market funds	201,802	201,802	-	-
Held by bond trustee:				
Money market funds	1,031,169	1,031,169	-	-
Investment contracts	1,179,470	1,179,470	-	-
Local agency investment fund	336,478	336,478	-	-
Repurchase agreements	1,529,682	1,529,682	-	-
Total	<u>\$ 149,533,325</u>	<u>\$ 57,312,716</u>	<u>\$ 43,890,056</u>	<u>\$ 48,330,553</u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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:

<u>Investment Type</u>		<u>Minimum Rating</u>	<u>Exempt From Rating</u>	<u>Rating as of Year End</u>					
				<u>AAA/AAA</u>	<u>AA3/AA</u>	<u>AA2/AA</u>	<u>AA1/AA</u>	<u>A2/A</u>	<u>A1/A</u>
U.S. Treasury notes	\$ 38,584,040	N/A	\$ 38,584,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal agency securities	61,103,633	N/A	61,103,633	-	-	-	-	-	-
Corporate medium term notes	18,199,089	A	-	2,940,861	7,196,471	3,040,211	2,000,559	990,343	2,030,644
Money market funds	201,802	A	-	201,802	-	-	-	-	-
Local agency investment fund	27,367,962	N/A	27,367,962	-	-	-	-	-	-
Held by Bond trustee:									
Money market funds	1,031,169	N/A	-	1,031,169	-	-	-	-	-
Investment contracts	1,179,470	N/A	1,179,470	-	-	-	-	-	-
Local agency investment fund	336,478	N/A	336,478	-	-	-	-	-	-
Repurchase agreement	1,529,682	N/A	1,529,682	-	-	-	-	-	-
	<u>\$ 149,533,325</u>		<u>\$ 130,101,265</u>	<u>\$ 4,173,832</u>	<u>\$ 7,196,471</u>	<u>\$ 3,040,211</u>	<u>\$ 2,000,559</u>	<u>\$ 990,343</u>	<u>\$ 2,030,644</u>

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury	U.S. Treasury Notes	\$ 38,584,040
FNMA	Federal agency securities	10,921,148
Federal Home Loan Bank	Federal agency securities	15,073,367
Federal Home Loan Mortgage Corp	Federal agency securities	15,753,938
Federal Farm Credit Bank	Federal Agency Securities	15,409,910

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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: \$2,883,372 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2005, 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	\$38,584,040
Federal agency securities	61,103,633
Corporate medium term notes	18,199,089
Money market funds	201,802

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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, 2005 are as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:					
General fund	\$ 2,219,107	\$ 288,408	\$ 33,703	\$ 375,161	\$ 2,916,379
Public facilities fund	-	-	-	144,111	144,111
Parks acquisition and development fund	-	-	-	124,195	124,195
Nonmajor funds	136,178	119,521	3,430,398	226,592	3,912,689
Internal service funds	-	1,585	-	88,325	89,910
	<u>\$ 2,355,285</u>	<u>\$ 409,514</u>	<u>\$ 3,464,101</u>	<u>\$ 958,384</u>	<u>\$ 7,187,284</u>
Business-type Activities:					
Water utility	\$ 1,413,734	\$ -	-	\$ 149,740	\$ 1,563,474
Sewer utility	1,019,535	-	29,548	187,559	1,236,642
Golf course	17,658	-	-	18,995	36,653
Nonmajor funds	363,388	-	-	15,292	378,680
	<u>\$ 2,814,315</u>	<u>\$ 29,548</u>	<u>\$ -</u>	<u>\$ 371,586</u>	<u>\$ 3,215,449</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 Financial Statements (Continued)
June 30, 2005

A summary of changes in capital asset activity for the year ended June 30, 2005 is as follows:

<u>Governmental Activities</u>	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets Not Being Depreciated:				
Land	\$ 36,399,926	\$ -	\$ -	\$ 36,399,926
Construction in progress	19,042,203	9,500,650	(7,165,191)	21,377,662
Total Capital Assets, Not Being Depreciated	<u>55,442,129</u>	<u>9,500,650</u>	<u>(7,165,191)</u>	<u>57,777,588</u>
Capital Assets, Being Depreciated:				
Buildings	12,826,260	-	-	12,826,260
Improvements other than buildings	13,711,695	3,752,878	-	17,464,573
General equipment	5,843,472	358,368	(142,049)	6,059,791
Infrastructure	67,919,609	1,626,027	(418,202)	69,127,434
Total Capital Assets, Being Depreciated	<u>100,301,036</u>	<u>5,737,273</u>	<u>(560,251)</u>	<u>105,478,058</u>
Less Accumulated Depreciation For:				
Buildings	(6,286,725)	(357,578)	-	(6,644,303)
Improvements other than buildings	(6,625,887)	(449,968)	-	(7,075,855)
General equipment	(3,876,892)	(526,558)	109,350	(4,294,100)
Infrastructure	(33,621,199)	(1,637,320)	418,202	(34,840,317)
Total Accumulated Depreciation	<u>(50,410,703)</u>	<u>(2,971,424)</u>	<u>527,552</u>	<u>(52,854,575)</u>
Total Capital Assets, Being Depreciated	<u>49,890,333</u>	<u>2,765,849</u>	<u>(32,699)</u>	<u>52,623,483</u>
Governmental Activities Capital Assets	<u>\$ 105,332,462</u>	<u>\$ 12,266,499</u>	<u>\$ (7,197,890)</u>	<u>\$ 110,401,071</u>

Construction in progress consists primarily of street improvements.

The beginning balances of the capital assets for both governmental and business type activities were restated at July 1, 2004 to properly allocate the internal service fund capital assets to the governmental type activities from the business type activities, as discussed in Note IV.F.

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

A summary of property, plant and equipment at June 30, 2005 for the City's business-type activities is as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Capital Assets Not Being Depreciated:				
Land	\$ 4,034,070	\$ -	\$ -	\$ 4,034,070
Construction in progress	9,786,489	3,612,970	(1,818,581)	11,580,878
 Total Capital Assets, Not Being Depreciated	 <u>13,820,559</u>	 <u>3,612,970</u>	 <u>(1,818,581)</u>	 <u>15,614,948</u>
Capital Assets, Being Depreciated:				
Buildings	1,254,018	13,558	-	1,267,576
Water, sewer, storm lines	70,275,519	2,472,661	(4,429)	72,743,751
Utility assets	84,359,308	-	-	84,359,308
Improvements other than buildings	3,174,799	-	-	3,174,799
Machinery and equipment	1,993,737	70,624	(33,199)	2,031,162
 Total Capital Assets, Being Depreciated	 <u>161,057,381</u>	 <u>2,556,843</u>	 <u>(37,628)</u>	 <u>163,576,596</u>
Less Accumulated Depreciation For:				
Buildings	(666,625)	(34,898)	-	(701,523)
Water, sewer, storm lines	(21,505,894)	(1,045,183)	2,058	(22,549,019)
Utility assets	(29,801,198)	(1,859,443)	-	(31,660,641)
Improvements other than buildings	(681,472)	(131,793)	-	(813,265)
Machinery and equipment	(787,582)	(184,357)	33,199	(938,740)
 Total Accumulated Depreciation	 <u>(53,442,771)</u>	 <u>(3,255,674)</u>	 <u>35,257</u>	 <u>(56,663,188)</u>
 Total Capital Assets, Being Depreciated	 <u>107,614,610</u>	 <u>(698,831)</u>	 <u>(2,371)</u>	 <u>106,913,408</u>
 Business-type Activities Capital Assets	 <u>\$ 121,435,169</u>	 <u>\$ 2,914,139</u>	 <u>\$ (1,820,952)</u>	 <u>\$ 122,528,356</u>

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities		
General government	\$ 11,384	\$ -
Community development	1,881,121	-
Public safety	40,102	-
Beaches, parks and recreation	592,948	-
Internal service	445,869	-
Water	-	771,758
Sewer	-	2,240,503
Golf	-	215,210
Nonmajor	-	28,203
 Total depreciation expense	 <u>\$ 2,971,424</u>	 <u>\$ 3,255,674</u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

D. Interfund receivables, payables, and transfers:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 357,380
General	Golf Course Fund	2,000
Total		<u>\$ 359,380</u>

Advances from/to other funds:

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
Nonmajor governmental funds	General	\$ 3,073,120
Golf Fund	General	784,000
Total		<u>\$ 3,857,120</u>

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.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>							<u>Total</u>
	<u>General Fund</u>	<u>Parks Acquisition and Development Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Golf Course Fund</u>	<u>Nonmajor Proprietary Funds</u>	
General Fund	\$ -	\$ -	\$ 590,646	\$ 25,000	\$ 25,000	\$ 425,000	\$ 173,110	\$ 1,238,756
Public facilities construction	32,000	-	-	-	-	-	-	32,000
Nonmajor Governmental Funds	851,130	100,000	2,524,144	115,000	-	-	-	3,590,274
Water Utility Fund	30,000	-	-	-	-	-	-	30,000
Sewer Utility Fund	-	-	-	-	-	-	196,000	196,000
Nonmajor Proprietary Funds	52,260	-	-	-	-	-	-	52,260
Internal Service Funds	167,270	-	-	4,040	8,080	-	-	179,390
Total	<u>\$ 1,132,660</u>	<u>\$ 100,000</u>	<u>\$ 3,114,790</u>	<u>\$ 144,040</u>	<u>\$ 33,080</u>	<u>\$ 425,000</u>	<u>\$ 369,110</u>	<u>\$ 5,318,680</u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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.

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 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, 2005. 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%.

\$3,110,000

2. Capitalized Lease Obligations:

Central Service Fund – Three lease purchase agreements exist for the leasing of office equipment. The terms of the leases include 60 monthly payments which include interest. The last lease matures in February 2009. The lease payments are governmental-type activities on the statement of net assets. The amount applicable to governmental-type activities is:

\$ 31,070

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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.

\$1,187,600

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, 2005 are as follows:

Year Ending June 30,	Certificates of Participation		Capitalized Lease Obligations	
	Principal	Interest	Principal	Interest
2006	85,000	239,995	11,585	2,274
2007	95,000	233,550	6,749	1,529
2008	100,000	226,385	7,404	874
2009	105,000	218,795	5,332	187
2010	115,000	210,780	-	-
2011-2015	720,000	909,335	-	-
2016-2020	1,045,000	584,225	-	-
2021-2023	845,000	135,225	-	-
Totals	<u>\$ 3,110,000</u>	<u>\$ 2,758,290</u>	<u>\$ 31,070</u>	<u>\$ 4,864</u>

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, 2005 were obligations of the following funds:

Water Utility Fund	\$ 201,816
Sewer Utility Fund	273,476
Golf Course Fund	124,274
Nonmajor Enterprise Funds	<u>42,753</u>
Total	<u>\$ 642,319</u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates of participation	\$ 3,190,000	\$ -	\$ 80,000	\$ 3,110,000	\$ 85,000
Capital lease obligations	57,894	-	26,824	31,070	11,585
Claims and judgments payable (Note IV A)	1,317,541	1,188,731	328,186	2,178,086	542,539
Compensated absences	<u>1,090,514</u>	<u>647,927</u>	<u>550,841</u>	<u>1,187,600</u>	<u>154,389</u>
Governmental Activities Long-term Liabilities	<u>\$ 5,655,949</u>	<u>\$ 1,836,658</u>	<u>\$ 985,851</u>	<u>\$ 6,506,756</u>	<u>\$ 793,513</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 631,444</u>	<u>\$ 239,928</u>	<u>\$ 229,053</u>	<u>642,319</u>	<u>83,501</u>
Business-type Activities Long-term Liabilities	<u>\$ 631,444</u>	<u>\$ 239,928</u>	<u>\$ 229,053</u>	<u>\$ 642,319</u>	<u>\$ 83,501</u>

IV. OTHER INFORMATION

A. Insurance:

The City is a member of the California Insurance Pool Authority (CIPA). CIPA, a consortium of 11 cities in Orange County, California, was established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member agencies make payments based on underwriting estimates. Member agencies may be assessed the difference between funds available and the \$20,000,000 annual aggregate in proportion to their annual premium.

