



COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended June 30, 2014

City of San Clemente, California

CITY OF SAN CLEMENTE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



Prepared By:
Finance and Administrative Services

CITY OF SAN CLEMENTE
 Comprehensive Annual Financial Report
 June 30, 2014

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INTRODUCTORY SECTION



City of San Clemente

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

December 23, 2014

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, 2014.

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 Van Lant and Fankhanel, LLP, certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City of San Clemente

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

The City operates under a council-manager form of government, with a five-member council elected at large for four-year overlapping terms. The mayor is elected by the City Council for a one-year term and is the presiding officer of the Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing day-to-day City operations, and appointing the heads of the various departments. The Council is elected on a non-partisan basis.

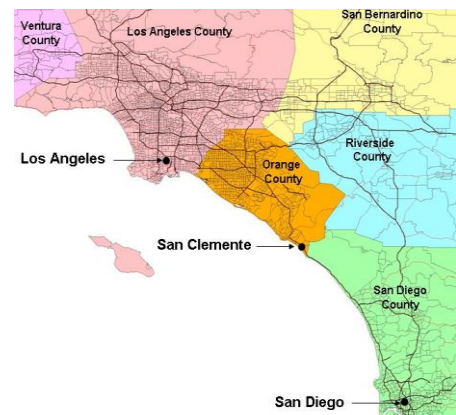
The City provides a full range of services which include general government, public safety (police, fire, and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf. In addition to general City activities, the Council is financially accountable for the San Clemente Public Financing Authority and the Successor Agency to the San Clemente Redevelopment Agency, which was dissolved during Fiscal Year 2012. 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 I in the Notes to the Financial Statements.

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

Financial Overview and Policies

Local economy. The City, with a current population of 64,874, is located at the southern tip of Orange County, and borders the County of San Diego. Its mild, temperate climate and unsurpassed beaches attract more than 1.5 million visitors annually.

Property taxes and sales taxes are the main sources of revenue for the General Fund. The City experienced a period of rapid growth during the development of Talega, a planned community annexed into the City from the County of Orange. The development of Talega, which is approaching build out, increased property taxes significantly during the last ten years. Recently, the overall instability in the economy resulted in the City experiencing slower property and sales tax revenue growth. However, the economy has started to rebound and the last undeveloped area, Marblehead Coastal, is being developed with retail and residential development. In the future, total property taxes and sales tax revenue in the City are expected to improve significantly.



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

Long-term financial planning. The City conducts an annual financial planning process, with results presented to the City Council for review and consideration each February. The plan is 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 broad in scope and includes analysis of various items, including a five year financial forecast, trends history, reserves, financial policies, capital project funding, and other strategic issues. The financial forecast provides a frame of reference for evaluating the City’s financial condition on an on-going basis to assist with decision making. The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on key economic indicators, local growth patterns, and the present level of services provided by the City.

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

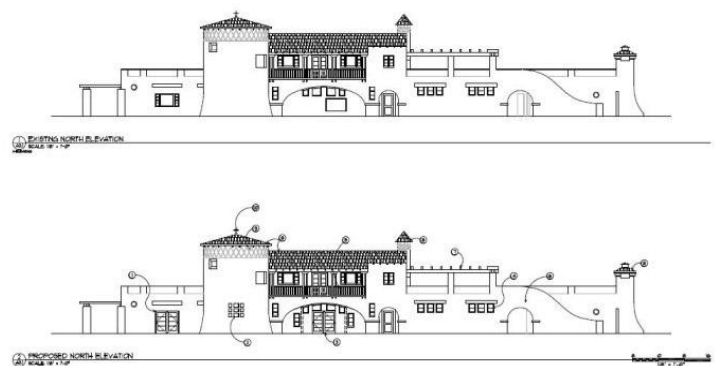
The City of San Clemente received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for Fiscal Year (FY) 2013 and is anticipated to earn this award for FY 2014. To qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Capital planning. Major capital projects are also considered as part of the LTFP process, to assure funds are available not only for the construction of facilities, but also available to maintain and operate these facilities in the future. Capital projects in progress during the year include the expansion of Recycled Water production and the Ole Hanson Beach Club renovation.

The recycled water expansion project is essentially three projects: expansion of the treatment facility, expanding a recycled water distribution system, and adding recycled water storage capacity. Overall, the recycled water project will lower the city’s dependence on external water supplies whose costs continue to increase. This expansion project should be completed in FY 2015.

The Ole Hanson Beach Club was built in 1928 and is listed as a Historic Resource on the National Register of Historic Places has never undergone a complete restoration. This project incorporates a renovation of the building and pool complex while preserving the historic nature of the facility.

Ole Hanson Beach Club Renovation – Preliminary design



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

- **General Plan Update** – The General Plan, adopted in February 2014, includes comprehensive, long-term goals and policies for achieving San Clemente's vision. During FY 2015 and future years, the City will implement various elements of the General Plan identified in the Strategic Implementation Program (SIP) and updating the Zoning Ordinances, Specific Plans, Local Coastal Program and Housing Element.
- **Facilities Management** – The City performed a management study of the maintenance functions of the City and evaluated various City locations for accessibility, use and the aging of city facilities. The maintenance management study recommended the consolidation of all maintenance functions under Public Works (including Beaches and Parks Maintenance activities). Separately, a facilities assessment report and City Council identified as strategic priorities the renovation/improvement of the Ole Hanson Beach Clubhouse and beach restrooms. The City will be implementing these recommendations in FY 2015.
- **Sand Replenishment Project** – San Clemente has suffered severe erosion of beach sand in recent years, which has resulted in the loss of recreational beach, damage, destruction to beachfront facilities, and increased risk to beach patrons due the exposure of underlying rock base. The City and the Army Corps of Engineers are engaged in ways to identify and quantify the best way to protect the shoreline and develop a plan for sand replenishment.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Clemente for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-eighth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. This award is valid for a period of one year only. We believe that our current CAFR continues to meet the GFOA requirements. The City will submit the CAFR to GFOA again this year.

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

Respectfully submitted,



Erik Sund
Assistant City Manager

CITY OF SAN CLEMENTE

PRINCIPAL OFFICIALS

CITY COUNCIL

Tim Brown, Mayor
Chris Hamm, Mayor Pro Tem
Robert “Bob” Baker
Lori Donchak
Jim Evert

PLANNING COMMISSION

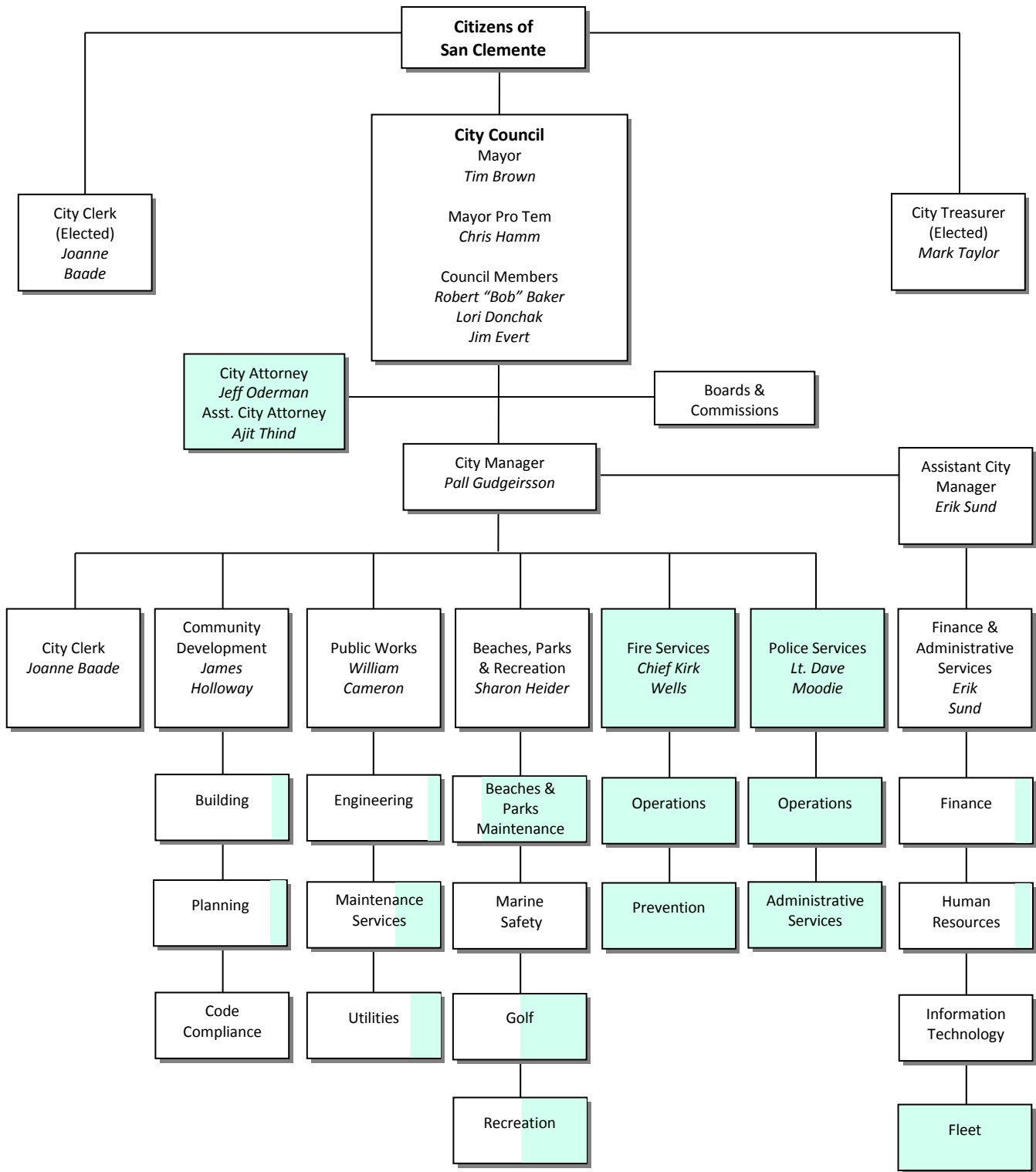
Wayne Eggleston
Kathleen Ward
Jim Ruehlin
Michael Kaupp
Julia Darden
Barton Crandell
Donald Brown

PARKS AND RECREATION COMMISSION

Dagmar Foy
Chris McCormack
Michael Smith
Sherry Murphy
John Bandaruk
Steven Streger
Thomas Wicks

CITY STAFF

Pall Gudgeirsson, City Manager
Erik Sund, Assistant City Manager
Mark Taylor, City Treasurer
Joanne Baade, City Clerk
Jeff Oderman, City Attorney
William E. Cameron, City Engineer/Public Works Director
Sharon Heider, Beaches, Parks & Recreation Director
James S. Holloway, Community Development Director
Lt. Dave Moodie, Chief of Police Services/Lieutenant
Kirk Wells, Division Fire Chief



 Shading indicates contracted services



Government Finance Officers Association

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

Presented to

**City of San Clemente
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

The Honorable City Council
City of San Clemente, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente, as of June 30, 2014, and the respective changes in financial position, and,

where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the schedules listed in the supplementary Information section of 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 schedules listed in the supplementary information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the supplementary information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Van Lant + Fankhaed, LLP

December 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of San Clemente, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year (FY) ended June 30, 2014 and June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal beginning on page 11 and the City's financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$4.2 million or 0.8% to \$483.8 million as a result of 2014 operations.
- Net position totals \$278.9 million for governmental and \$204.9 for business-type funds.
- The total program revenues and general revenues were \$101.4 million.
- The net expense of all governmental activities was \$43.4 million. The net revenue of business activities was \$5.8 million.
- During the year, the City's expenditures exceeded taxes and other governmental revenues by \$0.9 million.
- The General Fund reported a net change in fund balance of \$0.3 million.
- For the General Fund, actual resources were greater than the final budget by \$1.1 million and actual expenditures were \$7.3 million less than final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), public works, community development, and beaches, parks and recreation. The business-type activities include water, sewer, and storm drain utilities, and the clean ocean, solid waste management, and golf course funds.

The government-wide financial statements include not only the City of San Clemente itself (known as the primary government), but also all legal entities for which the City is financially accountable. Accordingly, the financial information for the Successor Agency of the San Clemente Redevelopment Agency (RDA) which was dissolved in FY 2012 and the San Clemente Public Financing Authority are included as an integral part of the City's financial statements and reported as blended component units. Separately issued financial statements are available for the Public Financing Authority and can be obtained from the City.

Fund Financial Statements

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

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are required because the government-wide statements are prepared on the full accrual basis of accounting while

the fund statements are prepared on the modified accrual basis of accounting. These reconciliations can be found on pages 40 and 44, 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, OPEB benefits to its employees, and information on the budget to actual comparisons for major funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summaries of net position and of changes in net position are presented for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 1
Net Position
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 108.7	\$ 105.6	\$ 49.1	\$ 52.1	\$ 157.8	\$157.7
Capital assets, net	<u>185.6</u>	<u>188.3</u>	<u>170.5</u>	<u>152.1</u>	<u>356.1</u>	<u>340.4</u>
Total assets	294.3	293.9	219.6	204.2	513.9	498.1
Current liabilities	10.0	7.9	3.6	4.6	13.6	12.5
Long-term liabilities	<u>5.4</u>	<u>5.4</u>	<u>11.1</u>	<u>0.6</u>	<u>16.5</u>	<u>6.0</u>
Total liabilities	15.4	13.3	14.7	5.2	30.1	18.5
Net position:						
Net investment in capital assets	184.1	186.6	159.9	152.1	344.0	338.7
Restricted	57.5	56.3	6.7	11.0	64.2	67.3
Unrestricted	<u>37.3</u>	<u>37.7</u>	<u>38.3</u>	<u>35.9</u>	<u>75.6</u>	<u>73.6</u>
Total Net Position	<u>\$ 278.9</u>	<u>\$ 280.6</u>	<u>\$ 204.9</u>	<u>\$ 199.0</u>	<u>\$ 483.8</u>	<u>\$ 479.6</u>

City asset's exceeded liabilities by \$483.8 million at June 30, 2014 as compared to \$479.6 million at June 30, 2013. The City's net position increased \$4.2 million during the current fiscal year.

The largest portion of the City's net position (71 percent) is its investment in capital assets (i.e., land buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to citizens: consequently, these assets are not available for future spending. 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 total investment in capital assets increased \$5.3 million, with a decrease of \$2.7 million in governmental activities due to depreciation on capital projects. The business-type activities investment in capital assets increased \$7.8 million due to a recycled water expansion project under construction.

The restricted portion of the City's net position (13 percent) represents resources that are subject to external restrictions on how they may be used. These restricted net position decreased \$3.1 million due to the use of these fees on capital project activities, such as the recycled water project.

The unrestricted net position balance of \$75.6 million may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$38.3 million is held by the business-type activities (with amounts set-aside for capital replacement) and \$37.3 million by the governmental activities.

The condensed summary of activities, which follows, shows that net position increased by \$4.2 million during the year.

Table 2
Summary of Activities
(in millions)

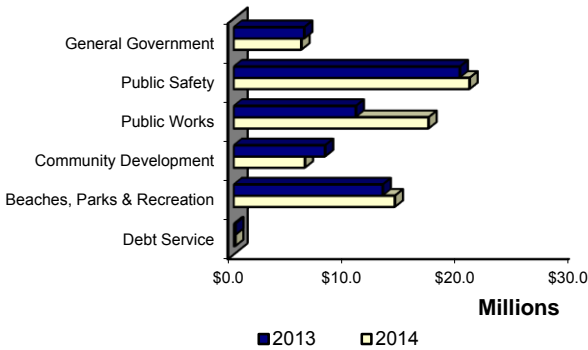
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 9.1	\$ 8.3	\$ 36.2	\$ 33.1	\$ 45.3	\$ 41.4
Operating grants/contrib.	4.2	4.8		0.1	4.2	4.9
Capital grants/contrib.	7.6	1.2	2.5	3.4	10.1	4.6
General revenues:						
Property taxes	25.9	25.6			25.9	25.6
Sales taxes	8.0	7.6			8.0	7.6
Other taxes and fees	5.1	4.9			5.1	4.9
Other	2.6	3.9	0.2	0.2	2.8	4.1
Total revenues	62.5	56.3	38.9	36.8	101.4	93.1
Expenses:						
General government	5.9	6.2			5.9	6.2
Public safety	20.7	19.9			20.7	19.9
Public works	17.1	10.7			17.1	10.7
Community development	6.3	8.0			6.3	8.0
Beaches, parks & recreation	14.2	13.1			14.2	13.1
Interest and fiscal charges	0.1	0.1			0.1	0.1
Water			18.2	17.6	18.2	17.6
Sewer			10.7	11.0	10.7	11.0
Golf			2.2	2.3	2.2	2.3
Clean Ocean			1.6	1.6	1.6	1.6
Solid Waste			0.2	0.2	0.2	0.2
Total expenses	64.3	58.0	32.9	32.7	97.2	93.4
Net position change						
before transfers	(1.8)	(1.7)	6.0	4.1	4.2	2.4
Transfers	0.1	0.2	(0.1)	(0.2)	-	-
Change in net position	(1.7)	(1.5)	5.9	3.9	4.2	2.4
Net position – July 1	<u>280.6</u>	<u>282.1</u>	<u>199.0</u>	<u>195.1</u>	<u>479.6</u>	<u>477.2</u>
Net position – June 30	<u>\$ 278.9</u>	<u>\$ 280.6</u>	<u>\$ 204.9</u>	<u>\$ 199.0</u>	<u>\$ 483.8</u>	<u>\$ 479.6</u>

Governmental activities

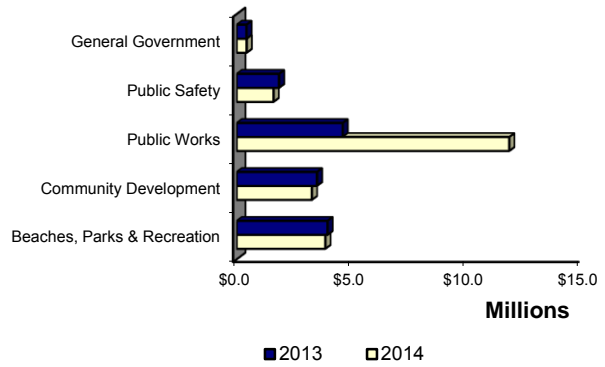
The City's governmental activities net position decreased by \$1.7 million as compared to a \$1.5 million prior year decrease. Revenues were \$62.5 million in FY 2014, as compared to \$56.3 million in FY 2013. The City received higher service charges and capital grants during the year as a result of a development rebound and development fees that were received. Expenses increased by \$6.3 million from FY 2013 and were \$1.8 million more than revenues in the current year.

Public Safety, Public Works, and Beach, Parks and Recreation increased from the prior year for various reasons. Public Safety increased as a result of County contract increases for police and fire. Public Works cost increase was a one-time developer reimbursement payment which was tied to a large development fee receipt. Beaches, Parks, and Recreation increased due a side fund payment and maintenance costs. Expense decreases in Community Development were due to lower General Plan costs as a result of the plan being completed in February 2014.

Expenses – Governmental Activities



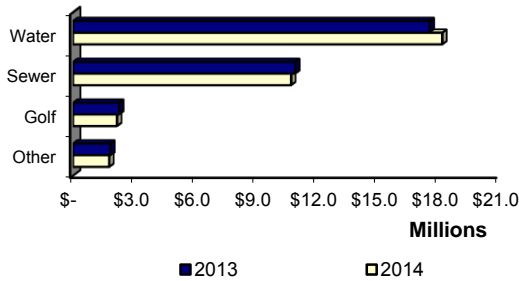
Program Revenues – Governmental Activities



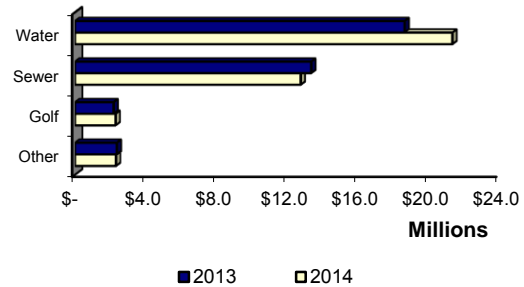
Business-type activities

Business-type activities net position increased by \$5.9 million as compared to an increase of \$3.9 million in the previous year. The overall change is attributed to higher program revenues as a result of changes to the rate structure for utilities and operating costs continually being monitored on an ongoing basis.

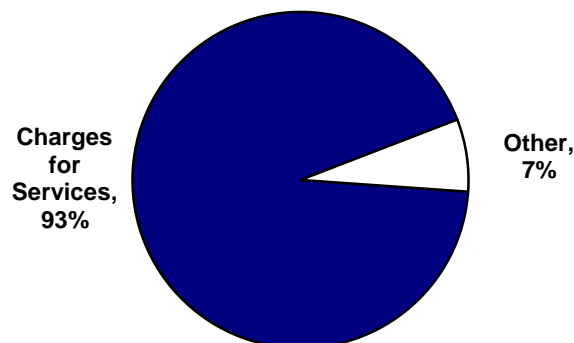
Expenses – Business-type activities



Program Revenues – Business-type activities



Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The City's governmental funds reported combined ending fund balances of \$83.1 million. Unassigned fund balance, which is available for spending at the City's discretion, constitutes \$3.8 million. The remainder of fund balance is not available for new spending because it has already been either: 1) in a nonspendable form such as loans receivable (\$3.7 million), 2) restricted based on legislation or under agreements with external parties (\$47.1 million), 3) committed based on City Council action (\$16.8 million), or 4) assigned for specific purposes based on the Council appointed designee (\$11.7 million). Governmental fund balances, in total, decreased by \$1.2 million during the fiscal year due to affordable housing assistance and contributions from the City to the County owned library renovation which occurred in the Developers Improvement Fund.

Governmental funds, in total, had \$60.7 million of revenues and taxes represented 64% of the revenues. The change from the prior year amount of \$55.3 million was due primarily to three factors: 1) a decrease in property taxes revenue as a result of the City receiving \$2.1 million in FY 2013 from the State as borrowed property taxes were repaid, 2) an increase in developers fees of \$5.8 million due to the Marblehead development, and 3) permit and development service charges increase as a result of recent development within the City.

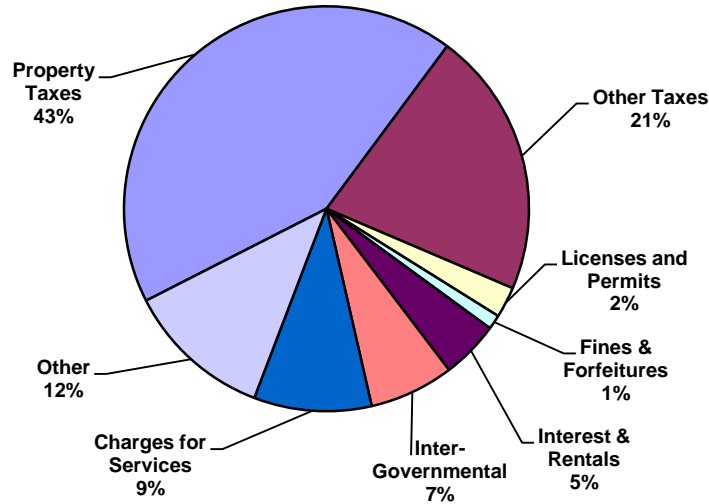
Total governmental fund expenditures were \$61.6 million in FY 2014 compared to last year's amount of \$52.4 million, which was an increase of \$9.2 million. This increase occurred in multiple departments for a variety of reasons. Police and Fire costs increased from the prior year by a total of \$0.9 million based on contracts with the County of Orange Sheriff and the Orange County Fire Authority. Public works increased by \$5.4 million due to a payment made under a reimbursement agreement with a prior developer that was linked to the payment of developer fees that were received in the current fiscal year. Community development costs were down \$1.6 million from the prior year based on affordable housing costs in FY 2013. Capital outlay increased \$3.5 million because of activity on multiple projects.

No significant changes in fund balances were noted except those caused by the following significant governmental fund activity:

- Developers Improvement Capital Project fund provided an affordable housing subsidy to a senior housing development through a long term residual receipts loan agreement and paid an amount to the County for a Library renovation/expansion project.
- RCFPP Capital Project fund received a \$5.8 developer fee and paid an amount under a reimbursement agreement with a prior developer.
- Gas Tax Special Revenue fund expenditures increased as various street projects were started as a result of the recycled water expansion pipelines being placed.