The Governing Board of CIPA is comprised of one member from each participating City and is responsible for the selection of management and for the budgeting and financial management of CIPA.

The self-insured portion for general liability is limited to the first \$100,000 of liability per occurrence. Coverage in excess of this amount is maintained to \$2,000,000 per occurrence for general liability, with a \$20,000,000 annual aggregate by the CIPA.

The City on July 1, 2005 became a member of the California Joint Powers Insurance Authority (CJPIA) for general liability insurance and continues to be self insured for workers compensation insurance with a \$300,000 self insured retention amount per occurrence.

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

At June 30, 2005, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City. The City was self-insured for workers' compensation prior to the 1996-97 fiscal year, at which time the City became fully insured. During the 1997-98 fiscal year, the City paid premiums for workers' compensation. The City became self-insured again during 2003-04 fiscal year. Reserves have been established for payment of claims existing at the time the City was self-insured. The claims payable below includes workers' compensation claims.

Changes in the amount of claims payable for the past two fiscal years are as follows:

	Beginning Balance	Claims Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2003-2004	\$ 1,614,157	\$ 838,874	\$ (1,135,490)	\$ 1,317,541
2004-2005	1,317,541	1,188,731	(328,186)	2,178,086

For the past three years, claims have not exceeded the City's insurance coverage.

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. During the year ended June 30, 2005, the City contracted with PERS for a plan amendment modifying the benefit from 2% at age 50 to 3% at age 55. 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, 2004, the plan had 162 active participants and 72 inactive participants with vested benefits. The plan currently is paying benefits to 44 participants. Stand-alone financial statements are not issued for the CSCERP.

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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 17.8% 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 9.9% of annual covered payroll, an actuarially determined rate.

For 2004-05, the City's annual pension costs of \$70,977 for PERS and \$1,628,497 for CSCERP were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 and July 1, 2003, 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 8.25% 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 3.5% 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, 2002, was one year for prior service unfunded, and eleven years for remaining 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>
6/30/03	\$ 37,528	100.00%	-
6/30/04	26,555	100.00%	-
6/30/05	70,977	100.00%	-

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

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>
6/30/03	\$ 1,131,432	100.00%	-
6/30/04	1,530,309	100.00%	-
6/30/05	1,628,497	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 Financial Statements (Continued)
June 30, 2005

Issue	Amount of Issue	Outstanding June 30, 2005
City of San Clemente 85-1 Refunding Assessment District, 1993	\$ 5,047,885	\$ 995,000
City of San Clemente 85-1 Refunding Assessment District, 1999	7,935,000	2,425,000
City of San Clemente 95-1 Assessment District	6,929,940	3,755,000
City of San Clemente 98-1 Assessment District	15,355,000	14,950,000
City of San Clemente 99-1 Assessment District	1,150,000	965,000
City of San Clemente 99-1 Community Facilities District	5,755,000	5,715,000

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.

F. Restatement to the Financial Statements

The General Fund has been restated due to amounts that were unearned at June 30, 2004, but were previously recorded as revenues.

As a result of the changes the June 30, 2004 fund balance has been restated on the Statement of Revenues, Expenditures and Changes in Fund Balances as follows:

Fund balances as of June 30, 2004 as previously reported	\$ 20,728,237
Restatement	<u>(216,260)</u>
Fund balance as of June 30, 2004 as restated	<u><u>\$ 20,511,977</u></u>

CITY OF SAN CLEMENTE
Notes to Financial Statements (Continued)
June 30, 2005

As a result of the changes the June 30, 2004 Governmental type Net Asset amount has been restated on the statement of activities as follows:

Net assets as of June 30, 2004	
as previously reported	\$ 190,905,156
Restatement	<u>(216,260)</u>
Fund balance as of June 30, 2004	
as restated	<u><u>\$ 190,688,896</u></u>

The beginning balances of the capital assets and the long term debt were restated between the governmental and business types to account for the internal service fund amounts.

	<u>Amounts reported at June 30, 2004</u>	<u>Restated amounts at June 30, 2004</u>	<u>Restatement</u>
Capital Assets:			
Governmental type	\$ 104,752,601	\$ 105,332,462	\$ 579,861
Business type	<u>122,015,030</u>	<u>121,435,169</u>	<u>(579,861)</u>
Total	<u><u>\$ 226,767,631</u></u>	<u><u>\$ 226,767,631</u></u>	<u><u>\$ -</u></u>
Long Term Debt:			
Governmental type	\$ 5,146,994	\$ 5,655,949	\$ 508,955
Business type	<u>1,140,399</u>	<u>631,444</u>	<u>(508,955)</u>
Total	<u><u>\$ 6,287,393</u></u>	<u><u>\$ 6,287,393</u></u>	<u><u>\$ -</u></u>



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF SAN CLEMENTE
PERS Schedule of Funding Progress
June 30, 2005

Funded Status of Plan (in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded/ (Excess) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/01	\$26,991,436	\$28,485,801	\$ 1,494,365	94.8%	\$ 172,181	867.9%
6/30/02	25,324,183	29,663,499	4,339,316	88.7%	226,720	1913.9%
6/30/03	25,115,751	31,249,767	6,134,016	80.4%	237,536	2582.4%

SIX-YEAR TREND INFORMATION FOR CSCERP

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/00	\$ 319,973	100.00%	-
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%	-

See Note to Required Supplementary Information.

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 24,882,100	\$ 25,098,090	\$ 27,335,363	\$ 2,237,273
Licenses and permits	3,508,950	2,718,950	3,201,431	482,481
Fines and forfeits	910,000	968,060	913,447	(54,613)
Investment and rentals	1,379,740	1,379,740	2,180,646	800,906
Intergovernmental	798,940	933,940	1,827,054	893,114
Charges for services	6,201,990	6,404,420	8,043,144	1,638,724
Developers contributor	-	-	600	600
Other	192,250	192,250	70,491	(121,759)
Total Revenues	<u>37,873,970</u>	<u>37,695,450</u>	<u>43,572,176</u>	<u>5,876,726</u>
Expenditures:				
Current:				
General government	5,565,640	5,963,283	5,541,553	421,730
Public safety	14,756,010	14,514,500	14,049,834	464,666
Community developmen	12,016,870	13,074,732	9,843,701	3,231,031
Beaches, parks and recreator	7,734,050	8,157,492	7,281,436	876,056
Capital outlay	1,675,890	1,759,369	257,606	1,501,763
Total Expenditures	<u>41,748,460</u>	<u>43,469,376</u>	<u>36,974,130</u>	<u>6,495,246</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,874,490)</u>	<u>(5,773,926)</u>	<u>6,598,046</u>	<u>12,371,972</u>
Other Financing Sources (Uses):				
Transfers in	1,365,710	1,365,710	1,238,756	(126,954)
Transfers out	(965,390)	(1,442,660)	(1,132,660)	310,000
Total Other Financing Sources (Uses)	<u>400,320</u>	<u>(76,950)</u>	<u>106,096</u>	<u>183,046</u>
Net Change in Fund Balance	<u>(3,474,170)</u>	<u>(5,850,876)</u>	<u>6,704,142</u>	<u>12,555,018</u>
Fund Balance, Beginning of Year as restated	<u>20,511,977</u>	<u>20,511,977</u>	<u>20,511,977</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 17,037,807</u>	<u>\$ 14,661,101</u>	<u>\$ 27,216,119</u>	<u>\$ 12,555,018</u>

See Note to Required Supplementary Information.

CITY OF SAN CLEMENTE
Note to Required Supplementary Information
June 30, 2005

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.

Comprehensive Annual Financial Report
June 30, 2005
Supplementary Information Section

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment and rentals	\$ 397,590	\$ 312,550	\$ (85,040)
Developer fees	740,000	728,243	(11,757)
	<u>1,137,590</u>	<u>1,040,793</u>	<u>(96,797)</u>
Total Revenues			
Expenditures:			
Current:			
General government	31,350	28,965	2,385
Capital outlay	3,541,862	1,893,441	1,648,421
	<u>3,573,212</u>	<u>1,922,406</u>	<u>1,650,806</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	(2,435,622)	(881,613)	1,554,009
Other Financing Sources:			
Transfers in	32,000	32,000	-
	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Net Change in Fund Balance	(2,403,622)	(849,613)	1,554,009
Fund Balance, Beginning of Year	18,509,643	18,509,643	-
	<u>18,509,643</u>	<u>18,509,643</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 16,106,021</u>	<u>\$ 17,660,030</u>	<u>\$ 1,554,009</u>

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 276,000	\$ 234,311	\$ (41,689)
Intergovernmental	1,018,110	146,455	(871,655)
Developer fees	3,800,000	3,503,687	(296,313)
Other	-	66	66
	<u>5,094,110</u>	<u>3,884,519</u>	<u>(1,209,591)</u>
Total Revenues			
Expenditures:			
Current:			
Community development	88,980	34,220	54,760
Capital outlay	6,761,373	73,144	6,688,229
	<u>6,850,353</u>	<u>107,364</u>	<u>6,742,989</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,756,243)	3,777,155	5,533,398
Other Financing Sources (Uses):			
Transfers out	(100,000)	(100,000)	-
	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance			
	(1,856,243)	3,677,155	5,533,398
Fund Balance, Beginning of Year	<u>12,063,806</u>	<u>12,063,806</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,207,563</u>	<u>\$ 15,740,961</u>	<u>\$ 5,533,398</u>



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The Bicycle and Pedestrian Facilities Fund is used to account for expenditures authorized and funded by Section 99234 of the California Transportation Development Act for the improvement and maintenance of county arterial bikeways.

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

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

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

The Miscellaneous Grants Fund - This special revenue 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 - This special revenue fund is used to account for the 20% set aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing, as required by Section 33334.2 of the Health and Safety Code.