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

**Revenues by Source – Governmental Funds
Fiscal Year 2014**



<u>Function</u>	<u>2014 Amounts</u>	<u>% of Total</u>	<u>2013 Amounts</u>	<u>% of Total</u>
Property Taxes	\$ 25.9	43 %	\$ 27.8	51 %
Other Taxes	12.9	21 %	12.3	22 %
Permits & Fees	1.5	2 %	1.0	2 %
Fines & Forfeitures	0.7	1 %	0.8	1 %
Investment & Rentals	2.8	5 %	2.4	4 %
Intergovernmental	4.1	7 %	3.8	7 %
Charges for Services	5.7	9 %	5.1	9 %
Other	<u>7.1</u>	<u>12 %</u>	<u>2.2</u>	<u>4 %</u>
	<u>\$ 60.7</u>	<u>100 %</u>	<u>\$ 55.3</u>	<u>100 %</u>

Proprietary Funds

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

Unrestricted net position of the Water, Sewer and Golf operations at the end of the year amounted to \$19.1 million, \$17.7 million and (\$0.2) million, respectively. In total, unrestricted net position for all proprietary funds increased from the previous year. Approximately \$30.7 million of these unrestricted net position are set aside for infrastructure asset replacement. The total Enterprise Fund’s Net Position increased from \$199.0 million to \$206.0 million or by 3%.

Last year’s change in net position was increase of \$4.6 million and this year’s increase was \$6.1 million. This increase is a largely due to higher service charges as a result of rate increases and changes to the rate structure as a result of a prior rate study. Water service charges increased from \$17.6 to \$19.7 million and sewer charges from \$10.1 to \$10.2 million. Total operating expenses only increased from \$31.5 million to \$32.5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund's fund balance was \$29.8 million. Unassigned fund balance represents \$3.9 million or 13% of the total fund balance. In total, the General Fund balance decreased by \$0.3 million over the prior year and represents 36% of all governmental fund balances.

The original budget for General Fund revenues was \$46.7 million. When this amount is compared to the final budgeted amount of \$47.6 million there was a \$0.9 million increase. This budget increase is primarily due to increases in the license and permits, intergovernmental, and service charges categories. Increases for the licenses and permits and charges for services were related to a rebound in construction activity (development permits and charges) and the intergovernmental budget increase of \$90,000 for a grant to support the Local Coastal program update.

The actual fiscal year revenues were higher than the final budget amounts in taxes, permits and fees, and charges for services. Revenues were lower in fines and forfeits, investment and rentals, intergovernmental, and other revenues. The largest budget variance for the General Fund was in taxes. Property taxes (\$0.8 million) exceeded expectations due to property values and sales taxes (\$0.2 million) exceeded expectations based on increased consumer spending during the year. Additional information on revenue variances are summarized below:

- Permits and fees were higher than budgeted based on building and electrical permit activity.
- Fines were lower as a result of police vacancies and a lower number of tickets issued.
- Investment income was lower than budget due to the weak interest rate environment and lower cash balances.
- Intergovernmental revenue was lower due to timing of the Local Coastal program update.
- Charges for services increased due to construction inspection revenue and recreation service charges.

The budgeted expenditures increased from the original \$54.5 million to final budget amount of \$55.5 million in the General Fund. Capital outlay and Beaches, Parks and Recreation had the largest changes. Capital outlay increased as additional funds were allocated to street and sidewalk projects. Beaches, Parks and Recreation increased due to the payment of a marine safety side fund to CalPERS in the amount of \$225,716. Other changes from the original budgeted expenditures were minor during the year.

Actual expenditures in the General Fund ended the year \$7.3 million lower than the final budget, \$5.4 million of this amount will be reappropriated in FY 2015. Budget to actual variances were notable in the following categories:

- City General costs came in lower by \$0.3 million as result of the timing of a project related to creating a quiet zone that would limit train horns.
- Police savings from budget were due to vacancies during the course of the year.
- Public Works, and Beaches, Parks and Recreation came in lower than anticipated due to delayed maintenance projects.
- Capital outlay was lower by \$4.2 million as a result of capital projects that will be started next fiscal year or project savings. The largest of these projects is the Ole Hanson Beach Club renovation and the Beach restrooms.

Other financing sources (uses) include transfers in of \$0.8 million and transfers out of \$1.5 million. A transfer out of \$0.4 million to fund claims was the difference from the original to final budget difference. Transfers out included \$0.4 million to the General Liability fund to fund settlements, \$0.7 million transferred to support street projects, and \$0.4 million for other purposes (including low-moderate income water and sewer subsidies).

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, 2014, amounts to \$356.1 million (net of accumulated depreciation) as compared to the June 30, 2013 total of \$340.4 million (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, equipment, and construction-in-progress. The net increase in the City's net investment in capital assets for the current fiscal year was \$15.7 million. This change was the result of a \$2.7 million decrease in governmental activities and a \$18.4 million increase in business-type activities.

Major capital improvements during the fiscal year included street projects for the governmental type activities and the recycled water expansion capital projects for business type activities. Governmental activities infrastructure amounts capitalized totaled \$2.8 million consisting of \$2.2 million of streets, sidewalks, and traffic signals and \$0.6 million of vehicles. The business type activities largest increase was \$17.3 million in construction in progress due to the recycled water expansion projects and other utilities capital projects.

Depreciation expense during the fiscal year was \$8.0 million for governmental activities and \$4.6 million for business-type activities as compared to \$7.9 million and \$4.6 million respectively in the previous fiscal year. There were not significant increases from the prior years depreciation amounts.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 37.2	\$ 37.2	\$ 4.1	\$ 4.1	\$ 41.3	\$ 41.3
Infrastructure	89.2	91.1	61.6	62.5	150.8	153.6
Buildings & Improvements	51.8	54.8	72.6	70.6	124.4	125.4
Equipment	3.1	3.3	0.5	0.6	3.6	3.9
Construction-in- progress	<u>4.3</u>	<u>1.9</u>	<u>31.7</u>	<u>14.3</u>	<u>36.0</u>	<u>16.2</u>
Totals	<u>\$ 185.6</u>	<u>\$ 188.3</u>	<u>\$ 170.5</u>	<u>\$ 152.1</u>	<u>\$ 356.1</u>	<u>\$ 340.4</u>

Long-term Liabilities. At the end of the current fiscal year, the City’s governmental activities had total bonded debt of \$1.5 million outstanding and \$88,094 of capitalized lease obligations. A principal payment of \$105,000 was made against the Certificates of Participation Bonds during the current fiscal year. Business-type activities incurred a \$10.6 million dollar loan through the State of California related to the construction and expansion of recycled water treatment facilities. Additional funds under this loan will be received next fiscal year and upon the acceptance of the facilities a payment schedule on the loan will be determined over a period of 20 years.

Further information on the Long Term Liabilities can be found in the Notes to the Financial Statements, Long Term Liabilities (Note VII).

	Outstanding Debt (in millions)			
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	Business-type Activities <u>2014</u>	Business-type Activities <u>2013</u>
Certificates of Participation	\$ 1.5	\$ 1.6	\$ -	\$ -
State Revolving Fund Loan	-	-	10.6	-
Capitalized Lease	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1.6</u>	<u>\$ 1.7</u>	<u>\$ 10.6</u>	<u>\$ -</u>

SIGNIFICANT MATTERS

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action created a Successor Agency Trust fund that continues to pay the enforceable obligations that existed at the time of dissolution. In addition during FY 2014, the City received a court judgment to development impact fees in the Amount of \$10.5 million which are currently retained by the City. This judgment is currently being appealed by the City.

Further information can be found in the Notes to the Financial Statements, Note XI.

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 Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and investments	\$ 90,239,026	\$ 43,531,423	\$ 133,770,449
Receivables	3,785,519	5,629,558	9,415,077
Due from other governments	1,092,860	1,176,535	2,269,395
Internal balances	1,548,077	(1,548,077)	-
Inventories	-	310,018	310,018
Prepaid items	62,463	-	62,463
<u>Non-current Assets:</u>			
Restricted cash and investments	352,925	-	352,925
Loans receivable	11,604,920	-	11,604,920
Non-depreciable capital assets	41,518,524	35,734,305	77,252,829
Depreciable capital assets (net of accumulated depreciation)	144,082,757	134,766,147	278,848,904
Total Assets	294,287,071	219,599,909	513,886,980
<u>LIABILITIES</u>			
<u>Current liabilities:</u>			
Accounts payable	4,145,767	3,106,982	7,252,749
Accrued wages	456,760	84,676	541,436
Unearned revenue	662,886	-	662,886
Deposits payable	2,396,586	233,004	2,629,590
Current portion of long-term obligations	2,328,681	115,981	2,444,662
<u>Non-current Liabilities:</u>			
Capital lease obligation	51,482	-	51,482
Claims and judgements payable	1,768,931	-	1,768,931
Compensated absences	1,485,104	528,359	2,013,463
OPEB obligation	737,409	-	737,409
Loan payable	-	10,609,971	10,609,971
Certificates of Participation	1,340,000	-	1,340,000
Total Liabilities	15,373,606	14,678,973	30,052,579
<u>NET POSITION</u>			
Net investment in capital assets	184,058,187	159,890,481	343,948,668
Restricted for:			
Public facilities construction	17,388,501	6,738,924	24,127,425
Local drainage facilities	4,761,505	-	4,761,505
Developer improvements	4,419,237	-	4,419,237
Park acquisition and development	1,313,651	-	1,313,651
Affordable housing	9,642,267	-	9,642,267
Other capital	19,475,144	-	19,475,144
Other purposes	569,321	-	569,321
Unrestricted	37,285,652	38,291,531	75,577,183
Total Net Position	\$ 278,913,465	\$ 204,920,936	\$ 483,834,401

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,949,601	\$ 408,238	\$ 24,663	\$ -
Police	12,838,046	777,499	121,337	-
Fire	7,885,566	697,683	-	-
Public works	17,118,629	1,514,742	3,561,743	6,732,842
Community development	6,258,785	2,256,562	484,974	511,649
Beaches, parks & recreation	14,159,882	3,481,050	20,474	334,990
Interest and fiscal charges	137,661	-	-	-
Total governmental activities	64,348,170	9,135,774	4,213,191	7,579,481
Business-type activities:				
Water	18,199,173	21,338,919	-	6,014
Sewer	10,754,071	10,284,887	-	2,472,013
Golf	2,169,419	2,292,262	-	-
Clean Ocean	1,593,665	2,138,885	-	-
Solid Waste	191,583	157,337	17,121	-
Total business-type activities	32,907,911	36,212,290	17,121	2,478,027
Total	\$ 97,256,081	\$ 45,348,064	\$ 4,230,312	\$ 10,057,508

General Revenue

Taxes:

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

Investment earnings

Miscellaneous

Transfers

Total General Revenue and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See Accompanying Notes to the Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (5,516,700)	\$ -	\$ (5,516,700)
(11,939,210)	-	(11,939,210)
(7,187,883)	-	(7,187,883)
(5,309,302)	-	(5,309,302)
(3,005,600)	-	(3,005,600)
(10,323,368)	-	(10,323,368)
(137,661)	-	(137,661)
<u>(43,419,724)</u>	<u>-</u>	<u>(43,419,724)</u>
-	3,145,760	3,145,760
-	2,002,829	2,002,829
-	122,843	122,843
-	545,220	545,220
-	(17,125)	(17,125)
<u>-</u>	<u>5,799,527</u>	<u>5,799,527</u>
<u>(43,419,724)</u>	<u>5,799,527</u>	<u>(37,620,197)</u>
25,938,562	-	25,938,562
5,907,313	-	5,907,313
2,130,322	-	2,130,322
1,781,354	-	1,781,354
2,280,321	-	2,280,321
1,066,122	-	1,066,122
2,533,185	216,206	2,749,391
26,662	-	26,662
93,722	(93,722)	-
<u>41,757,563</u>	<u>122,484</u>	<u>41,880,047</u>
(1,662,161)	5,922,011	4,259,850
<u>280,575,626</u>	<u>198,998,925</u>	<u>479,574,551</u>
<u>\$ 278,913,465</u>	<u>\$ 204,920,936</u>	<u>\$ 483,834,401</u>

CITY OF SAN CLEMENTE
Balance Sheet
Governmental Funds
June 30, 2014

	Capital	
	General	RCFPP
<u>ASSETS</u>		
Cash and investments	\$ 29,952,860	\$ 3,227,360
Receivables:		
Taxes	2,465,466	-
Accounts	513,212	-
Accrued interest	50,086	5,397
Loans	1,984,084	-
Due from other funds	65,788	-
Due from other governments	119,722	-
Prepaid items	22,400	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Total assets	\$ 35,173,618	\$ 3,232,757
<u>LIABILITIES</u>		
Accounts payable	\$ 1,996,276	\$ 3,201
Accrued wages	214,378	-
Unearned revenue	401,941	-
Deposits payable	2,182,393	-
Due to other funds	-	-
Total liabilities	4,794,988	3,201
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue - receivables	544,837	-
Unavailable revenue - loans	-	-
Unavailable revenue - grants	-	-
Total deferred inflows of resources	544,837	-
<u>FUND BALANCES (DEFICITS)</u>		
Nonspendable	2,006,484	-
Restricted	-	3,229,556
Committed	16,751,483	-
Assigned	7,225,178	-
Unassigned	3,850,648	-
Total fund balance	29,833,793	3,229,556
Total liabilities, deferred inflows of resources and fund balances	\$ 35,173,618	\$ 3,232,757

See Accompanying Notes to the Financial Statements.

Project Funds			
Developers Improvement	Public Facilities Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,821,332	\$ 17,359,468	\$ 25,115,106	\$ 82,476,126
-	-	48	2,465,514
154,858	-	473,901	1,141,971
11,408	29,033	42,069	137,993
9,112,580	-	508,256	11,604,920
-	-	-	65,788
-	-	973,138	1,092,860
-	-	-	22,400
-	-	352,925	352,925
<u>\$ 16,100,178</u>	<u>\$ 17,388,501</u>	<u>\$ 27,465,443</u>	<u>\$ 99,360,497</u>
\$ 676,766	\$ -	\$ 887,294	\$ 3,563,537
-	-	675	215,053
-	-	260,945	662,886
170,243	-	43,950	2,396,586
-	-	65,788	65,788
<u>847,009</u>	<u>-</u>	<u>1,258,652</u>	<u>6,903,850</u>
154,858	-	40,224	739,919
7,440,782	-	508,256	7,949,038
-	-	696,000	696,000
<u>7,595,640</u>	<u>-</u>	<u>1,244,480</u>	<u>9,384,957</u>
1,671,798	-	-	3,678,282
5,985,731	17,388,501	20,494,144	47,097,932
-	-	59,265	16,810,748
-	-	4,438,029	11,663,207
-	-	(29,127)	3,821,521
<u>7,657,529</u>	<u>17,388,501</u>	<u>24,962,311</u>	<u>83,071,690</u>
<u>\$ 16,100,178</u>	<u>\$ 17,388,501</u>	<u>\$ 27,465,443</u>	<u>\$ 99,360,497</u>

CITY OF SAN CLEMENTE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Fund balances for governmental funds \$ 83,071,690

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is net of the Internal Service Funds of \$2,779,557.

Governmental capital assets	266,185,796	
Less: accumulated depreciation	<u>(83,235,031)</u>	182,950,765

Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the funds. The following is net of the Internal Service Funds compensated absences balance of \$198,489.

Certificates of participation	(1,455,000)	
Compensated absences	<u>(1,635,006)</u>	(3,090,006)

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

Capital assets, net of depreciation	2,650,516	
Long term liabilities, current and noncurrent portion	(4,621,601)	
Other internal service assets (liabilities)	<u>8,530,065</u>	6,558,980

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, on the accrual basis they are included as revenue in the government-wide statements. 9,384,957

Deferred charges represent costs that are prepayments in nature and are to be amortized over the period which the benefit is received.

Broker commission	141,259	
Less: amortization	<u>(104,180)</u>	<u>37,079</u>

Net position of governmental activities \$ 278,913,465

See Accompanying Notes to the Financial Statements.



CITY OF SAN CLEMENTE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Capital	
	General	RCFPP
Revenues:		
Taxes	\$ 38,825,796	\$ -
Permits and fees	1,534,484	-
Fines and forfeits	690,083	-
Investment and rentals	1,824,941	21,225
Intergovernmental	420,006	-
Charges for services	5,251,955	-
Developers fees	-	6,093,251
Other	89,203	-
Total Revenues	48,636,468	6,114,476
Expenditures:		
Current:		
General government	4,963,018	-
Police	12,694,633	-
Fire	7,658,531	-
Public works	5,876,774	5,844,561
Community development	4,436,561	-
Beaches, parks and recreation	10,653,881	-
Capital outlay	1,940,113	140,896
Debt Service:		
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	48,223,511	5,985,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	412,957	129,019
Other Financing Sources (Uses):		
Transfers in	810,557	-
Transfers out	(1,495,590)	-
Total Other Financing Sources (Uses)	(685,033)	-
Net Change in Fund Balances	(272,076)	129,019
Fund Balances - Beginning of Year	30,105,869	3,100,537
Fund Balances - End of Year	\$ 29,833,793	\$ 3,229,556

See Accompanying Notes to the Financial Statements.

Project Funds			
Developers Improvement	Public Facilities Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,222	\$ 38,828,018
-	-	-	1,534,484
-	-	-	690,083
45,815	103,267	783,049	2,778,297
-	-	3,696,776	4,116,782
112,113	-	358,030	5,722,098
98,625	372,382	7,384	6,571,642
39,609	-	323,181	451,993
<u>296,162</u>	<u>475,649</u>	<u>5,170,642</u>	<u>60,693,397</u>
-	-	403,051	5,366,069
-	24,516	101,348	12,820,497
-	-	-	7,658,531
-	-	265,497	11,986,832
1,514,537	19,170	232,743	6,203,011
-	-	41,960	10,695,841
590,754	54,429	3,895,916	6,622,108
-	-	105,000	105,000
-	-	132,608	132,608
<u>2,105,291</u>	<u>98,115</u>	<u>5,178,123</u>	<u>61,590,497</u>
<u>(1,809,129)</u>	<u>377,534</u>	<u>(7,481)</u>	<u>(897,100)</u>
-	-	953,047	1,763,604
-	-	(624,292)	(2,119,882)
-	-	328,755	(356,278)
(1,809,129)	377,534	321,274	(1,253,378)
9,466,658	17,010,967	24,641,037	84,325,068
<u>\$ 7,657,529</u>	<u>\$ 17,388,501</u>	<u>\$ 24,962,311</u>	<u>\$ 83,071,690</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, 2014

Net change in fund balances - total governmental funds: \$ (1,253,378)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, as listed below:

Capital outlay	6,622,108	
Other maintenance activities included in capital outlay above	(1,945,600)	
Depreciation expense (net of Internal Service Funds of \$711,928)	<u>(7,268,081)</u>	(2,591,573)

Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net revenue (expense) of internal service funds is reported with governmental activities. (107,848)

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

Principal repayments	105,000	
Compensated absences change (governmental)	<u>1,012</u>	106,012

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

Prior year deferral	(7,172,079)	
Current year deferral	<u>9,384,957</u>	2,212,878

Some expenditures reported in the governmental funds provide benefits to future periods. This amount represents a commission that will be amortized over the future periods. (28,252)

Change in net position of governmental activities \$ (1,662,161)

See Accompanying Notes to the Financial Statements.



CITY OF SAN CLEMENTE
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Assets:			
Current Assets:			
Cash and investments	\$ 16,236,477	\$ 17,408,316	\$ 395,587
Receivables	3,016,943	2,032,747	36,420
Accrued interest	32,355	35,572	662
Inventory, at cost	283,754	-	26,264
Due from other governments	1,175,774	761	-
Prepays	-	-	-
Current restricted assets:			
Cash and investments:			
Water deposits	233,004	-	-
Developer impact fee reserves	2,876,997	3,861,927	-
Total Current Assets	<u>23,855,304</u>	<u>23,339,323</u>	<u>458,933</u>
Noncurrent Assets:			
Capital Assets:			
Land	3,660,761	410,298	2,011
Water, sewer and storm lines	27,220,448	73,086,967	-
Utility assets	27,764,614	84,813,870	-
Buildings	205,662	234,370	6,423,954
Improvements other than buildings	-	-	3,266,622
Machinery and equipment	661,810	623,322	1,013,530
Construction in progress	3,296,603	28,305,584	-
Subtotal	<u>62,809,898</u>	<u>187,474,411</u>	<u>10,706,117</u>
Less accumulated depreciation	<u>(21,495,637)</u>	<u>(65,409,152)</u>	<u>(3,644,233)</u>
Capital Assets (net of accumulated depreciation)	<u>41,314,261</u>	<u>122,065,259</u>	<u>7,061,884</u>
Advance to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>41,314,261</u>	<u>122,065,259</u>	<u>7,061,884</u>
Total Assets	<u>65,169,565</u>	<u>145,404,582</u>	<u>7,520,817</u>

See Accompanying Notes to Financial Statements.

Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 2,519,115	\$ 36,559,495	\$ 7,762,900
470,646	5,556,756	27,596
4,213	72,802	12,445
-	310,018	-
-	1,176,535	-
-	-	2,984
-	233,004	-
-	6,738,924	-
<u>2,993,974</u>	<u>50,647,534</u>	<u>7,805,925</u>
-	4,073,070	-
-	100,307,415	-
-	112,578,484	-
-	6,863,986	443,134
-	3,266,622	411,227
54,741	2,353,403	6,352,502
59,048	31,661,235	6,037
<u>113,789</u>	<u>261,104,215</u>	<u>7,212,900</u>
<u>(54,741)</u>	<u>(90,603,763)</u>	<u>(4,562,384)</u>
<u>59,048</u>	<u>170,500,452</u>	<u>2,650,516</u>
-	-	458,880
<u>59,048</u>	<u>170,500,452</u>	<u>3,109,396</u>
<u>3,053,022</u>	<u>221,147,986</u>	<u>10,915,321</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	\$ 1,367,953	\$ 1,509,616	\$ 42,514
Accrued wages	32,161	37,660	9,429
Long-term liabilities, current portion	35,382	37,080	38,694
Total Current Liabilities			
Payable from Current Assets	1,435,496	1,584,356	90,637
Payable from Restricted Assets:			
Deposits payable	233,004	-	-
Total Current Liabilities	1,668,500	1,584,356	90,637
Noncurrent Liabilities:			
Capitalized lease obligations	-	-	-
OPEB obligation	-	-	-
Compensated absences payable	161,185	168,922	176,272
Claims and judgments payable	-	-	-
Loan payable	-	10,609,971	-
Advances from other funds	-	-	458,880
Total Noncurrent Liabilities	161,185	10,778,893	635,152
Total Liabilities	1,829,685	12,363,249	725,789
Total Net Position:			
Net investment in capital assets	41,314,261	111,455,288	7,061,884
Restricted for capital projects	2,876,997	3,861,927	-
Unrestricted	19,148,622	17,724,118	(266,856)
Total Net Position	\$ 63,339,880	\$ 133,041,333	\$ 6,795,028

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

Net position of business-type activities

See Accompanying Notes to the Financial Statements.

Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 186,899	\$ 3,106,982	\$ 582,232
5,426	84,676	241,707
4,825	115,981	1,919,380
<u>197,150</u>	<u>3,307,639</u>	<u>2,743,319</u>
-	233,004	-
<u>197,150</u>	<u>3,540,643</u>	<u>2,743,319</u>
-	-	51,482
-	-	737,409
21,980	528,359	144,399
-	-	1,768,931
-	10,609,971	-
-	458,880	-
<u>21,980</u>	<u>11,597,210</u>	<u>2,702,221</u>
<u>219,130</u>	<u>15,137,853</u>	<u>5,445,540</u>
59,048	159,890,481	2,562,422
-	6,738,924	-
<u>2,774,844</u>	<u>39,380,728</u>	<u>2,907,359</u>
<u>\$ 2,833,892</u>	206,010,133	<u>\$ 5,469,781</u>
	<u>(1,089,197)</u>	
	<u>\$ 204,920,936</u>	

(Concluded)

CITY OF SAN CLEMENTE
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Operating Revenues:			
Charges for services	\$ 19,730,255	\$ 10,184,621	\$ 1,917,634
Concessions	-	-	374,628
Other	1,608,664	100,266	-
Total Operating Revenues	<u>21,338,919</u>	<u>10,284,887</u>	<u>2,292,262</u>
Operating Expenses:			
Salaries and benefits	2,920,750	2,557,038	837,469
Cost of purchased water	9,123,883	-	-
Cost of materials and supplies	196,904	713,001	168,292
Depreciation	1,090,608	3,147,289	346,774
Insurance premiums	-	-	-
Benefit payments	-	-	-
Maintenance and other operating expenses	4,602,314	4,238,342	790,549
Total Operating Expenses	<u>17,934,459</u>	<u>10,655,670</u>	<u>2,143,084</u>
Operating Income (Loss)	<u>3,404,460</u>	<u>(370,783)</u>	<u>149,178</u>
Non-Operating Revenues (Expenses):			
Investment income	124,216	72,311	3,732
Grant income	-	-	-
Interest and fiscal charges	-	-	(12,118)
Gain (Loss) on sale of capital assets	(114,924)	(10,910)	-
Total Non-Operating Revenues (Expenses)	<u>9,292</u>	<u>61,401</u>	<u>(8,386)</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>3,413,752</u>	<u>(309,382)</u>	<u>140,792</u>
Capital grants	-	2,176,019	-
Capital contributions	6,014	295,994	-
Total Capital Contributions	<u>6,014</u>	<u>2,472,013</u>	<u>-</u>
Transfers in	43,100	517,200	-
Transfers out	(140,430)	(57,482)	-
Total Transfers	<u>(97,330)</u>	<u>459,718</u>	<u>-</u>
Change in Net Assets	3,322,436	2,622,349	140,792
Net Position - Beginning of Year	<u>60,017,444</u>	<u>130,418,984</u>	<u>6,654,236</u>
Net Position - End of Year	<u>\$ 63,339,880</u>	<u>\$ 133,041,333</u>	<u>\$ 6,795,028</u>

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

Change in net position of business-type activities

See Accompanying Notes to the Financial Statements.