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) 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, 2005

	Special Revenue Funds		
	Bicycle and Pedestrian Facilities	Gas Tax	Air Quality Improvement
Assets:			
Cash and investments	\$ -	\$ 2,050,199	\$ 560,854
Receivables:			
Taxes	-	-	-
Accounts	-	-	-
Accrued interest	-	16,272	4,451
Loan	-	-	-
Due from other governments	-	219,466	18,570
Prepaid items	-	500,000	-
Restricted assets:			
Cash and investments with fiscal agent	-	-	-
Total Assets	\$ -	\$ 2,785,937	\$ 583,875
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 116,478	\$ -
Accrued wages	-	-	-
Advances from other funds	-	-	-
Deferred revenue	-	109,000	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Total Liabilities	-	225,478	-
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	-	1,756,096	-
Local drainage	-	-	-
Low and moderate income housing	-	-	-
Loans, notes, taxes, and receivables	-	-	-
Developer improvements'	-	-	-
Accrued leave	-	-	-
Capital equipment replacement	-	-	-
Unreserved - undesignated	-	804,363	583,875
Total Fund Balances (Deficits)	-	2,560,459	583,875
Total Liabilities and Fund Balances	\$ -	\$ 2,785,937	\$ 583,875

Special Revenue Funds					Debt Service Funds	
Street Improvement	Miscellaneous Grants	RDA Low and Moderate Income Housing	Reserve	Talega JPA	Negocio Building	Redevelopment
\$ 4,941,426	\$ 10,507	\$ 818,787	\$ 1,916,700	\$ -	\$ -	\$ 1,200,055
15,570	-	-	-	-	-	120,608
-	85,190	-	-	-	34,331	-
39,219	137	6,499	15,212	-	-	9,525
-	357,160	1,295,592	-	-	-	66,993
16,882	26,089	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	377,052	-
<u>\$ 5,013,097</u>	<u>\$ 479,083</u>	<u>\$ 2,120,878</u>	<u>\$ 1,931,912</u>	<u>\$ -</u>	<u>\$ 411,383</u>	<u>\$ 1,397,181</u>
\$ 410,615	\$ 37,420	\$ 4,749	\$ -	\$ -	\$ -	\$ -
-	-	1,761	1,809	-	-	-
-	-	-	-	-	-	3,073,120
6,581	376,218	708,000	-	-	-	133,833
-	-	-	-	-	37,253	-
-	-	-	-	-	357,380	-
<u>417,196</u>	<u>413,638</u>	<u>714,510</u>	<u>1,809</u>	<u>-</u>	<u>394,633</u>	<u>3,206,953</u>
2,334,152	304,504	3,000	203,548	-	-	-
-	-	-	-	-	-	-
-	-	815,776	-	-	-	-
-	-	587,592	-	-	-	-
-	-	-	-	-	-	-
-	-	-	300,338	-	-	-
-	-	-	817,596	-	-	-
2,261,749	(239,059)	-	608,621	-	16,750	(1,809,772)
<u>4,595,901</u>	<u>65,445</u>	<u>1,406,368</u>	<u>1,930,103</u>	<u>-</u>	<u>16,750</u>	<u>(1,809,772)</u>
<u>\$ 5,013,097</u>	<u>\$ 479,083</u>	<u>\$ 2,120,878</u>	<u>\$ 1,931,912</u>	<u>\$ -</u>	<u>\$ 411,383</u>	<u>\$ 1,397,181</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2005

	<u>Capital Projects Funds</u>		
	<u>Local Drainage Facilities</u>	<u>Developers Improvement</u>	<u>RCFPP</u>
Assets:			
Cash and investments	\$ 3,283,261	\$ 6,834,565	\$ 5,465,229
Receivables:			
Taxes	-	-	-
Accounts	-	-	-
Accrued interest	26,059	54,245	43,376
Loan	-	1,710,653	-
Due from other governments	-	-	267,330
Prepaid items	-	-	-
Restricted Assets:			
Cash and investments with fiscal agent	-	-	-
Total Assets	<u>\$ 3,309,320</u>	<u>\$ 8,599,463</u>	<u>\$ 5,775,935</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 240	\$ 250,015	\$ 16,823
Accrued wages	-	-	-
Advance from general fund	-	-	-
Deferred revenue	-	-	267,330
Deposits payable	-	142,744	-
Due to other funds	-	-	-
Total Liabilities	<u>240</u>	<u>392,759</u>	<u>284,153</u>
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	66,280	282,175	777,573
Local drainage	2,444,118	-	-
Low and moderate income housing	-	-	-
Loans, notes, taxes, and receivables	-	1,710,653	-
Developer improvements	-	6,213,876	-
Accrued leave	-	-	-
Capital equipment replacement	-	-	-
Unreserved - undesignated	798,682	-	4,714,209
Total Fund Balances (Deficits)	<u>3,309,080</u>	<u>8,206,704</u>	<u>5,491,782</u>
Total Liabilities and Fund Balances	<u>\$ 3,309,320</u>	<u>\$ 8,599,463</u>	<u>\$ 5,775,935</u>

Capital Projects Funds

Redevelopment Project	99-1 AD Capital Improvements	99-1 CFD Capital Improvements	98-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ 1,229,776	\$ 231,392	\$ -	\$ 196,647	\$ 28,739,398
-	-	-	-	136,178
-	-	-	-	119,521
9,760	1,837	-	-	226,592
-	-	-	-	3,430,398
-	-	-	-	548,337
-	-	-	-	500,000
-	87,440	147,610	-	612,102
<u>\$ 1,239,536</u>	<u>\$ 320,669</u>	<u>\$ 147,610</u>	<u>\$ 196,647</u>	<u>\$ 34,312,526</u>
\$ 98,156	\$ -	\$ -	\$ -	\$ 934,496
-	-	-	-	3,570
-	-	-	-	3,073,120
-	-	-	-	1,600,962
-	14,076	-	-	194,073
-	-	-	-	357,380
<u>98,156</u>	<u>14,076</u>	<u>-</u>	<u>-</u>	<u>6,163,601</u>
663,388	-	-	-	6,390,716
-	-	-	-	2,444,118
-	-	-	-	815,776
-	-	-	-	2,298,245
-	-	-	-	6,213,876
-	-	-	-	300,338
-	-	-	-	817,596
477,992	306,593	147,610	196,647	8,868,260
<u>1,141,380</u>	<u>306,593</u>	<u>147,610</u>	<u>196,647</u>	<u>28,148,925</u>
<u>\$ 1,239,536</u>	<u>\$ 320,669</u>	<u>\$ 147,610</u>	<u>\$ 196,647</u>	<u>\$ 34,312,526</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds		
	Bicycle and Pedestrian Facilities	Gas Tax	Air Quality Improvement
Revenues:			
Taxes	\$ -	\$ -	\$ -
Investment and rentals	113	43,534	8,948
Intergovernmental	149,143	2,064,423	74,884
Charges for services	-	-	-
Developer fees	-	-	-
Other	-	-	-
Total Revenues	<u>149,256</u>	<u>2,107,957</u>	<u>83,832</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	130,243	-
Capital outlay	-	333,431	-
Debt Service:			
Property tax shift	-	-	-
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>-</u>	<u>463,674</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>149,256</u>	<u>1,644,283</u>	<u>83,832</u>
Other Financing Sources (Uses):			
Transfers in	-	186,246	-
Transfers out	<u>(177,136)</u>	<u>(997,356)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(177,136)</u>	<u>(811,110)</u>	<u>-</u>
Net Change in Fund Balances	<u>(27,880)</u>	<u>833,173</u>	<u>83,832</u>
Fund Balance (Deficit) at Beginning of Year	<u>27,880</u>	<u>1,727,286</u>	<u>500,043</u>
Fund Balance (Deficit) at End of Year	<u><u>\$ -</u></u>	<u><u>\$ 2,560,459</u></u>	<u><u>\$ 583,875</u></u>

Special Revenue Funds				Debt Service Funds		
Street Improvement	Miscellaneous Grants	RDA Low and Moderate Income Housing	Reserve	Talega JPA	Negocio Building	Redevelopment
\$ 636,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,786,198
72,440	3,936	45,126	31,758	-	755,712	29,358
-	576,849	-	-	-	-	-
-	-	-	164,000	93,986	-	-
-	9,984	-	-	-	-	-
35,436	18,028	-	-	-	-	-
<u>744,839</u>	<u>608,797</u>	<u>45,126</u>	<u>195,758</u>	<u>93,986</u>	<u>755,712</u>	<u>1,815,556</u>
-	-	-	91,119	-	388,578	12,481
-	146,903	-	-	-	-	-
191,101	182,845	191,245	-	93,986	-	66,993
1,223,394	-	-	163,351	-	-	-
-	-	-	-	-	-	149,284
-	-	-	-	-	80,000	-
-	-	-	-	-	246,376	93,580
<u>1,414,495</u>	<u>329,748</u>	<u>191,245</u>	<u>254,470</u>	<u>93,986</u>	<u>714,954</u>	<u>322,338</u>
<u>(669,656)</u>	<u>279,049</u>	<u>(146,119)</u>	<u>(58,712)</u>	<u>-</u>	<u>40,758</u>	<u>1,493,218</u>
1,218,730	-	357,240	245,000	-	-	-
-	(300,000)	-	-	-	-	(1,640,298)
<u>1,218,730</u>	<u>(300,000)</u>	<u>357,240</u>	<u>245,000</u>	<u>-</u>	<u>-</u>	<u>(1,640,298)</u>
549,074	(20,951)	211,121	186,288	-	40,758	(147,080)
<u>4,046,827</u>	<u>86,396</u>	<u>1,195,247</u>	<u>1,743,815</u>	<u>-</u>	<u>(24,008)</u>	<u>(1,662,692)</u>
<u>\$ 4,595,901</u>	<u>\$ 65,445</u>	<u>\$ 1,406,368</u>	<u>\$ 1,930,103</u>	<u>\$ -</u>	<u>\$ 16,750</u>	<u>\$ (1,809,772)</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, 2005

	Capital Projects Funds		
	Local Drainage Facilities	Developers Improvement	RCFPP
Revenues:			
Taxes	\$ -	\$ -	\$ -
Investment and rentals	54,755	103,731	128,141
Intergovernmental	-	-	277,400
Charges for services	-	1,419,917	-
Developer fees	621	-	15,221
Other	-	1,494	-
Total Revenues	55,376	1,525,142	420,762
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	18,700	8,530	850,401
Capital outlay	990,000	2,081,444	2,058,503
Debt Service:			
Property tax shift	-	-	-
Principal retirements	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,008,700	2,089,974	2,908,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	(953,324)	(564,832)	(2,488,142)
Other Financing Sources (Uses):			
Transfers in	-	300,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	300,000	-
Net Change in Fund Balances	(953,324)	(264,832)	(2,488,142)
Fund Balance (Deficit) at Beginning of Year	4,262,404	8,471,536	7,979,924
Fund Balance (Deficit) at End of Year	\$ 3,309,080	\$ 8,206,704	\$ 5,491,782