Enterprise Funds		Internal Service
Nonmajor	Totals	
\$ 1,964,422	\$ 33,796,932	\$ 8,939,436
-	374,628	-
331,800	2,040,730	179,435
<u>2,296,222</u>	<u>36,212,290</u>	<u>9,118,871</u>
481,759	6,797,016	916,122
-	9,123,883	-
61,649	1,139,846	528,216
-	4,584,671	711,928
-	-	3,516,742
-	-	1,875,141
1,224,321	10,855,526	2,436,572
<u>1,767,729</u>	<u>32,500,942</u>	<u>9,984,721</u>
<u>528,493</u>	<u>3,711,348</u>	<u>(865,850)</u>
15,947	216,206	44,038
17,121	17,121	-
-	(12,118)	(5,053)
-	(125,834)	-
<u>33,068</u>	<u>95,375</u>	<u>38,985</u>
<u>561,561</u>	<u>3,806,723</u>	<u>(826,865)</u>
-	2,176,019	-
-	302,008	-
<u>-</u>	<u>2,478,027</u>	<u>-</u>
-	560,300	510,000
(516,110)	(714,022)	-
<u>(516,110)</u>	<u>(153,722)</u>	<u>510,000</u>
45,451	6,131,028	(316,865)
<u>2,788,441</u>	<u>5,786,646</u>	<u>5,786,646</u>
<u>\$ 2,833,892</u>	<u>\$ 5,469,781</u>	<u>\$ 5,469,781</u>
	(209,017)	
	<u>\$ 5,922,011</u>	

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Cash Flows from Operating Activities:			
Cash received from customers	\$ 20,041,061	\$ 11,552,201	\$ 1,900,386
Cash paid to other suppliers for goods or services	(13,920,213)	(6,235,531)	(935,097)
Cash payment to employees	(2,902,589)	(2,610,620)	(819,025)
Cash from rents and concessions	-	-	374,628
Cash from other operating revenues	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>3,218,259</u>	<u>2,706,050</u>	<u>520,892</u>
Cash Flows from Noncapital Financing Activities:			
Grant income	-	-	-
Cash received from other funds	43,100	517,200	-
Cash paid to other funds	(140,430)	(57,482)	(147,001)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(97,330)</u>	<u>459,718</u>	<u>(147,001)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants	6,014	2,472,013	-
Purchase and construction of capital assets	(801,461)	(22,277,833)	-
Payment on capital lease payable	-	-	-
Proceeds from capital loan	-	10,609,971	-
Interest and fiscal charges	-	-	(12,118)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(795,447)</u>	<u>(9,195,849)</u>	<u>(12,118)</u>
Cash Flows from Investing Activities:			
Investment income received	164,074	153,036	3,201
Net Cash Provided by (Used for) Investing Activities	<u>164,074</u>	<u>153,036</u>	<u>3,201</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,489,556	(5,877,045)	364,974
Cash and Cash Equivalents at Beginning of Year	<u>16,856,922</u>	<u>27,147,288</u>	<u>30,613</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,346,478</u>	<u>\$ 21,270,243</u>	<u>\$ 395,587</u>

See Accompanying Notes to the Financial Statements.

Enterprise Funds

Nonmajor	Totals	Internal Service
\$ 1,923,697	\$ 35,417,345	\$ 9,122,757
(1,167,060)	(22,257,901)	(7,875,239)
(484,984)	(6,817,218)	(916,291)
-	374,628	-
331,800	331,800	-
<u>603,453</u>	<u>7,048,654</u>	<u>331,227</u>
17,121	17,121	-
-	560,300	657,001
<u>(516,110)</u>	<u>(861,023)</u>	<u>-</u>
<u>(498,989)</u>	<u>(283,602)</u>	<u>657,001</u>
-	2,478,027	-
(42,836)	(23,122,130)	(582,887)
-	-	(38,932)
-	10,609,971	-
-	(12,118)	(5,053)
<u>(42,836)</u>	<u>(10,046,250)</u>	<u>(626,872)</u>
13,253	333,564	62,226
<u>13,253</u>	<u>333,564</u>	<u>62,226</u>
74,881	(2,947,634)	423,582
2,444,234	46,479,057	7,339,318
<u>\$ 2,519,115</u>	<u>\$ 43,531,423</u>	<u>\$ 7,762,900</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Utility	Sewer Utility	Golf Course
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 3,404,460	\$ (370,783)	\$ 149,178
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	1,090,608	3,147,289	346,774
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(1,297,858)	1,267,314	(17,248)
(Increase) decrease in prepaid items	2,000	-	-
(Increase) decrease in inventories	(61,838)	-	30,873
Increase (decrease) in accounts payable	53,498	(1,284,188)	(7,129)
Increase (decrease) in accrued wages	5,887	14,304	3,247
Increase (decrease) in deposits payable	9,228	-	-
Increase (decrease) in OPEB obligation	-	-	-
Increase (decrease) in compensated absences	12,274	(67,886)	15,197
Increase (decrease) in claims & judgments payable	-	-	-
Total Adjustments	(186,201)	3,076,833	371,714
Net Cash Provided by (Used for) Operating Activities	\$ 3,218,259	\$ 2,706,050	\$ 520,892
Noncash investing, capital, and financing activities:			
Unrealized gain (loss) from investments	\$ (430)	\$ (7,323)	\$ 316
Contributions of capital assets from developers	\$ -	\$ -	\$ -

See Accompanying Notes to the Financial Statements.

<u>Enterprise Funds</u>		<u>Internal Service</u>
<u>Nonmajor</u>	<u>Totals</u>	
\$ 528,493	\$ 3,711,348	\$ (865,850)
-	4,584,671	711,928
(40,725)	(88,517)	3,886
-	2,000	(2,984)
-	(30,965)	-
118,910	(1,118,909)	450,482
879	24,317	30,557
-	9,228	-
-	-	107,000
(4,104)	(44,519)	(30,726)
-	-	(73,066)
<u>74,960</u>	<u>3,337,306</u>	<u>1,197,077</u>
<u>\$ 603,453</u>	<u>\$ 7,048,654</u>	<u>\$ 331,227</u>

\$ (314) \$ (7,751) \$ (848)

\$ - \$ - \$ -

(Concluded)

CITY OF SAN CLEMENTE
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Pension Trust	RDA Successor Agency Trust
Assets:		
Cash and investments	\$ -	\$ 131,331
Taxes receivable	-	-
Accounts receivable	-	1,475
Accrued interest receivable	-	219
Loan receivable	-	125,530
Restricted cash and investments	-	-
Restricted cash and investments with fiscal agents	-	-
Investments, at fair value:		
Group annuity contract	3,915,431	-
PIMCO Total Return Bond mutual fund	3,932,375	-
U.S. Government Treasury Inflation Bond mutual fund	587,315	-
Dodge & Cox International mutual fund	2,936,574	-
PIMCO All Asset Authority mutual fund	978,858	-
Russell 1000 Index mutual fund	6,264,691	-
Russell 2000 Index mutual fund	978,858	-
	19,594,102	258,555
Total Assets		
Liabilities:		
Accounts payable	-	29,262
Accrued wages	-	-
Deposits payable	-	-
Loan from the City of San Clemente	-	1,984,084
Payable to bondholders	-	-
	-	2,013,346
Total Liabilities		
Total Net Position:		
Held in trust for pension benefits and for other purposes	\$ 19,594,102	\$ (1,754,791)

See Accompanying Notes to the Financial Statements.

Agency
 Funds

\$ -
 17,788
 57,058
 3,156
 -
 551,506
 2,691,868

-
 -
 -
 -
 -
 -
 -

\$ 3,321,376

41,756
 18,225
 106,496
 -
3,154,899

\$ 3,321,376

CITY OF SAN CLEMENTE
Statement of Changes in Net Position
Pension Trust Fund - Fiduciary Fund
For the Year Ended June 30, 2014

Contributions:	
Employer	\$ 2,481,824
Employee	1,019,188
	3,501,012
Total Contributions	
	3,501,012
Investment Income:	
Net appreciation (depreciation) in fair value of investments	6,725,662
Investment expenses	(127,632)
	6,598,030
Total Investment Income (Loss)	
	6,598,030
Total Additions	
	10,099,042
Deductions:	
Benefits	1,377,978
Administrative expenses	37,500
Payment to CalPERS	32,550,000
	33,965,478
Total Deductions	
	33,965,478
Change in net position	
	(23,866,436)
Net position - Beginning of Year	
	43,460,538
Net position - End of Year	
	\$ 19,594,102

See Accompanying Notes to the Financial Statements.

CITY OF SAN CLEMENTE
Statement of Changes in Net Position
Successor Agency to the San Clemente Redevelopment Agency Private Purpose Trust Fund
For the Year Ended June 30, 2014

Additions:	
Investment income	\$ (2,350)
Deductions:	
Program expenses of former redevelopment agency	108,806
Other costs	<u>20,841</u>
Total Deductions	<u>129,647</u>
Change in net position	(131,997)
Net position - Beginning of Year	<u>(1,622,794)</u>
Net position - End of Year	<u><u>\$ (1,754,791)</u></u>

See Accompanying Notes to the Financial Statements.



Notes to the Financial Statements

CITY OF SAN CLEMENTE
Notes to the Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of government-wide financial statements

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

The financial statements of the City of San Clemente have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity:

The City of San Clemente (the “City”) was incorporated in February of 1928 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, beaches, parks and recreation, public improvements, planning and zoning, golf, utilities (water, sewer, storm drain and urban runoff) and general administrative services.

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

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Successor Agency and the PFA conform to generally accepted accounting principles applicable to governments.

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

The PFA was created in May 2007 pursuant to the State of California Government Code, Section 6500. The City and the Agency are member agencies. The Agreement provides for the PFA to jointly exercise the powers of the City and the Agency to provide for the financing or refinance of public capital improvements of the City, Agency or other local agencies through the acquisition and or purchase by the Authority of Local Obligations. The PFA has the power to acquire and to finance and refinance the acquisition of public capital improvements necessary or convenient for the operation of the City or the Agency, including the issuance of Revenue Bonds. The PFA is reported as an Agency fund since proceeds were used to refund a conduit debt, which are not obligations of the City. Separate financial statements for the PFA may be obtained from the City.

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

D. Basis of presentation – fund financial statements:

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

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. The City considers this a major fund.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

E. Measurement Focus and Basis of Accounting:

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, property taxes are recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements and donations are recognized as revenue once all eligibility requirements imposed by the provider have been met.

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

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

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

F. Implementation of New GASB Pronouncements

In 2014, the City adopted new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 67 – Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25. The objective of this Statement is to improvement financial reporting by state and local governmental pension plans.

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

1. Cash and investments:

The City pools cash and investments of all funds, except for assets held by fiscal agents. Cash is considered to be cash on hand and demand deposits. Investments are reported in the accompanying balance sheet at fair value. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

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

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

2. Inventories and prepaids:

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventory in the enterprise funds consists of expendable supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital assets:

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government wide-financial statements.

Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets subject to lease obligations are valued at the present value of future lease payments at the inception of the lease. The City utilizes a capitalization threshold of \$5,000 for property, plant, and equipment and \$25,000 for infrastructure assets.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Depreciation of all exhaustible capital assets used by the governmental and business-type activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net assets.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

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

4. Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net position flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position amounts are applied.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

6. Fund balance flow assumptions:

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

7. Fund balance policies

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

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

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

H. Revenues and expenditures/expenses

1. Program Revenues:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

2. Property taxes:

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

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

3. Compensated Absences:

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation, sick time for eligible employees, and compensatory time at June 30, 2014 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.

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

5. Claims and Judgments:

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

6. Use of Estimates:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting:

The City adopts budgets for the governmental funds on an annual basis substantially consistent with generally accepted accounting principles. Budgeted amounts reported are as originally adopted and as further amended by the City Council. The general fund, special revenue funds, and capital project funds have legally adopted budgets as well as the Negocio Building debt service fund. The capital project funds adopt project length budgets. The City made supplemental budgetary appropriations during the fiscal year of \$4.5 million.

III. CASH AND INVESTMENTS:

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 133,770,449
Cash and investments - restricted	352,925
Fiduciary funds:	
Cash and investments	131,331
Cash and investments - restricted	551,506
Cash and investments held by bond trustee	2,691,868
Pension trust investments	<u>19,594,102</u>
Total cash and investments	<u>\$ 157,092,181</u>

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 5,000
Deposits with financial institutions	2,986,159
Investments held by City and bond trustee	134,506,920
Pension trust investments	<u>19,594,102</u>
Total cash and investments	<u>\$ 157,092,181</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Authorized Investments under California Government Code and the City Investment Policy:
The following table identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where it is more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where it is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee which are governed debt agreements provision rather than California Government Code or the City's investment policy.

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

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

Investments Authorized by Debt Agreements:

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

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Disclosures Relating to Interest Rate Risk:

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

Investment Type	Total Amount	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury securities	\$ 28,970,252	\$ 8,450,212	\$ 13,030,074	\$ 7,489,966
Federal Agency securities:				
Federal Farm Credit Bank	10,597,062	441,104	4,687,831	5,468,127
Federal Home Loan Bank	12,489,699	1,886,119	2,399,571	8,204,009
Federal Home Loan Mortgage Corp.	18,131,571	5,905,306	1,970,094	10,256,171
Federal National Mortgage Assoc.	15,414,102	440,752	7,973,796	6,999,554
LAIF	33,370,530	33,370,530	-	-
Medium Term Note	12,627,114	4,250,900	4,768,382	3,607,832
Money market funds	80,189	80,189		
Held by bond trustee:				
Money market funds	2,040,805	2,040,805	-	-
U.S. Treasury securities*	452,561	-	-	-
LAIF	333,035	333,035	-	-
Total	\$ 134,506,920	\$ 57,198,952	\$ 34,829,748	\$ 42,025,659

*Final maturity is 05/15/2019

Disclosures Relating to Credit Risk:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Rating</u>	<u>Exempt From Rating</u>	<u>Ratings as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>A</u>
U.S. Treasury securities	\$ 28,970,252	N/A	\$ 28,970,252	\$ -	\$ -	\$ -
Federal agency securities:						
FFCB	10,597,062	N/A	-	-	10,597,062	-
FHLB	12,489,699	N/A	-	-	12,489,699	-
FHLMC	18,131,571	N/A	-	-	18,131,571	-
FNMA	15,414,102	N/A	-	-	15,414,102	-
LAIF	33,370,530	N/A	-	-	-	-
Medium Term Notes	12,627,114	A	-	-	7,619,052	5,008,062
Money market funds	80,189	AAA	-	80,189	-	-
Held by Bond trustee:						
Money market funds	2,040,805	N/A	-	2,040,805	-	-
U.S. Treasury securities	452,561	N/A	452,561	-	-	-
Local agency investment fund	333,035	N/A	333,035	-	-	-
	<u>\$ 134,506,920</u>		<u>\$ 29,755,848</u>	<u>\$ 2,120,994</u>	<u>\$ 64,251,486</u>	<u>\$ 5,008,062</u>

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of City Investments</u>
Federal Home Loan Mortgage Corp	Federal agency securities	\$ 18,131,571	13%
Federal National Mortgage Assoc.	Federal agency securities	15,414,102	11%
Federal Home Loan Bank	Federal agency securities	12,489,699	9%
Federal Farm Credit Bank	Federal agency securities	10,597,062	8%

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes with a value of 150% of secured public deposits. GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$1,150,761 of the City's deposits with financial institutions in excess of federal depository insurance limits is held in collateralized accounts.

As of June 30, 2014, City investments in the following investment types were held by the safekeeping department of Bank of the West and the City uses other broker-dealers to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury securities	\$ 28,970,252
Federal agency securities:	
Federal Farm Credit Bank	10,597,062
Federal Home Loan Bank	12,489,699
Federal Home Loan Mortgage Corp	18,131,571
Federal National Mortgage Association	15,414,102
Medium Term Notes	12,627,114

Investment in State Investment Pool:

The City is a voluntary participant in the LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investment with LAIF at June 30, 2014, includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2014, the City had \$33,370,530 invested in LAIF and \$333,035 held by a Bond Trustee invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset Backed Securities. The LAIF fair value factor of 1.00029875 was used to calculate the fair value of the investments in LAIF.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Pension Trust Fund Investments:

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

A summary of the investments held and the percentage of the pension investment portfolio at June 30, 2014 follows:

<u>Pension Trust Fund Investments</u>	<u>Fair value</u>	<u>Percent of Pension Portfolio</u>
<i>Equity Investments</i>		
Dodge & Cox International mutual fund	\$ 2,936,574	15%
Russell 1000 Index mutual fund	6,264,691	32%
Russell 2000 Index mutual fund	978,858	5%
<i>Fixed Income Investments</i>		
Group annuity contract	3,915,431	20%
PIMCO Total Return Bond mutual fund	3,932,375	20%
US Government Treasury Inflation Bond mutual fund	587,315	3%
<i>Hybrid Investments (equity and fixed income)</i>		
PIMCO All Asset Authority mutual fund	978,858	5%
Total pension trust investments (fair value)	<u>\$ 19,594,102</u>	<u>100%</u>

The pension plan's policy is established by the City and the target asset allocation of the investment portfolio is an 32% to large capitalization equities, 5% to small capitalization equities, 15% to international equities, 20% to Bonds, 3% to Treasury Inflation Protected securities, 5% to a hybrid all asset fund. The City uses an investment advisory firm to assist with the management and oversight of the pension fund investments. The investment allocation can be modified by the City. The expected rate of return on these pension investments is 7.25%.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 13.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

IV. RECEIVABLES:

Receivables, including restricted amounts, at June 30, 2014 were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Interest</u>	<u>Loans</u>	<u>Total</u>
Governmental Activities:					
General fund	\$ 2,465,466	\$ 513,212	\$ 50,086	\$ 1,984,084	\$ 5,012,848
RCFPP fund	-	-	5,397	-	5,397
Developers improvement fund	-	154,858	11,408	9,112,580	9,278,846
Public facilities fund	-	-	29,033	-	29,033
Nonmajor funds	48	473,901	42,069	508,256	1,024,274
Internal service funds	-	27,596	12,445	-	40,041
	<u>\$ 2,465,514</u>	<u>\$ 1,169,567</u>	<u>\$ 150,438</u>	<u>\$ 11,604,920</u>	<u>\$ 15,390,439</u>
	<u>Accounts</u>	<u>Interest</u>	<u>Total</u>		
Business-type Activities:					
Water utility	\$ 3,016,943	\$ 32,355	\$ 3,049,298		
Sewer utility	2,032,747	35,572	2,068,319		
Golf course	36,420	662	37,082		
Nonmajor funds	470,646	4,213	474,859		
	<u>\$ 5,556,756</u>	<u>\$ 72,802</u>	<u>\$ 5,629,558</u>		

Loans receivable in governmental activities consist of \$1,984,084 due from the Redevelopment Agency Successor Agency which has been approved for payment by the State of California and \$9,620,836 of long term loans made for affordable housing purposes.

V. CAPITAL ASSETS:

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

The governmental activity capital assets includes the Redevelopment Agency property held at time of the Agency dissolution. During the year, these assets were approved by the State of California Department of Finance for the title to be transferred to the City in compliance with the Long Range Property Management Plan as required under the Redevelopment Agency dissolution legislation. The properties approved for the transfer to the City are public use assets and include the pier and a grassy parkway area.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

A summary of changes in capital asset activity for the year ended June 30, 2014 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets Not Being Depreciated:				
Land	\$ 37,194,934	\$ -	\$ -	\$ 37,194,934
Construction in progress	1,905,985	5,128,898	(2,711,293)	4,323,590
 Total Capital Assets, Not Being Depreciated	 39,100,919	 5,128,898	 (2,711,293)	 41,518,524
Capital Assets, Being Depreciated:				
Buildings	27,505,490	50,000	-	27,555,490
Improvements other than buildings	52,073,625	-	-	52,073,625
General equipment	8,172,900	576,850	(137,514)	8,612,236
Infrastructure	142,211,174	2,214,937	(787,292)	143,638,819
 Total Capital Assets, Being Depreciated	 229,963,189	 2,841,787	 (924,806)	 231,880,170
Less Accumulated Depreciation For:				
Buildings	(10,461,981)	(681,995)	-	(11,143,976)
Improvements other than buildings	(14,268,522)	(2,412,707)	-	(16,681,229)
General equipment	(4,862,560)	(807,221)	137,514	(5,532,267)
Infrastructure	(51,149,147)	(4,078,086)	787,292	(54,439,941)
 Total Accumulated Depreciation	 (80,742,210)	 (7,980,009)	 924,806	 (87,797,413)
 Net Capital Assets, Being Depreciated	 149,220,979	 (5,138,222)	 -	 144,082,757
 Governmental Activities Capital Assets	 \$ 188,321,898	 \$ (9,324)	 \$ (2,711,293)	 \$ 185,601,281

Construction in progress consists of various street improvement projects. Construction in progress capitalized during the year consisted of multiple street projects.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

A summary of property, plant and equipment at June 30, 2014 for the City's business-type activities is as follows:

<u>Business-type Activities</u>	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital Assets Not Being Depreciated:				
Land	\$ 4,073,070	\$ -	\$ -	\$ 4,073,070
Construction in progress	14,338,737	23,110,376	(5,787,878)	31,661,235
Total Capital Assets, Not Being Depreciated	18,411,807	23,110,376	(5,787,878)	35,734,305
Capital Assets, Being Depreciated:				
Buildings	6,863,986	-	-	6,863,986
Water, sewer, storm lines	96,411,382	3,920,763	(24,730)	100,307,415
Utility assets	111,533,714	1,852,682	(807,912)	112,578,484
Improvements other than buildings	3,266,622	-	-	3,266,622
Machinery and equipment	2,327,216	26,187	-	2,353,403
Total Capital Assets, Being Depreciated	220,402,920	5,799,632	(832,642)	225,369,910
Less Accumulated Depreciation For:				
Buildings	(1,208,170)	(147,855)	-	(1,356,025)
Water, sewer, storm lines	(32,548,128)	(1,403,812)	13,818	(33,938,122)
Utility assets	(48,985,699)	(2,646,222)	692,989	(50,938,932)
Improvements other than buildings	(2,316,997)	(246,397)	-	(2,563,394)
Machinery and equipment	(1,666,905)	(140,385)	-	(1,807,290)
Total Accumulated Depreciation	(86,725,899)	(4,584,671)	706,807	(90,603,763)
Net Capital Assets, Being Depreciated	133,677,021	1,214,961	(125,835)	134,766,147
Business-type Activities Capital Assets	\$ 152,088,828	\$ 24,325,337	\$ (5,913,713)	\$ 170,500,452

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	\$ 14,933	\$ -
Police	7,846	
Fire	227,035	-
Public works	3,856,715	-
Community development	206,119	-
Beaches, parks and recreation	2,955,433	-
Internal service	711,928	-
Water	-	1,090,608
Sewer	-	3,147,289
Golf	-	346,774
Total depreciation expense	\$ 7,980,009	\$ 4,584,671

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

VI. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS:

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 65,788

Advances from/to other funds:

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
RDA Successor Agency	General fund	\$ 1,984,084
Golf fund	Workers' Compensation fund	458,880
Total		<u>\$ 2,442,964</u>

On July 1, 2002, the Agency and the City entered into an agreement to advance to the Agency \$3,420,690 at a rate of 2.9% per annum. This advance plus accrued interest was to be repaid to the City from future tax increment revenues. However, on February 1, 2012 the Redevelopment Agency was dissolved and the current outstanding loan amount of \$1,984,084, will be reimbursed based on future available property taxes.