Capital Projects Funds

Redevelopment Project	99-1 AD Capital Improvements	99-1 CFD Capital Improvements	98-1 AD Capital Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,423,161
20,599	16,960	1,940	3,987	1,321,038
-	-	-	-	3,142,699
-	-	-	-	1,677,903
-	-	-	-	25,826
-	-	-	-	54,958
<u>20,599</u>	<u>16,960</u>	<u>1,940</u>	<u>3,987</u>	<u>8,645,585</u>
-	-	-	-	492,178
-	-	-	-	146,903
1,211,243	937,186	539	5,390	3,888,402
154,848	-	-	-	7,004,971
-	-	-	-	149,284
-	-	-	-	80,000
-	-	-	-	339,956
<u>1,366,091</u>	<u>937,186</u>	<u>539</u>	<u>5,390</u>	<u>12,101,694</u>
<u>(1,345,492)</u>	<u>(920,226)</u>	<u>1,401</u>	<u>(1,403)</u>	<u>(3,456,109)</u>
1,283,058	-	-	-	3,590,274
-	-	-	-	(3,114,790)
<u>1,283,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,484</u>
(62,434)	(920,226)	1,401	(1,403)	(2,980,625)
<u>1,203,814</u>	<u>1,226,819</u>	<u>146,209</u>	<u>198,050</u>	<u>31,129,550</u>
<u>\$ 1,141,380</u>	<u>\$ 306,593</u>	<u>\$ 147,610</u>	<u>\$ 196,647</u>	<u>\$ 28,148,925</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Bicycle and Pedestrian Facilities Special Revenue Fund
For the Year Ended June 30, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ -	\$ 113	\$ 113
Intergovernmental	97,000	149,143	52,143
Total Revenues	97,000	149,256	52,256
Other Financing Sources (Uses):			
Transfers out	(176,120)	(177,136)	(1,016)
Net Change in Fund Balance	(79,120)	(27,880)	51,240
Fund Balance, Beginning of Year	27,880	27,880	-
Fund Balance, End of Year	\$ (51,240)	\$ -	\$ 51,240

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 37,530	\$ 43,534	\$ 6,004
Intergovernmental	10,608,082	2,064,423	(8,543,659)
Total Revenues	10,645,612	2,107,957	(8,537,655)
Expenditures:			
Current:			
Community development	267,050	130,243	136,807
Capital outlay	6,502,752	333,431	6,169,321
Total Expenditures	6,769,802	463,674	6,306,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,875,810	1,644,283	(2,231,527)
Other Financing Sources (Uses):			
Transfers in	846,880	186,246	(660,634)
Transfers out	(937,710)	(997,356)	(59,646)
Total Other Financing (Uses)	(90,830)	(811,110)	(720,280)
Net Change in Fund Balance	3,784,980	833,173	(2,951,807)
Fund Balance, Beginning of Year	1,727,286	1,727,286	-
Fund Balance, End of Year	\$ 5,512,266	\$ 2,560,459	\$ (2,951,807)

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 11,610	\$ 8,948	\$ (2,662)
Intergovernmental	60,000	74,884	14,884
Total Revenues	71,610	83,832	12,222
Other Financing Sources (Uses):			
Transfers out	(333,650)	-	333,650
Net Change in Fund Balance	(262,040)	83,832	345,872
Fund Balance, Beginning of Year	500,043	500,043	-
Fund Balance, End of Year	\$ 238,003	\$ 583,875	\$ 345,872

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 760,100	\$ 636,963	\$ (123,137)
Investment and rentals	102,020	72,440	(29,580)
Other	-	35,436	35,436
	<u>862,120</u>	<u>744,839</u>	<u>(117,281)</u>
 Expenditures:			
Current:			
Community development	751,915	191,101	560,814
Capital outlay	3,681,247	1,223,394	2,457,853
	<u>4,433,162</u>	<u>1,414,495</u>	<u>3,018,667</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (3,571,042)	 (669,656)	 2,901,386
 Other Financing Sources (Uses):			
Transfers in	1,613,730	1,218,730	(395,000)
	<u>1,613,730</u>	<u>1,218,730</u>	<u>(395,000)</u>
 Net Change in Fund Balance	 (1,957,312)	 549,074	 2,506,386
 Fund Balance, Beginning of Year	 <u>4,046,827</u>	 <u>4,046,827</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 2,089,515</u>	 <u>\$ 4,595,901</u>	 <u>\$ 2,506,386</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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 3,230	\$ 3,936	\$ 706
Intergovernmental	929,600	576,849	(352,751)
Developer's contribution	-	9,984	9,984
Other	65,000	18,028	(46,972)
Total Revenues	997,830	608,797	(389,033)
Expenditures:			
Current:			
Public safety	123,887	146,903	(23,016)
Community development	417,747	182,845	234,902
Total Expenditures	541,634	329,748	211,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	456,196	279,049	(177,147)
Other Financing Sources (Uses):			
Transfers out	(814,600)	(300,000)	514,600
Net Change in Fund Balance	(358,404)	(20,951)	337,453
Fund Balance, Beginning of Year	86,396	86,396	-
Fund Balance, End of Year	\$ (272,008)	\$ 65,445	\$ 337,453

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 20,541	\$ 45,126	\$ 24,585
Expenditures:			
Current:			
Community development	195,755	191,245	4,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,214)	(146,119)	29,095
Other Financing Sources (Uses):			
Transfers in	328,420	357,240	28,820
Net Change in Fund Balance	153,206	211,121	57,915
Fund Balance, Beginning of Year	1,195,247	1,195,247	-
Fund Balance, End of Year	<u>\$ 1,348,453</u>	<u>\$ 1,406,368</u>	<u>\$ 57,915</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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 40,970	\$ 31,758	\$ (9,212)
Charges for services	164,000	164,000	-
Total Revenues	<u>204,970</u>	<u>195,758</u>	<u>(9,212)</u>
Expenditures:			
Current:			
General government	121,650	91,119	30,531
Capital outlay	293,662	163,351	130,311
Total Expenditures	<u>415,312</u>	<u>254,470</u>	<u>160,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(210,342)</u>	<u>(58,712)</u>	<u>151,630</u>
Other Financing Sources:			
Transfers in	<u>245,000</u>	<u>245,000</u>	<u>-</u>
Net Change in Fund Balance	34,658	186,288	151,630
Fund Balance, Beginning of Year	<u>1,743,815</u>	<u>1,743,815</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,778,473</u></u>	<u><u>\$ 1,930,103</u></u>	<u><u>\$ 151,630</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, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment and rentals	\$ 806,110	\$ 755,712	\$ (50,398)
Expenditures:			
Current:			
General government	448,110	388,578	59,532
Debt service:			
Principal retirement	80,000	80,000	-
Interest and fiscal charges	252,200	246,376	5,824
Total Expenditures	<u>780,310</u>	<u>714,954</u>	<u>65,356</u>
Net Change in Fund Balance	25,800	40,758	14,958
Fund Balance, Beginning of Year	<u>(24,008)</u>	<u>(24,008)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,792</u>	<u>\$ 16,750</u>	<u>\$ 14,958</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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 1,647,080	\$ 1,786,198	\$ 139,118
Investment and rentals	40,080	29,358	(10,722)
Total Revenues	1,687,160	1,815,556	128,396
Expenditures:			
Current:			
General government	12,480	12,481	(1)
Communtiy development	350,000	66,993	283,007
Property tax shift	149,270	149,284	(14)
Debt service:			
Interest and fiscal charges	93,580	93,580	-
Total Expenditures	605,330	322,338	282,992
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,081,830	1,493,218	411,388
Other Financing Sources (Uses):			
Transfers out	(1,278,420)	(1,640,298)	(361,878)
Net Change in Fund Balance	(196,590)	(147,080)	49,510
Fund Balance (Deficit), Beginning of Year	(1,662,692)	(1,662,692)	-
Fund Balance (Deficit), End of Year	\$ (1,859,282)	\$ (1,809,772)	\$ 49,510

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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 96,940	\$ 54,755	\$ (42,185)
Developer fees	5,000	621	(4,379)
Total Revenues	<u>101,940</u>	<u>55,376</u>	<u>(46,564)</u>
Expenditures:			
Current:			
Community development	53,420	18,700	34,720
Capital outlay	<u>1,060,188</u>	<u>990,000</u>	<u>70,188</u>
Total Expenditures	<u>1,113,608</u>	<u>1,008,700</u>	<u>104,908</u>
Net Change in Fund Balance	(1,011,668)	(953,324)	58,344
Fund Balance, Beginning of Year	<u>4,262,404</u>	<u>4,262,404</u>	-
Fund Balance, End of Year	<u><u>\$ 3,250,736</u></u>	<u><u>\$ 3,309,080</u></u>	<u><u>\$ 58,344</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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 132,130	\$ 103,731	\$ (28,399)
Charges for services	2,526,600	1,419,917	(1,106,683)
Developer fees	1,250,000	-	(1,250,000)
Other	-	1,494	1,494
Total Revenues	<u>3,908,730</u>	<u>1,525,142</u>	<u>(2,383,588)</u>
Expenditures:			
Current:			
Community development	8,530	8,530	-
Capital outlay	<u>2,363,618</u>	<u>2,081,444</u>	<u>282,174</u>
Total Expenditures	<u>2,372,148</u>	<u>2,089,974</u>	<u>282,174</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,536,582	(564,832)	(2,101,414)
Other Financing Sources:			
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balance	1,836,582	(264,832)	(2,101,414)
Fund Balance, Beginning of Year	<u>8,471,536</u>	<u>8,471,536</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,308,118</u>	<u>\$ 8,206,704</u>	<u>\$ (2,101,414)</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, 2005

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 181,760	\$ 128,141	\$ (53,619)
Intergovernmental	267,330	277,400	10,070
Developer fees	25,000	15,221	(9,779)
Total Revenues	474,090	420,762	(53,328)
Expenditures:			
Current:			
Community development	1,210,150	850,401	359,749
Capital outlay	2,822,208	2,058,503	763,705
Total Expenditures	4,032,358	2,908,904	1,123,454
Net Change in Fund Balance	(3,558,268)	(2,488,142)	1,070,126
Fund Balance, Beginning of Year	7,979,924	7,979,924	-
Fund Balance, End of Year	\$ 4,421,656	\$ 5,491,782	\$ 1,070,126

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, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment and rentals	\$ 24,740	\$ 20,599	\$ (4,141)
Expenditures:			
Current:			
Community development	1,415,346	1,211,243	204,103
Capital outlay	780,742	154,848	625,894
Total Expenditures	<u>2,196,088</u>	<u>1,366,091</u>	<u>829,997</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,171,348)	(1,345,492)	825,856
Other Financing (Uses):			
Transfers in	<u>950,000</u>	<u>1,283,058</u>	<u>333,058</u>
Net Change in Fund Balance	(1,221,348)	(62,434)	1,158,914
Fund Balance, Beginning of Year	<u>1,203,814</u>	<u>1,203,814</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (17,534)</u></u>	<u><u>\$ 1,141,380</u></u>	<u><u>\$ 1,158,914</u></u>

NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF SAN CLEMENTE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2005

	Clean Ocean	Solid Waste Management	Totals
Assets:			
Current Assets:			
Cash and investments	\$ 1,733,803	\$ 192,905	\$ 1,926,708
Receivables (net of allowances for uncollectible accounts)	354,808	8,580	363,388
Accrued interest	13,761	1,531	15,292
Total Current Assets	2,102,372	203,016	2,305,388
Capital Assets:			
Machinery and equipment	234,941	-	234,941
Construction in progress	224,745	-	224,745
Total Capital Assets	459,686	-	459,686
Less accumulated depreciation	(31,041)	-	(31,041)
Net Capital Assets	428,645	-	428,645
Total Assets	2,531,017	203,016	2,734,033
Liabilities			
Current Liabilities:			
Payable from Current Assets:			
Accounts payable	17,273	21,718	38,991
Accrued wages	7,351	574	7,925
Long-term liabilities, current portion	2,895	2,663	5,558
Total Current Liabilities	27,519	24,955	52,474
Long-Term Liabilities			
Compensated absences payable	19,378	17,817	37,195
Total Liabilities	46,897	42,772	89,669
Net Assets:			
Invested in capital assets	428,645	-	428,645
Unrestricted	2,055,475	160,244	2,215,719
Total Net Assets	\$ 2,484,120	\$ 160,244	\$ 2,644,364