The Golf Fund advance from the Workers' Compensation Self-Insurance Internal Service Fund of \$750,000 provided funds for construction costs of the Golf Course Clubhouse. This advance is being fully amortized over five years bearing an interest rate of 2%. The outstanding balance at June 30, 2014 is \$458,880.

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

<u>Year</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 149,941	\$ 9,178	\$ 159,119
2016	152,940	6,179	159,119
2017	155,999	3,120	159,119
Totals	<u>\$ 458,880</u>	<u>\$ 18,477</u>	<u>\$ 477,357</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Interfund Transfers:

<u>Transfers In</u>	<u>Transfers Out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Nonmajor Proprietary Funds</u>	
General Fund	\$ -	\$ 502,292	\$ 110,155	\$ 25,000	\$ 173,110	\$ 810,557
Nonmajor Governmental Funds	950,290	-	275	2,482	-	953,047
Water Utility Fund	43,100	-	-	-	-	43,100
Sewer Utility Fund	62,200	112,000	-	-	343,000	517,200
Internal Service Funds	440,000	10,000	30,000	30,000	-	510,000
Total	<u>\$1,495,590</u>	<u>\$ 624,292</u>	<u>\$ 140,430</u>	<u>\$ 57,482</u>	<u>\$ 516,110</u>	<u>\$2,833,904</u>

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

During the year ended June 30, 2014 General Fund transfers included significant transfers of \$756,290 to the Street Improvement Special Revenue Fund to fund continued street rehabilitation and an one-time transfer of \$400,000 to the General Liability Fund to fund a settlement agreement. Significant transfers in the nonmajor governmental funds were primarily related to street projects as funding was provided to the Street Improvement Fund. Significant transfers in the nonmajor proprietary funds related to activities in the sewer fund supported by the Clean Ocean Fund.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

VII. LONG TERM LIABILITIES:

Governmental:

1. Certificates of Participation:

On June 1, 1994, \$1,240,000 of Series A and \$2,555,000 of Series B Certificates of Participation were issued to provide financing for the acquisition of the Negocio Building Project. The Certificates evidence interests of the owners thereof in a portion of lease payments to be made by the City to the Agency for the use and occupancy of the building, which was leased by the City to the Redevelopment Agency then leased back by the Agency to the City. Interest on Series A and Series B certificates is payable semi-annually each June 1 and December 1 beginning December 1, 1994. Principal maturities on Series A and Series B certificates began June 1, 1994, and continue each June 1 through June 1, 2023 in amounts ranging from \$20,000 to \$85,000 and \$20,000 to \$220,000, respectively. Series A certificates bear interest ranging from 3.5% to 6.0% and Series B bear interest at 8.5%. On June 1, 2012, the tax-exempt, Series A, portion of the Certificates was redeemed in full during the current fiscal year, leaving only the taxable portion, Series B, outstanding. The amount outstanding at June 30, 2014 is \$1,455,000.

The City, under the provisions in the Lease-leaseback agreement, has guaranteed to make the lease payments from annual appropriations of monies from the Motor Vehicle Fee Account held by the State of California to which the City is entitled. The revenue is pledged until final maturity of the debt on June 1, 2023. The amount of the pledged revenue cannot currently be estimated. However, the City received Motor Vehicle Fee amounts of \$29,173 from the State of California directly and \$5,366,095 of property taxes in Lieu of the Motor Vehicle Fee through the County during the fiscal year. The debt service principal and interest payments totaled \$237,600 during Fiscal Year 2014. The Bond Reserve is fully funded at June 30, 2014.

2. Capitalized Lease Obligations:

Central Service Fund – Two lease purchase agreements exist for the leasing of office equipment. These have been capitalized at the original cost of \$196,802. The terms of the leases include 60 monthly payments which include interest. The last lease matures in October 2016. The monthly lease payments are \$417 and \$3,322. The lease payable amounts are recorded on the statement of net assets with the amount applicable to governmental-type activities. The amount outstanding at June 30, 2014 is \$88,094.

3. Compensated Absences:

The City's policies relating to compensated absences are described in Note I. This liability will be paid in future years from future resources primarily from the general fund. The amount outstanding for governmental type compensated absences at June 30, 2014 is \$1,811,102.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

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, 2014 are as follows:

Year Ending June 30,	Certificates of Participation		Capitalized Lease Obligations	
	Principal	Interest	Principal	Interest
2015	\$ 115,000	\$ 123,674	\$ 36,612	\$ 3,258
2016	125,000	113,900	38,317	1,553
2017	135,000	103,275	13,165	124
2018	145,000	91,800	-	-
2019	160,000	79,475	-	-
2020-2023	775,000	171,700	-	-
Totals	\$ 1,455,000	\$ 683,824	\$ 88,094	\$ 4,935

Business-type:

1. State Revolving Fund loan:

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

The City was approved for a loan amount of up to \$14,370,000, with an interest rate at 2.2% payable with the loan to be paid over a period of 20 years. Principal and interest payments will commence upon the project completion and are currently undeterminable until the project is accepted. The repayment of this loan is secured by the net revenues of the Water Fund with a revenue coverage level of 110% of the annual debt service and a reserve will be established equal to one year's debt service upon the construction completion date. The amount outstanding at June 30, 2014 is \$10,609,971.

Compensated Absences:

The City's policies relating to compensated absences are described in Note I. The amount outstanding for business type compensated absences at June 30, 2014 is \$644,340, which are obligations of the following funds:

Water Utility Fund	\$ 196,567
Sewer Utility Fund	206,002
Golf Course Fund	214,966
Non-major Enterprise Funds	26,805

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Changes in Long-term Liabilities

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	\$ 1,560,000	\$ -	\$ 105,000	\$ 1,455,000	\$ 115,000
Capital lease obligations	127,026	-	38,932	88,094	36,612
Claims and judgments payable (Note VIII)	3,693,068	732,993	806,059	3,620,002	1,851,071
Compensated absences	1,842,840	794,018	825,756	1,811,102	325,998
Governmental Activities Long-term Liabilities	<u>\$ 7,222,934</u>	<u>\$ 1,527,011</u>	<u>\$ 1,775,747</u>	<u>\$ 6,974,198</u>	<u>\$ 2,328,681</u>
<u>Business-type Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State Revolving Fund loan	\$ -	\$ 10,609,971	\$ -	\$ 10,609,971	\$ -
Compensated absences	688,860	232,728	277,248	644,340	115,981
Business-type Activities Long-term Liabilities	<u>\$ 688,860</u>	<u>\$ 10,842,699</u>	<u>\$ 277,248</u>	<u>\$ 11,254,311</u>	<u>\$ 115,981</u>

VIII. INSURANCE:

A. Description of Self-Insurance Pool

The City is a member of the California Joint Powers Insurance Authority (“Authority”). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. Copies of the Authority annual financial report may be obtained from their office at 8081 Moody Street, La Palma, CA 90622.

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

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

General Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$20 million are covered through excess insurance policies. (7) Costs of covered claims from \$20 million to \$50 million are paid under excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Purchased Insurance

Pollution Legal Liability Insurance – The City participates in the pollution legal liability and remediation legal liability insurance available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance – The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. San Clemente's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City's property currently has all-risk property

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

insurance protection in the amount of \$198,179,935. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance – The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City’s property currently has earthquake protection in the amount of \$98,373,550. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

C. Workers’ Compensation

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

D. Adequacy of Protection

At June 30, 2014, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City. The following claims schedule includes workers’ compensation and general liability claims for the past two fiscal years.

	Beginning Balance	Incurred and Changes in Estimates	Less Claim Payments	Ending Balance
2012-2013	\$ 2,039,086	\$ 2,443,660	\$ (789,678)	\$ 3,693,068
2013-2014	3,693,068	732,993	(806,059)	3,620,002

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

IX. PENSION AND RETIREMENT BENEFITS:

A. PENSION PLANS:

The City has multiple retirement plans, including the California Public Employees' Retirement System (CalPERS) Safety Plan, the CalPERS Miscellaneous Plan, and the City of San Clemente Employees' Retirement Plan (CSCERP). During the year, on June 9, 2014, the City of San Clemente transferred pension administration for all active miscellaneous City employees, along with their past service credit, to the CalPERS Miscellaneous Plan. These employees' pensions were previously administered through the CSCERP, which is a single-employer plan.

California Public Employees' Retirement System:

Plan Description: The City contributes to CalPERS, for its Safety and Miscellaneous employee defined benefit pension plans. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute and city ordinances. Under the terms of the contract between CalPERS and the City, all full-time employees are required to participate in CalPERS and become vested in the system after five years of service. A copy of CalPERS' annual financial report may be obtained from its executive office at 400 P. Street, Sacramento, California 95814.

The City contracts with CalPERS for both Miscellaneous and Safety employee plans. Under the California Employees' Pension Reform Act (PEPRA) legislation, which passed with an effective date of January 1, 2013, various changes were implemented in the City's pension plans including the creation of two classes of employees - "Classic" and "New" employees.

The *Miscellaneous Plan* is an agent multiple-employer public employee defined benefit pension plan. The pension administration for this plan was contracted with CalPERS during the fiscal year ending June 30, 2014. For Miscellaneous employees, all active full-time employee's pensions at the time of the contract date (effective date of June 9, 2014) were transferred to this plan from the CSCERP. Plan assets of \$32,550,000 were transferred from the CSCERP trust fund to CalPERS as a result of the transfer of the active employee's service credit, including past service credit. The Miscellaneous plan's formula provides 2% at 55 for Classic members and 2% at 62% for New members.

The *Safety Plan* is a risk pool. California Government Code allows PERS to create risk pools and provides mandates for public agency participation in those pools. PERS assigns plans to risk pools based on their service retirement formula, if a plan has less than 100 active members. The City has less than 100 active safety members and was assigned to the 3% at 55 PERS Risk Pool, which is a cost sharing multiple-employer defined benefit pension plan administered by PERS. There are currently only Classic members in the Safety plan.

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools. These risk sharing pools are used to dramatically reduce or eliminate the large fluctuations in the employer's contribution rates caused by unexpected demographic events. Benefit provisions and all other requirements are established by state statute and city ordinance.

Funding Policy: Participants in CalPERS are required to contribute a percentage of their annual covered salary. The portion of the salary contributed by the employee varies by the Plan and Group.

CalPERS Plan - Group	Employee Contribution	Employer Paid Member Contribution	Employer Rate
Miscellaneous – Classic member	1.075%	5.925%	12.099%
Miscellaneous – New member	6.250%	0.000%	12.099%
Safety – Classic member	3.027% ¹	5.973% ¹	23.397% ²

¹ These rates were implemented on January 1, 2014; prior to the implementation of these pension rates the employee contribution was 2.8% and the employer paid member contribution was 6.2%.

² The employer rate prior to a side fund payoff of \$225,716 made on May 20, 2014 was 33.093%.

The *Miscellaneous Plan* schedule of funding progress is based on the August 31, 2013 actuarial valuation, which was completed in preparation for the conversion of the plan, on June 9, 2014. Information is as follows:

Schedule of Funding Progress - CalPERS Miscellaneous¹

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
08/31/13	\$ 32,550,000	\$ 34,707,998	\$(2,157,998)	93.8%	\$ 13,324,066	16.2%

¹ - Information is based on data in the 8/31/2013 actuarial report and the value of assets reflects the CSCERP transfer of assets completed before June 30, 2014.

The *Safety Plan* is part of a risk pool. The actuarial valuation performed includes other plan participants within the same risk pool. Therefore, stand alone information for the schedule of the funding progress for the City's public safety participants is not available.