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2005

	<u>Clean Ocean</u>	<u>Solid Waste Management</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,823,342	\$ 218,141	\$ 2,041,483
Other	<u>377,096</u>	<u>10,258</u>	<u>387,354</u>
Total Operating Revenues	<u>2,200,438</u>	<u>228,399</u>	<u>2,428,837</u>
Operating Expenses:			
Salaries and benefits	337,628	78,401	416,029
Depreciation	28,203	-	28,203
Cost of materials and supplies	49,831	3,489	53,320
Maintenance and other operating expenses	<u>565,455</u>	<u>146,930</u>	<u>712,385</u>
Total Operating Expenses	<u>981,117</u>	<u>228,820</u>	<u>1,209,937</u>
Operating Income (Loss)	<u>1,219,321</u>	<u>(421)</u>	<u>1,218,900</u>
Non-Operating Revenues:			
Investment income	<u>24,653</u>	<u>2,965</u>	<u>27,618</u>
Income (Loss) Before Transfers	<u>1,243,974</u>	<u>2,544</u>	<u>1,246,518</u>
Transfers:			
Transfers in	-	52,260	52,260
Transfers out	<u>(369,110)</u>	<u>-</u>	<u>(369,110)</u>
Total Transfers	<u>(369,110)</u>	<u>52,260</u>	<u>(316,850)</u>
Change in Net Assets	874,864	54,804	929,668
Net Assets - Beginning of Year	<u>1,609,256</u>	<u>105,440</u>	<u>1,714,696</u>
Net Assets - End of Year	<u>\$ 2,484,120</u>	<u>\$ 160,244</u>	<u>\$ 2,644,364</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2005

	<u>Clean Ocean</u>	<u>Solid Waste Management</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,815,668	\$ 209,561	\$ 2,025,229
Cash paid to other suppliers of goods or services	(617,271)	(145,455)	(762,726)
Cash payment to employees	(332,556)	(73,561)	(406,117)
Cash from other operating revenues	<u>377,096</u>	<u>10,258</u>	<u>387,354</u>
Net Cash Provided by (Used for) Operating Activities	<u>1,242,937</u>	<u>803</u>	<u>1,243,740</u>
Cash Flows from Noncapital Financing Activities			
Cash received from other funds	-	52,260	52,260
Cash paid to other funds	<u>(369,110)</u>	<u>-</u>	<u>(369,110)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(369,110)</u>	<u>52,260</u>	<u>(316,850)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	<u>(174,914)</u>	<u>-</u>	<u>(174,914)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(174,914)</u>	<u>-</u>	<u>(174,914)</u>
Cash Flows from Investing Activities:			
Investment income received	<u>10,892</u>	<u>2,340</u>	<u>13,232</u>
Net Cash Provided by (Used for) Investing Activities	<u>10,892</u>	<u>2,340</u>	<u>13,232</u>
Net Increase (Decrease) in Cash and Cash Equivalents	709,805	55,403	765,208
Cash and Cash Equivalents at Beginning of Year	<u>1,023,998</u>	<u>137,502</u>	<u>1,161,500</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,733,803</u></u>	<u><u>\$ 192,905</u></u>	<u><u>\$ 1,926,708</u></u>
Reconciliation of Cash and Cash Equivalents to the balance sheet:			
Total cash and investments per the balance sheet	<u><u>\$ 1,733,803</u></u>	<u><u>\$ 192,905</u></u>	<u><u>\$ 1,926,708</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 1,219,321</u>	<u>\$ (421)</u>	<u>\$ 1,218,900</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	28,203	-	28,203
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(7,674)	(8,580)	(16,254)
Increase (decrease) in accounts payable	(1,985)	4,964	2,979
Increase (decrease) in accrued wages	2,495	(241)	2,254
Increase (decrease) in compensated absences	<u>2,577</u>	<u>5,081</u>	<u>7,658</u>
Total Adjustments	<u>23,616</u>	<u>1,224</u>	<u>24,840</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 1,242,937</u></u>	<u><u>\$ 803</u></u>	<u><u>\$ 1,243,740</u></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 retirement 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 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 Orange County Cities Risk Management Association (OCCRMA).

CITY OF SAN CLEMENTE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	Employee Benefits	Central Services
Assets:		
Current Assets:		
Cash and investments	\$ 255,285	\$ 915,633
Receivables (net of allowances for uncollectible accounts):		
Accounts	-	-
Accrued interest	-	7,267
Due from other governments	5,916	-
Prepaid expense	-	690
Total Current Assets	261,201	923,590
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	337,654
Construction in progress	-	-
Total Capital Assets	-	337,654
Less accumulated depreciation	-	(261,364)
Net Capital Assets	-	76,290
Total Assets	261,201	999,880
Liabilities:		
Current Liabilities:		
Accounts payable	6,769	39,665
Accrued wages	251,830	1,415
Long-term liabilities, current portion	-	11,927
Total Current Liabilities	258,599	53,007
Noncurrent Liabilities:		
Capitalized lease obligations	-	19,484
Compensated absences payable	-	2,284
Claims and judgments payable	-	-
Total Noncurrent Liabilities	-	21,768
Total Liabilities	258,599	74,775
Net Assets:		
Invested in capital assets, net of related debt	-	45,220
Unrestricted	2,602	879,885
Total Net Assets	\$ 2,602	\$ 925,105

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 131,463	\$ 4,114,414	\$ 265,946	\$ 2,660,125	\$ 3,041,063	\$ 11,383,929
-	-	1,585	-	-	1,585
1,043	32,655	2,111	21,113	24,136	88,325
-	-	-	-	-	5,916
-	-	-	-	-	690
<u>132,506</u>	<u>4,147,069</u>	<u>269,642</u>	<u>2,681,238</u>	<u>3,065,199</u>	<u>11,480,445</u>
-	201,986	-	-	-	201,986
-	19,307	-	-	-	19,307
1,051,071	3,360,504	-	-	-	4,749,229
148,807	356,318	-	-	-	505,125
<u>1,199,878</u>	<u>3,938,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,475,647</u>
<u>(833,751)</u>	<u>(2,420,689)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,515,804)</u>
<u>366,127</u>	<u>1,517,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,959,843</u>
<u>498,633</u>	<u>5,664,495</u>	<u>269,642</u>	<u>2,681,238</u>	<u>3,065,199</u>	<u>13,440,288</u>
27,046	119,109	28,726	488	61,281	283,084
7,241	-	-	-	-	260,486
11,372	-	-	143,863	398,676	565,838
<u>45,659</u>	<u>119,109</u>	<u>28,726</u>	<u>144,351</u>	<u>459,957</u>	<u>1,109,408</u>
-	-	-	-	-	19,484
76,107	-	-	-	-	78,391
-	-	-	431,588	1,203,959	1,635,547
<u>76,107</u>	<u>-</u>	<u>-</u>	<u>431,588</u>	<u>1,203,959</u>	<u>1,733,422</u>
<u>121,766</u>	<u>119,109</u>	<u>28,726</u>	<u>575,939</u>	<u>1,663,916</u>	<u>2,842,830</u>
366,127	1,517,426	-	-	-	1,928,773
10,740	4,027,960	240,916	2,105,299	1,401,283	8,668,685
<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>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Employee Benefits</u>	<u>Central Services</u>
Operating Revenues:		
Charges for current services	\$ -	\$ 1,085,498
Other	-	89
	<u>-</u>	<u>1,085,587</u>
Total Operating Revenues		
Operating Expenses:		
Salaries and benefits	-	138,759
Cost of materials and supplies	-	52,845
Depreciation	-	42,747
Maintenance and other operating expenses	-	825,374
Workers comp insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
	<u>-</u>	<u>1,059,725</u>
Total Operating Expenses		
Operating Income (Loss)		<u>25,862</u>
Nonoperating Revenues (Expenses):		
Investment income	-	14,795
Interest and fiscal charges	(1,049)	(4,340)
Gain (loss) on sale of property	-	-
	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,049)</u>	<u>10,455</u>
Income (Loss) Before Transfers	<u>(1,049)</u>	<u>36,317</u>
Transfers:		
Transfers in	-	-
	<u>-</u>	<u>-</u>
Total Transfers		
Change in Net Assets	(1,049)	36,317
Net Assets - Beginning of Year	<u>3,651</u>	<u>888,788</u>
Net Assets - End of Year	<u>\$ 2,602</u>	<u>\$ 925,105</u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 941,880	\$ 1,381,890	\$ 1,782,985	\$ 471,343	\$ 1,180,480	\$ 6,844,076
8,785	32,960	4,100	27,218	414,741	487,893
<u>950,665</u>	<u>1,414,850</u>	<u>1,787,085</u>	<u>498,561</u>	<u>1,595,221</u>	<u>7,331,969</u>
416,420	-	-	-	-	555,179
99,262	282,840	-	-	-	434,947
53,557	349,565	-	-	-	445,869
412,482	623,252	6,630	49,114	1,019,570	2,936,422
-	-	-	81,486	-	81,486
-	-	1,490,705	-	-	1,490,705
-	-	-	-	370,913	370,913
-	-	260,195	164,667	1,055,869	1,480,731
<u>981,721</u>	<u>1,255,657</u>	<u>1,757,530</u>	<u>295,267</u>	<u>2,446,352</u>	<u>7,796,252</u>
<u>(31,056)</u>	<u>159,193</u>	<u>29,555</u>	<u>203,294</u>	<u>(851,131)</u>	<u>(464,283)</u>
1,936	69,881	1,797	43,124	50,457	181,990
-	-	-	-	-	(5,389)
<u>(21,762)</u>	<u>55,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,804</u>
<u>(19,826)</u>	<u>125,447</u>	<u>1,797</u>	<u>43,124</u>	<u>50,457</u>	<u>210,405</u>
<u>(50,882)</u>	<u>284,640</u>	<u>31,352</u>	<u>246,418</u>	<u>(800,674)</u>	<u>(253,878)</u>
<u>179,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,390</u>
<u>179,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,390</u>
128,508	284,640	31,352	246,418	(800,674)	(74,488)
<u>248,359</u>	<u>5,260,746</u>	<u>209,564</u>	<u>1,858,881</u>	<u>2,201,957</u>	<u>10,671,946</u>
<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>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Employee Benefits</u>	<u>Central Service</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 61,919	\$ 1,084,808
Cash paid to other suppliers of goods or services	-	(886,095)
Cash payment to employees	-	(137,331)
Cash from other operating revenues	-	89
	<u>61,919</u>	<u>61,471</u>
Net Cash Provided by (Used for) Operating Activities		
Cash Flows from Noncapital Financing Activities:		
Cash received from other funds	-	-
	<u>-</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities		
	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase and construction of capital assets	-	(20,000)
Proceeds on sale of capital assets	-	-
Payment on capital lease payable	-	(26,874)
Interest and fiscal charges	(1,049)	(4,340)
	<u>(1,049)</u>	<u>(51,214)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Investment income received	1,052	13,597
	<u>1,052</u>	<u>13,597</u>
Net Cash Provided by (Used for) Investing Activities		
	<u>1,052</u>	<u>13,597</u>
Net Increase (Decrease) in Cash and Cash Equivalents	61,922	23,854
Cash and Cash Equivalents at Beginning of Year	<u>193,363</u>	<u>891,779</u>
Cash and Cash Equivalents at End of Year	<u>\$ 255,285</u>	<u>\$ 915,633</u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 941,880	\$ 1,381,890	\$ 1,782,963	\$ 471,343	\$ 1,180,480	\$ 6,905,283
(526,264)	(857,493)	(1,739,569)	(311,840)	(1,642,757)	(5,964,018)
(408,905)	-	-	-	-	(546,236)
8,785	32,960	4,100	27,218	414,741	487,893
15,496	557,357	47,494	186,721	(47,536)	882,922
179,390	-	-	-	-	179,390
179,390	-	-	-	-	179,390
(205,652)	(377,891)	-	-	-	(603,543)
-	55,566	-	-	-	55,566
-	-	-	-	-	(26,874)
-	-	-	-	-	(5,389)
(205,652)	(322,325)	-	-	-	(580,240)
1,847	63,019	1,154	38,582	47,022	166,273
1,847	63,019	1,154	38,582	47,022	166,273
(8,919)	298,051	48,648	225,303	(514)	648,345
140,382	3,816,363	217,298	2,434,822	3,041,577	10,735,584
<u>\$ 131,463</u>	<u>\$ 4,114,414</u>	<u>\$ 265,946</u>	<u>\$ 2,660,125</u>	<u>\$ 3,041,063</u>	<u>\$ 11,383,929</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2005

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ -	\$ 25,862
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	42,747
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(2,655)	(690)
Increase (decrease) in accounts payable	6,769	(7,876)
Increase (decrease) in accrued wages	57,805	172
Increase (decrease) in compensated absences	-	1,256
Increase (decrease) in claims and judgements payable	-	-
 Total Adjustments	 61,919	 35,609
 Net Cash Provided by (Used for) Operating Activities	 \$ 61,919	 \$ 61,471

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ (31,056)	\$ 159,193	\$ 29,555	\$ 203,294	\$ (851,131)	\$ (464,283)
53,557	349,565	-	-	-	445,869
-	-	(22)	-	-	(3,367)
(14,520)	48,599	17,961	(671)	(72,852)	(22,590)
1,073	-	-	-	-	59,050
6,442	-	-	-	-	7,698
-	-	-	(15,902)	876,447	860,545
46,552	398,164	17,939	(16,573)	803,595	1,347,205
\$ 15,496	\$ 557,357	\$ 47,494	\$ 186,721	\$ (47,536)	\$ 882,922



AGENCY FUNDS

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

The Agency Collection Fund is used to record collections and payments to the holders of the 1911 Act Assessment Bonds.

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 Balance Sheet
Agency Funds
June 30, 2005

	<u>SPREAD Collection</u>	<u>Agency Collection</u>	<u>Street Assessment Collection</u>
Assets:			
Taxes receivable	\$ 18,722	\$ -	\$ 10,050
Accounts receivable	-	-	-
Accrued interest receivable	39,706	-	23,710
Restricted cash and investments	2,875,981	-	1,015,552
Restricted cash and investments with fiscal agents	<u>817,138</u>	<u>-</u>	<u>673,600</u>
Total Assets	<u>\$ 3,751,547</u>	<u>\$ -</u>	<u>\$ 1,722,912</u>
Liabilities:			
Accounts payable	\$ 6,058	\$ -	\$ 5,519
Accrued wages	-	-	-
Deposits payable	-	-	-
Payable to bondholders	<u>3,745,489</u>	<u>-</u>	<u>1,717,393</u>
Total Liabilities	<u>\$ 3,751,547</u>	<u>\$ -</u>	<u>\$ 1,722,912</u>

98-1 A D Collection	99-1 A D Collection	99-1 CFD Collection	Coastal Animal Services Authority	Totals
\$ 28,137	\$ 4	\$ -	\$ -	\$ 56,913
-	-	-	15,856	15,856
21,623	707	54,035	-	139,781
738,212	89,118	197,159	320,591	5,236,613
1,276,630	92,600	604,729	-	3,464,697
<u>\$ 2,064,602</u>	<u>\$ 182,429</u>	<u>\$ 855,923</u>	<u>\$ 336,447</u>	<u>\$ 8,913,860</u>
\$ 3,417	\$ 750	\$ 893	\$ 37,196	\$ 53,833
-	-	-	18,318	18,318
-	-	-	280,933	280,933
2,061,185	181,679	855,030	-	8,560,776
<u>\$ 2,064,602</u>	<u>\$ 182,429</u>	<u>\$ 855,923</u>	<u>\$ 336,447</u>	<u>\$ 8,913,860</u>

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Assets
Agency Funds
For the Year Ended
June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<u>SPREAD COLLECTION</u>				
Assets				
Taxes receivable	\$ 13,386	\$ 19,305	\$ 13,969	\$ 18,722
Accrued interest receivable	35,366	4,340	-	39,706
Cash and investments	<u>3,529,237</u>	<u>3,382,986</u>	<u>3,219,104</u>	<u>3,693,119</u>
Total Assets	<u>\$ 3,577,989</u>	<u>\$ 3,406,631</u>	<u>\$ 3,233,073</u>	<u>\$ 3,751,547</u>
Liabilities				
Accounts payable	\$ 4,750	\$ 1,808,186	\$ 1,806,878	\$ 6,058
Payable to bondholders	<u>3,573,239</u>	<u>2,058,829</u>	<u>1,886,579</u>	<u>3,745,489</u>
Total Liabilities	<u>\$ 3,577,989</u>	<u>\$ 3,867,015</u>	<u>\$ 3,693,457</u>	<u>\$ 3,751,547</u>
<u>AGENCY COLLECTION</u>				
Assets				
Cash and investments	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ -</u>
Liabilities				
Payable to bondholders	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ -</u>
<u>STREET ASSESSMENT COLLECTION</u>				
Assets				
Taxes receivable	\$ 9,329	\$ 10,050	9,329	\$ 10,050
Accrued interest receivable	21,947	47,695	45,932	23,710
Cash and investments	<u>1,580,852</u>	<u>792,663</u>	<u>684,363</u>	<u>1,689,152</u>
Total Assets	<u>\$ 1,612,128</u>	<u>\$ 850,408</u>	<u>\$ 739,624</u>	<u>\$ 1,722,912</u>
Liabilities				
Accounts payable	\$ 18,913	\$ 660,810	\$ 674,204	\$ 5,519
Payable to bondholders	<u>1,593,215</u>	<u>787,168</u>	<u>662,990</u>	<u>1,717,393</u>
Total Liabilities	<u>\$ 1,612,128</u>	<u>\$ 1,447,978</u>	<u>\$ 1,337,194</u>	<u>\$ 1,722,912</u>

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Assets
Agency Funds
For the Year Ended
June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<u>98-1 A D COLLECTION</u>				
Assets				
Taxes receivable	\$ 14,643	\$ 28,137	\$ 14,643	\$ 28,137
Accrued interest receivable	20,243	1,380	-	21,623
Cash and investments	1,949,610	2,125,080	2,059,848	2,014,842
Total Assets	<u>\$ 1,984,496</u>	<u>\$ 2,154,597</u>	<u>\$ 2,074,491</u>	<u>\$ 2,064,602</u>
Liabilities				
Accounts payable	\$ 750	\$ 1,008,143	\$ 1,005,476	\$ 3,417
Payable to bondholders	1,983,746	1,141,442	1,064,003	2,061,185
Total Liabilities	<u>\$ 1,984,496</u>	<u>\$ 2,149,585</u>	<u>\$ 2,069,479</u>	<u>\$ 2,064,602</u>
<u>99-1 A D COLLECTION</u>				
Assets				
Taxes receivable	\$ 2,390	\$ 4	\$ 2,390	\$ 4
Accrued interest receivable	651	56	-	707
Cash and investments	187,601	209,740	215,623	181,718
Total Assets	<u>\$ 190,642</u>	<u>\$ 209,800</u>	<u>\$ 218,013</u>	<u>\$ 182,429</u>
Liabilities				
Accounts payable	\$ 750	\$ 110,167	\$ 110,167	\$ 750
Payable to bondholders	189,892	108,350	116,563	181,679
Total Liabilities	<u>\$ 190,642</u>	<u>\$ 218,517</u>	<u>\$ 226,730</u>	<u>\$ 182,429</u>
<u>99-1 C F D COLLECTION</u>				
Assets				
Accrued interest receivable	\$ 53,687	\$ 348	\$ -	\$ 54,035
Cash and investments	763,638	843,312	805,062	801,888
Total Assets	<u>\$ 817,325</u>	<u>\$ 843,660</u>	<u>\$ 805,062</u>	<u>\$ 855,923</u>
Liabilities				
Accounts payable	\$ 1,089	\$ 403,975	\$ 404,171	\$ 893
Payable to bondholders	816,236	448,529	409,735	855,030
Total Liabilities	<u>\$ 817,325</u>	<u>\$ 852,504</u>	<u>\$ 813,906</u>	<u>\$ 855,923</u>

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Assets
Agency Funds
For the Year Ended
June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<u>COASTAL ANIMAL SERVICES AUTHORITY</u>				
Assets				
Accounts receivable	\$ 44,333	\$ 72,467	\$ 100,944	\$ 15,856
Cash and investments	369,318	1,054,846	1,103,573	320,591
Total Assets	<u>\$ 413,651</u>	<u>\$ 1,127,313</u>	<u>\$ 1,204,517</u>	<u>\$ 336,447</u>
Liabilities				
Accounts payable	\$ 41,365	\$ 760,279	\$ 764,448	\$ 37,196
Accrued wages	14,610	461,909	458,201	18,318
Deposits payable	357,676	1,014,238	1,090,981	280,933
Total Liabilities	<u>\$ 413,651</u>	<u>\$ 2,236,426</u>	<u>\$ 2,313,630</u>	<u>\$ 336,447</u>

TOTAL ALL AGENCY FUNDS

Assets				
Taxes receivable	\$ 39,748	\$ 57,496	\$ 40,331	\$ 56,913
Accounts receivable	44,333	72,467	100,944	15,856
Accrued interest receivable	131,894	53,819	45,932	139,781
Cash and investments	8,380,286	8,408,627	8,087,603	8,701,310
Total Assets	<u>\$ 8,596,261</u>	<u>\$ 8,592,409</u>	<u>\$ 8,274,810</u>	<u>\$ 8,913,860</u>
Liabilities				
Accounts payable	\$ 67,617	\$ 4,751,560	\$ 4,765,344	\$ 53,833
Accrued wages	14,610	461,909	458,201	18,318
Deposits payable	357,676	1,014,238	1,090,981	280,933
Payable to bondholders	8,156,358	4,544,318	4,139,900	8,560,776
Total Liabilities	<u>\$ 8,596,261</u>	<u>\$ 10,772,025</u>	<u>\$ 10,454,426</u>	<u>\$ 8,913,860</u>

Comprehensive Annual Financial Report
June 30, 2005
Statistical Section

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>

Information prior to the 2001 - 2002 fiscal year is unavailable.

Fiscal Year	
2004	2005
\$ 101,368,966	\$ 107,200,967
25,407,502	60,646,071
64,128,688	34,344,873
<u>\$ 190,905,156</u>	<u>\$ 202,191,911</u>
\$ 122,398,385	\$ 122,528,356
34,288,047	35,045,918
12,790,969	15,274,346
<u>\$ 169,477,401</u>	<u>\$ 172,848,620</u>
\$ 223,767,351	\$ 229,729,323
59,695,549	95,691,989
76,919,657	49,619,219
<u>\$ 360,382,557</u>	<u>\$ 375,040,531</u>

CITY OF SAN CLEMENTE

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Expenses:				
Governmental activities:				
General government	\$ 4,810,896	\$ 7,864,392	\$ 5,271,633	\$ 6,714,032
Public safety	11,252,691	12,675,190	13,378,603	14,217,552
Community development	13,025,687	15,154,477	13,807,963	16,654,803
Beaches, parks & recreation	6,141,525	6,893,752	7,193,450	8,316,082
Interest and fiscal charges	543,426	369,162	360,154	345,345
Total governmental activities expenses	<u>35,774,225</u>	<u>42,956,973</u>	<u>40,011,803</u>	<u>46,247,814</u>
Business-type activities:				
Water	9,732,719	10,128,995	10,244,563	10,636,696
Sewer	6,102,476	6,416,001	6,621,163	7,798,634
Golf	1,779,326	1,762,402	1,897,026	1,934,882
Other	114,468	700,328	1,001,525	1,207,503
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>
Total primary government expenses	<u>\$ 53,503,214</u>	<u>\$ 61,964,699</u>	<u>\$ 59,776,080</u>	<u>\$ 67,825,529</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	1,505,745	3,662,307	3,438,615	4,734,491
Public safety	3,105,344	2,690,730	2,699,963	2,039,859
Community development	10,282,248	10,500,301	11,962,370	7,167,035
Beaches, parks & recreation	2,398,244	5,361,753	4,542,378	5,521,121
Operating grants and contributions	1,364,145	705,628	677,916	956,864
Capital grants and contributions	18,693,004	4,185,328	3,467,440	326,812
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>
Business-type activities:				
Charges for services:				
Water	11,640,686	11,635,122	12,668,783	12,236,707
Sewer	7,400,557	7,133,464	7,090,001	7,276,394
Golf	2,234,317	1,859,841	2,227,188	2,034,533
Other	106,412	960,404	2,352,116	2,428,837
Operating grants and contributions	-	4,922,145	2,140,342	-
Capital grants and contributions	187,134	-	-	906,385
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>
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>
Net (expense)/revenue:				
Governmental activities	1,574,505	(15,850,926)	(13,223,121)	(25,501,632)
Business-type activities	3,840,117	7,503,250	6,714,153	3,305,141
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>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	10,965,899	12,814,927	14,619,234	19,904,158
Sales taxes	5,065,266	5,473,506	6,213,258	5,199,568
Sales taxes - in lieu	-	-	-	1,625,595
Transient occupancy taxes	1,018,697	980,666	1,049,910	1,161,392
Franchise taxes	1,378,642	1,408,820	1,552,704	1,727,451
Other taxes	4,535,265	4,885,626	2,931,927	2,608,978
Assessments	664,291	6,501,604	1,700,901	636,041
Investment earnings	4,276,421	2,594,358	(189,088)	2,626,787
Miscellaneous	273,685	247,250	391,678	798,840
Gain on sale of capital assets	204,126	7,537	969,853	22,867
Transfers	(2,370,642)	(123,152)	613,918	692,970
Total governmental activities	<u>26,011,650</u>	<u>34,791,142</u>	<u>29,854,295</u>	<u>37,004,647</u>
Business-type activities:				
Investment earnings	-	-	-	761,419
Gain/Loss on sale of capital assets	-	-	-	(2,371)
Transfers	2,370,642	123,152	(613,918)	(692,970)
Total business-type activities	<u>2,370,642</u>	<u>123,152</u>	<u>(613,918)</u>	<u>66,078</u>
Total primary government	<u>\$ 28,382,292</u>	<u>\$ 34,914,294</u>	<u>\$ 29,240,377</u>	<u>\$ 37,070,725</u>
Change in Net Assets				
Governmental activities	27,586,155	18,940,216	16,631,174	11,503,015
Business-type activities	6,210,759	7,626,402	6,100,235	3,371,219
Total primary government	<u>\$ 33,796,914</u>	<u>\$ 26,566,618</u>	<u>\$ 22,731,409</u>	<u>\$ 14,874,234</u>

CITY OF SAN CLEMENTE

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Total
1995-1996	\$ 6,755,320	\$ 3,307,094	\$ 449,887	\$ 839,270	\$ 527,163	\$ 11,878,511
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

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

Information prior to the 2001 - 2002 fiscal year is unavailable.



CITY OF SAN CLEMENTE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1996	1997	1998	1999
General fund				
Reserved	\$ 368,095	\$ 472,374	\$ 523,656	\$ 777,607
Unreserved	2,423,330	2,816,022	3,564,932	5,074,340
Total general fund	<u>\$ 2,791,425</u>	<u>\$ 3,288,396</u>	<u>\$ 4,088,588</u>	<u>\$ 5,851,947</u>
All other governmental funds				
Reserved	\$ 9,975,982	\$ 9,756,155	\$ 13,053,393	\$ 15,413,625
Unreserved, reported in:				
Special revenue funds	933,262	3,192,160	4,044,461	1,303,370
Capital projects funds	13,484,759	16,296,957	11,700,399	21,390,767
Debt service funds	-	-	-	(403,327)
Total all other governmental funds	<u>\$ 24,394,003</u>	<u>\$ 29,245,272</u>	<u>\$ 28,798,253</u>	<u>\$ 37,704,435</u>

Source: City of San Clemente

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 635,586	\$ 840,084	\$ 913,246	\$ 655,693	\$ 913,246	\$ 3,057,948
8,963,611	15,678,694	13,204,037	16,920,044	13,204,037	24,158,171
<u>\$ 9,599,197</u>	<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>
\$ 26,676,350	\$ 35,866,450	\$ 32,265,740	\$ 34,587,366	\$ 32,265,740	\$ 42,189,068
3,975,204	5,628,202	5,056,323	5,420,890	5,056,323	4,019,549
9,396,953	(1,722,777)	14,624,165	19,797,413	14,624,165	17,134,321
<u>(1,097,763)</u>	<u>-</u>	<u>-</u>	<u>(2,309,871)</u>	<u>-</u>	<u>(1,793,022)</u>
<u>\$ 38,950,744</u>	<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>

CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1996	1997	1998	1999
Revenues				
Taxes	\$ 11,878,511	\$ 12,145,745	\$ 12,917,656	\$ 13,322,848
Licenses and permits	1,239,269	1,101,306	1,404,391	1,710,193
Fines and forfeits	518,794	497,184	570,310	816,296
Interest and rentals	2,484,750	3,056,658	3,676,296	3,030,611
Intergovernmental	6,210,619	5,273,000	4,075,991	5,192,049
Charges for services	7,818,265	7,538,233	4,876,372	5,903,197
Developers fees	1,389,830	926,971	617,600	5,542,329
Contributions	-	-	-	6,288,152
Other	473,709	259,915	985,492	797,986
Total revenues	<u>32,013,747</u>	<u>30,799,012</u>	<u>29,124,108</u>	<u>42,603,661</u>
Expenditures				
General government	4,248,422	5,316,698	4,907,318	4,286,829
Public safety	10,031,648	9,823,689	9,779,027	10,112,102
Community development	5,250,707	5,476,939	4,617,370	5,946,663
Beaches, parks and recreation	3,764,277	3,846,811	3,207,887	3,662,489
Capital outlay	6,397,649	7,096,849	6,254,260	7,743,892
Debt service:				
Property tax shift	-	-	-	-
Principal retirements	397,024	414,378	778,559	104,655
Interest and fiscal charges	542,277	532,331	509,034	345,740
Total expenditures	<u>30,632,004</u>	<u>32,507,695</u>	<u>30,053,455</u>	<u>32,202,370</u>
Excess of revenues over (under) expenditures	1,381,743	(1,708,683)	(929,347)	10,401,291
Other financing sources (uses)				
Proceeds from debt issue	-	6,256,343	-	-
Advance from component unit	661,110	1,210,000	942,490	-
Repayment of advances	(661,110)	(210,000)	-	-
Transfers in	2,877,719	2,597,845	3,193,762	2,665,175
Transfers out	(2,457,665)	(2,797,265)	(2,853,732)	(2,396,925)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>420,054</u>	<u>7,056,923</u>	<u>1,282,520</u>	<u>268,250</u>
Net change in fund balances	<u>\$ 1,801,797</u>	<u>\$ 5,348,240</u>	<u>\$ 353,173</u>	<u>\$ 10,669,541</u>
Debt service as a percentage of noncapital expenditures	4%	4%	5%	2%

Source: City of San Clemente

Fiscal Year						
	2000	2001	2002	2003	2004	2005
\$	16,122,937	\$ 18,363,313	\$ 19,089,136	\$ 21,345,336	\$ 24,065,057	\$ 29,758,524
	3,881,645	5,361,788	4,774,658	3,860,693	4,345,416	3,201,431
	906,319	956,556	960,459	996,500	872,930	913,447
	4,268,074	5,507,379	5,721,366	4,072,323	1,188,381	4,048,545
	6,244,652	6,600,977	10,905,720	6,913,673	6,519,475	5,116,208
	6,500,963	7,812,347	7,973,166	7,762,794	10,555,824	9,721,047
	4,753,461	10,259,902	17,538,825	7,276,576	4,712,400	4,257,756
	7,302,877	-	-	1,683,347	239,424	600
	339,603	421,206	1,036,922	1,330,126	188,133	125,515
	<u>50,320,531</u>	<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>
	5,373,998	5,199,048	5,521,902	4,970,714	5,281,848	6,062,696
	10,550,937	10,636,471	11,212,588	12,635,091	13,335,293	14,196,737
	8,911,931	9,634,966	9,832,234	9,708,155	11,033,231	13,766,323
	4,004,865	5,003,671	5,535,420	6,358,051	7,024,902	7,281,436
	15,809,239	17,853,001	17,184,889	17,879,090	8,891,849	9,229,162
	-	-	-	40,957	72,464	149,284
	278,197	291,540	772,199	93,748	156,820	80,000
	590,175	554,090	543,426	369,162	356,256	339,956
	<u>45,519,342</u>	<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>
	4,801,189	6,110,681	17,397,594	3,186,400	6,534,377	6,037,479
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	4,363,371	3,632,371	4,773,789	10,957,023	3,651,763	4,861,030
	(4,171,001)	(2,700,273)	(9,188,219)	(4,719,729)	(3,218,083)	(4,347,450)
	-	-	-	-	1,103,924	-
	<u>192,370</u>	<u>932,098</u>	<u>(4,414,430)</u>	<u>6,237,294</u>	<u>1,537,604</u>	<u>513,580</u>
\$	<u>4,993,559</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>
	3%	3%	4%	1%	1%	1%

CITY OF SAN CLEMENTE

ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
1995 - 1996	\$ 3,708,043,547	\$ 79,905,261	\$ 3,787,948,808	1.00%
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	8,681,340,182	217,632,601	8,898,972,783	1.00%

Source: Orange County Auditor Controllers' Office

Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Taxable Actual Value
\$ 3,787,948,808	100%
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%
8,898,972,783	100%

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Orange County Flood Control District	\$.0004	\$ -	\$ -	\$ -
Metropolitan Water District	.0089	.0089	.0089	.0089
Capistrano Unified School District (various issues)	.0030	.0030	.0024	.0009
Tri-Cities Municipal Water District	-	-	-	-
Capistrano Beach Sanitary District	.0030	-	-	-
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>\$ 1.0153</u>	<u>\$ 1.0119</u>	<u>\$ 1.0113</u>	<u>\$ 1.0098</u>

Note:

(1) Tax rate based on assessed value ratio of 100% of full value.

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
.0089	.0088	.0077	.0067	.0061	.0058
-	.0086	.0083	.0105	.0129	.0119
-	-	-	-	-	-
-	-	-	-	-	-
<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>\$ 1.0089</u>	<u>\$ 1.0174</u>	<u>\$ 1.0160</u>	<u>\$ 1.0172</u>	<u>\$ 1.0190</u>	<u>\$ 1.0177</u>

CITY OF SAN CLEMENTE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

Taxpayer	Type of Business	2005			1997		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Standard Pacific Corporation	Real Estate	\$ 78,072,304	1	0.87%	\$ -		
Bre Properties, Inc.	Real Estate	51,813,829	2	0.58%	-		
Seacrest Apartment Holding Company	Real Estate	48,447,594	3	0.54%	-		
Centro Watt Operating Partnership LLC	Real Estate	38,412,000	4	0.43%	-		
ICU Medical, Inc.	Medical	34,872,411	5	0.39%	10,274,272	7	0.26%
SAF Whispering Winds LLC	Real Estate	25,401,321	6	0.28%	-		
Jamboree Tal Housing II L P	Real Estate	22,742,996	7	0.25%	-		
Cox Communications Orange	Public Utilities	22,244,661	8	0.25%	-		
Heritage Golf Talega LLC	Golf Course	18,737,147	9	0.21%	-		
Bryce & Amy Brunsting	Residence	17,480,655	10	0.20%	-		
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>\$ 358,224,918</u>		<u>4.00%</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
1995 - 1996	\$ 9,348,379	\$ 9,235,614	98.79%	\$ 327,947	\$ 9,563,561	102.30%	\$ 329,678	3.53%
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%

Note:

(1) Data for City of San Clemente only. 1915 Act Bonds (SPREAD Assessment) are not included

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			
1995 - 1996	\$ 3,665,000	\$ 25,535,000	\$ -	\$ 222,348	\$ 29,422,348	2.07%	631
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

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.

CITY OF SAN CLEMENTE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2005

2004-05 assessed valuation was \$8,580,277,681 (\$8,748,299,030 plus
Redevelopment Agency incremental valuation of \$168,021,349)

	<u>% Applicable</u>	<u>Debt June 30, 2005</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Orange County Teeter Plan Obligations	3.058%	3,783,511
Metropolitan Water District	0.646%	2,701,507
Capistrano Unified School District School Facilities Improvement District No. 1	22.44%	13,886,244
Santa Margarita Water District CFD No. 99-1	59.26%	59,139,546
Capistrano Unified School District Community Facilities District No. 90-2	94.07%	38,170,526
City of San Clemente Communtiy Facilities District No. 99-1	100%	5,715,000
City of San Clemente 1915 Act Bonds	100%	<u>23,090,000</u>
TOTAL OVERLAPPING TAX AND ASSESSED DEBT		<u>146,486,334</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	3.058%	26,803,339
Orange County Pension Oblications	3.058%	3,418,003
Orange County Transit Authority	3.058%	113,299
Orange County Board of Education Certificates of Participation	3.058%	608,542
Municipal Water District of Orange County Water Facilities Corporation	3.651%	1,283,874
South Coast Water District Revenue Bonds	2.826%	102,725
South Orange County Communtiy College District Certificates of Participation	7.339%	2,975,965
Capistrano Unified School District Certificates of Participation	17.863%	7,070,175
Capistrano Bay Park and Recreation District Cerificates of Participation	0.004%	130
City of San Clemente Certificates of Participation	100%	<u>3,110,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>45,486,052</u>
LESS: ORANGE COUNTY TRANSIT AUTHORITY (80% SELF-SUPPORTING)		90,639
LESS: MWDOC WATER FACILITIES CORPORATION (100% SELF-SUPPORTING)		1,283,874
LESS: SOUTH COAST WATER DISTRICT (100% SELF-SUPPORTING)		<u>102,725</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 44,008,814</u>
GROSS COMBINED TOTAL DEBT		191,972,386 (1)
NET COMBINED TOTAL DEBT		190,495,148

Note:

- (1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics

CITY OF SAN CLEMENTE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	1996	1997	1998	1999
Debt limit	\$ 142,048,080	\$ 145,509,999	\$ 148,837,659	\$ 156,756,783
Total net debt applicable to limit	3,199,855	3,162,483	3,042,183	-
Legal debt margin	<u>\$ 138,848,225</u>	<u>\$ 142,347,516</u>	<u>\$ 145,795,476</u>	<u>\$ 156,756,783</u>
Total net debt applicable to the limit as a percentage of debt limit	2%	2%	2%	0%

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

2000	2001	2002	2003	2004	2005
\$ 173,070,092	\$ 192,694,718	\$ 220,744,173	\$ 256,188,596	\$ 290,200,497	\$ 289,026,594
-	-	-	-	-	-
\$ 173,070,092	\$ 192,694,718	\$ 220,744,173	\$ 256,188,596	\$ 290,200,497	\$ 289,026,594
0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2005

(in dollars)

Assessed value	7,707,375,828
Add back: exempt real property	-
Total assessed value	<u>-</u>
Debt limit (3.75% of total assessed value)	289,026,594
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>289,026,594</u></u>

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)
1995 - 1996	46,600	\$ 1,418,084	\$ 30,431	36	N/A	6,598	3.7%
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%

- 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	2005			1997		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
ICU Medical	604	1	2.03%	Not available		
San Clemente Hospital	320	2	1.08%			
Albertson's Grocery	267	3	0.90%			
Wal-Mart	235	4	0.79%			
Nichols Institute Diagnostics	235	5	0.79%			
City of San Clemente	221	6	0.74%			
Campus Crusade for Christ	210	7	0.71%			
Fisherman's Restaurant	195	8	0.66%			
Bio Lase Technology	174	9	0.59%			
Ralph's Grocery	130	10	0.44%			

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

	Full-time Equivalent Employees as of June 30									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
General government	34	29	26	26	27	28	28	28	28	30
Public safety										
Police (contract)	-	-	57	57	57	62	63	63	63	55
Fire (contract)	-	-	37	37	37	37	37	37	37	41
Marine Safety	13	12	12	12	13	13	13	13	13	13
Community Development										
Engineering	20	19	18	19	20	22	22	22	22	23
Building	11	12	12	13	14	12	13	13	14	15
Code Compliance	-	-	-	-	-	3	3	3	3	4
Planning	10	10	10	10	10	10	10	10	12	12
Administration	3	3	3	4	4	3	3	3	3	3
Public Works	3	3	3	3	3	3	3	3	3	3
Maintenance	22	23	13	13	15	16	16	15	16	16
Beaches, Parks, and Recreation										
Water	15	15	12	16	16	20	23	23	23	23
Sewer	20	20	16	13	13	15	17	17	17	18
Clean Ocean	-	-	-	-	-	-	-	4	4	5
Storm Drain Utility	2	2	2	2	2	1	1	1	1	2
Solid Waste	-	-	1	1	1	1	1	1	1	1
Golf Course	17	17	16	16	16	16	16	16	16	16
Total	<u>191</u>	<u>187</u>	<u>255</u>	<u>259</u>	<u>268</u>	<u>287</u>	<u>292</u>	<u>299</u>	<u>306</u>	<u>311</u>

Source: City of San Clemente Budget



CITY OF SAN CLEMENTE

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	1996	1997	1998	1999	2000
Police					
Arrests - adult/juvenile	N.A.	N.A.	N.A.	N.A.	N.A.
Parking citations issued	19,025	17,984	18,287	18,311	23,298
Fire					
Number of fire calls	139	117	110	97	101
Number of emergency medical calls	1,540	1,399	1,583	1,593	1,610
Inspections	N.A.	N.A.	2,700	2,799	2,799
Highways and streets					
Street resurfacing (miles)	N.A.	N.A.	19.59	24.08	28.58
Beach, parks and recreation					
Number of recreation classes, activities, and clinics	N.A.	N.A.	69	289	242
Total experiences in classes, activities, and clinics	N.A.	N.A.	58,000	75,933	70,288
Total number of facility rentals	N.A.	N.A.	N.A.	2,200	1,242
Golf rounds played	115,547	119,210	108,800	111,027	109,884
Water					
New customers	268	267	213	331	114
Average daily consumption (thousands of gallons)	7,972	8,097	7,290	7,912	8,905
Sewer					
New customers	268	(681)	81	418	114
Average daily sewage treatment (thousands of gallons)	N.A.	N.A.	4,380	4,630	4,410

N.A. - not available

Source: City of San Clemente

Fiscal Year				
2001	2002	2003	2004	2005
1,910	2,216	1,519	1,951	2,192
21,128	24,347	22,742	21,947	23,623
110	99	86	89	77
1,713	1,689	1,937	2,262	2,324
2,557	2,700	1,786	1,320	1,396
31.90	40.38	40.83	45.46	48.94
434	N.A.	2,187	3,221	3,704
157,544	N.A.	152,538	154,560	174,792
2,572	N.A.	3,173	3,208	3,414
100,887	96,298	77,985	86,379	73,847
344	547	320	186	95
8,519	9,398	9,127	9,226	8,602
131	584	243	265	117
4,380	4,360	4,430	4,450	4,660

CITY OF SAN CLEMENTE

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	1996	1997	1998	1999	2000
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	121.20	121.20	122.08	122.08	122.08
Streetlights	2,810	2,810	2,810	2,842	3,115
Traffic signals	31	34	35	38	44
Beach, parks and recreation					
Parks	17	17	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)	156.70	158.40	158.90	161.44	166.44
Fire hydrants	N.A.	1,890	1,929	1,968	2,009
Maximum daily capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Sewer					
Sanitary sewers (miles)	166.00	167.70	167.80	171.32	175.82
Storm sewers (miles)	36.60	38.10	38.30	42.30	49.30
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976

N.A. - not available

Fiscal Year				
2001	2002	2003	2004	2005
1	1	1	1	1
3	3	3	3	3
122.08	127.14	131.76	132.60	133.10
2,956	2,967	3,039	3,183	3,185
44	48	51	58	69
18	19	19	19	21
1	1	1	1	2
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
167.90	170.60	172.80	172.90	172.90
2,051	2,093	2,135	2,179	2,224
12,500	12,500	12,500	12,500	12,500
176.90	178.40	179.15	179.15	179.15
51.40	53.50	57.60	57.60	57.60
6,976	6,976	6,976	6,976	6,976