Annual Pension Cost: For FY 2014, City's annual pension cost (APC) of \$89,986 for the *Miscellaneous Plan* and \$153,952 for the *Safety Plan* was equal to the City's required and actual contributions. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's annual pension costs, the contribution percentage of the annual pension cost, and the net pension obligation for the

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

CalPERS Miscellaneous and Safety plans for the fiscal years ended June 30, 2012, 2013, and 2014 follows:

Fiscal Year	Annual Pension Cost			Percentage Contributed	Net Pension Obligation
	Miscellaneous	Safety	Total		
2012	\$ -	\$ 139,168	\$ 139,168	100%	\$ -
2013	-	130,126	130,126	100%	-
2014	89,986 ¹	153,952	243,938	100%	-

¹ - The *Miscellaneous Plan* contribution rate was determined as part of an August 31, 2013 actuarial valuation and these rates were implemented on June 9, 2014, in conjunction with the transfer to CalPERS

The actuarial assumptions and methods used to determine the annual required contribution rate for FY 2014 is shown below:

	Miscellaneous Plan
Valuation date	August 31, 2013
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level % of Payroll
Amortization period	Closed
Average Remaining Period	20 years as of valuation
Asset valuation method	15 year smoothed market
Investment rate of return	7.50% (net of administration expenses)
Projected salary increases	3.3% to 14.2% depending on age, service, and type of employment
Inflation rate	2.75%
Payroll growth	3.0%
Individual salary growth	Merit scale varying by employment duration coupled with an annual inflation component of 3% and an annual production growth of 0.25%

The *Safety Plan* contribution rate was determined as part of the June 30, 2011 risk pool actuarial valuation. During the year, as discussed in the Funding Policy section, contribution rates were modified lower due to a payment on a side fund.

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

Plan Description: The City provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City oversees the operation and administration of CSCERP. Benefit provisions and all other requirements are established by city ordinances and resolutions.

On June 9, 2014 the City of San Clemente transferred pension administration and the related pension liability for all active miscellaneous employees with past service credit to CalPERS. The CSCERP at the time of transition transferred assets in the amount of \$32,550,000 to fund

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

a portion of the actuarial accrued liability. Retirees and inactive, separated participants and City joint venture employees (Coastal Animal Services Authority) remained in CSCERP.

CSCERP is a single-employer defined benefit pension plan and is included in the City's financial statements. The CSCERP formula provides a 2% at 55 for Classic members and 2% at 62 for PEPRA New members. At July 1, 2013, the plan had 178 active participants and 98 inactive participants with vested benefits, and was paying benefits to 105 participants. Stand-alone financial statements are not issued for the CSCERP.

Funding Policy: Participants in CSCERP (prior to June 9, 2014) were required to contribute a percentage of their annual covered salary. The portion of the salary contributed by the employee was based on the Plan and Group. The Miscellaneous Plan rates were determined as part of a July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. Under the PEPRA legislation, new members who were subject to the Memorandum of Understanding were considered "impaired" and were subject to the Classic member rates. The following chart summarizes the employee and employer required contributions for the fiscal year ending June 30, 2014:

CSCERP Plan - Group	Employee Contribution	Employer Paid Member Contribution	Employer Rate
Miscellaneous – Classic member (July 1 - December 31, 2013)	0.800%	6.200%	19.200%
Miscellaneous – Classic member (January 1 - June 8, 2014)	1.075%	5.925%	19.200%
Miscellaneous – New member (July 1, 2013 – June 30, 2014)	7.500%	0.000%	18.700%

The Schedule of Funding Progress information is as follows:

Schedule of Funding Progress - CSCERP

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ 32,284,398	\$ 46,678,961	\$(14,394,563)	69.2%	\$ 12,798,598	112.5%
07/01/12	36,170,712	52,775,327	(16,604,615)	68.5%	13,542,229	122.6%
07/01/13	41,346,698	58,124,474	(16,777,776)	71.1%	13,446,081	124.8%

Based on the transition to CalPERS of pension assets and liability, a new valuation was completed dated July 1, 2014 to provide information, in compliance with GASB 67, as of June 30, 2014. The assumptions related to this report are included in the Required Supplementary Information. The CalPERS 2013 Experience study was used for mortality and retirement rates in determination of the Net Pension Liability. Information on the Net Pension Liability is as follows:

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Net Pension Liability as of June 30, 2014	
(\$ amounts in thousands)	
Discount Rate	7.25%
Total Pension Liability	\$ 29,289
Fiduciary Net Position	(19,594)
Net Pension Liability	9,695
Funded Status	66.9%

The following table presents the net pension liability as of June 30, 2014 for CSCERP using the discount rate of 7.25 percent, as well as what the net pension liability would be if the liability was calculated using a discount rate that is 1% lower or 1% higher.

Sensitivity of Net Pension Liability to Discount Rate			
(\$ amounts in thousands)			
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$13,273	\$9,695	\$6,730

Information on the rate of return and asset classes are discussed in the Cash and Investments section of these footnotes. Total Pension Liability, the Fiduciary Net Position, the Schedule of Net Pension Liability and a Schedule of Employer Contributions information is presented as required supplementary information following the notes to the financial statements. These present multiyear trend information about the plan assets and the plan liabilities.

Annual Pension Cost and Net Pension Obligation: For FY 2014 (through June 8, 2014), the City's annual pension costs were \$3,501,012 for CSCERP and were the City's required and actual contribution. A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan and the annual required contribution for the period ending June 8, 2014 is as follows:

	<u>CSCERP</u>
Valuation date	July 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	20 year closed amortization period / 16 years remaining
Asset valuation method	5 year smoothed market
Investment rate of return	7.25%
Projected salary increases	4.5%
Inflation rate	2.0%
Payroll growth	4.5%
Individual salary growth	4.5%

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Six-Year Trend Information for CSCERP

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 2,550,674	100%	\$ -
6/30/10	2,776,165	100%	-
6/30/11	2,526,667	100%	-
6/30/12	3,194,442	100%	-
6/30/13	3,480,373	100%	-
6/30/14	3,501,012	100%	-

B. Other Post Employment Benefits (OPEB):

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

Funding Policy: The City is required to pay a minimum employer contribution for retiree coverage through PEMCHA. During the year, the City paid \$244,049 of the health insurance benefit with the remaining cost of \$205,192 paid by the retirees. Employers under GASB accounting principles are required to report the annual cost of OPEB's and record any outstanding obligations and commitments in the same manner as they do for pensions.

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

Annual OPEB Cost and Net OPEB Obligation: The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer. The following table shows the components of the City's annual OPEB cost for the year:

Annual required contribution (ARC)	\$ 146,592
Interest on net OPEB obligation	7,809
Adjustment to the ARC	(8,542)
Annual OPEB Cost	<u>145,859</u>
Contributions made	<u>(38,859)</u>
Increase in net OPEB obligation	107,000
Net OPEB obligation - beginning of year	<u>630,409</u>
Net OPEB obligation - end of year	<u>\$ 737,409</u>

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

The percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2012	\$ 139,997	21.6%	\$ 520,409
06/30/2013	139,542	23.7%	630,409
06/30/2014	146,592	26.5%	737,409

Funded Status and Funding Progress: As of July 1, 2014, the last actuarial valuation, there were 179 active employees and 37 retirees. The present value of all expected future benefits based on certain actuarial assumptions was \$2,511,492 as of June 30, 2014. The City is currently funding the program on a pay-as-you-go basis. The Net OPEB Obligation is accrued in the amount of \$737,409 as a part of the liabilities in the Employee Medical Insurance Internal Service Fund. This amount has not been placed into a trust; however, amounts are available in the Employee Medical Insurance Internal Service Fund.

The projection of future benefit payments for the OPEB liability involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. These actuarial estimates are subject to continual revision as results are compared to past expectation and new estimates are made about the future along with the substantive plan in effect at the time of each valuation and on the sharing of costs between the employee and plan members. The actuarial methods and assumptions used in the July 1, 2014 are summarized as follows:

ACTUARIAL ASSUMPTIONS

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
05/01/2010	\$ -	\$1,784,217	\$1,784,217	0.0%	\$13,401,356	13.31%
05/01/2012	-	\$1,432,716	\$1,432,716	0.0%	\$13,708,188	10.45%
07/01/2014	-	\$1,861,276	\$1,861,276	0.0%	\$14,369,005	12.95%

* Most recent information available

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

X. FUND BALANCE:

GASB 54 establishes Fund Balance Classification based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this classification information on fund type definitions presented in Note I. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

Restricted amounts have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources are used for specific purposes stipulated in the legislation.

Committed amounts can only be used for specific purposes pursuant to formal action of the City Council (highest level of decision making authority) through a city charter, or an ordinance. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance revision) it employed previously to commit those amounts.

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

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

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

Minimum Fund Balance Policy: The governing body has formally adopted through Council action a minimum fund balance policy for the General Fund as part of the City's fiscal policy. This minimum fund balance consists of two amounts which committed by the Council. The first amount is a fixed \$10 million and can only be drawn upon through a formal action of the City Council. The second amount is equal to 9% of the operating expenditures of the General Fund. This amount was \$4.6 million as of June 30, 2014. The total committed amount for

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

Sustainability and Emergency is \$14.6 million and is to provide and maintain service levels in the event of financial difficulty or other distress.

Fund Balances	General Fund	RCFPP	Developers Improvement	Public Facilities Construction	Non-major Funds	Total
<i>Nonspendable:</i>						
Loans	\$ 1,984,084	\$ -	\$ 1,671,798	\$ -	\$ -	\$ 3,655,882
Prepays	22,400	-	-	-	-	22,400
<i>Restricted for:</i>						
Affordable housing	-	-	1,693,229	-	-	1,693,229
Park development	-	-	-	-	1,313,651	1,313,651
Highways/streets	-	3,229,556	849,717	-	14,699,871	18,779,144
Drainage	-	-	850,204	-	3,911,301	4,761,505
Other capital projects	-	-	2,592,581	17,388,501	-	19,981,082
Other purposes	-	-	-	-	569,321	569,321
<i>Committed to:</i>						
Sustainability/Emergency	14,581,000	-	-	-	-	14,581,000
Capital projects	819,134	-	-	-	59,265	878,399
La Pata Vista Hermosa	1,171,881	-	-	-	-	1,171,881
Other purposes	179,468	-	-	-	-	179,468
<i>Assigned to:</i>						
Capital projects	3,784,006	-	-	-	3,357,930	7,141,936
Other purposes	576,802	-	-	-	2,000	578,802
Debt service	-	-	-	-	1,078,099	1,078,099
Future budget	2,864,370	-	-	-	-	2,864,370
<i>Unassigned</i>	3,850,648	-	-	-	(29,127)	3,821,521
TOTAL FUND BALANCE	\$ 29,833,793	\$ 3,229,556	\$ 7,657,529	\$ 17,388,501	\$ 24,962,311	\$ 83,071,690

XI. OTHER NOTE DISCLOSURES:

A. Leases

The City has entered into operating lease contracts where the City leases two floors of an office building used for Community Development operations to third parties and one lease for a portion of a prior fire station.

The first lease commenced on June 14, 2010, with a lease term of five year and an option to extend for five years. The second lease commenced on October 1, 2012, with a lease term of five years. The third lease commenced on May 1, 2012, with a lease term of five years. The future minimum rentals to be received under the leases are listed below:

Fiscal Year	1 st Lease	2 nd Lease	3 rd Lease
2015	\$ 216,660	\$ 118,588	\$68,908
2016	-	123,547	95,842
2017	-	128,505	91,552

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

B. Assessment District Bonds

The following bond issues were issued to finance public improvement projects in certain assessment districts, which are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remits monies to the bondholders. The City has no obligation or duty to pay any delinquency out of any available City funds. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying financial statements.

Issue	Amount of Issue	Outstanding June 30, 2014
City of San Clemente 99-1 Assessment District	\$ 1,150,000	\$ 260,000
City of San Clemente 99-1 Community Facilities District	5,755,000	4,680,000
City of San Clemente Public Financing Authority Reassessment Refunding Revenue Bonds	14,235,000	11,640,000

C. Joint Powers Agreements:

Coastal Animal Services Authority (CASA):

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

Orange County Fire Authority:

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

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

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

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

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of San Clemente that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-04. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

After enactment of the law, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Under the direction of an Oversight Board remaining assets can be used to pay enforceable obligations in existence at the date of dissolution. Successor agencies are allocated revenue in the amount necessary to pay the annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations are paid in full and all the assets have been liquidated. The City has received a Finding of Completion and is in the process of disposing of all real property assets and paying all remaining obligations of the former redevelopment agency.

The Bill directs the State of California Controller and Department of Finance to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. Real property transfers were approved as part of the Long Range Property Management Plan by the State of California.

The City has been authorized to list the outstanding General fund loan of \$1,984,084 as a valid enforceable obligation to be paid through future tax revenues. City management has

CITY OF SAN CLEMENTE
Notes to the Financial Statements (Continued)
June 30, 2014

computed the balance based on the quarterly historical LAIF interest rate from the loan origination until the time payments on the loan are made. The State of California is disputing the use of this rate and various legal actions have been filed by other redevelopment agencies to resolve this dispute.

E. Commitments and Contingencies

The City of San Clemente recently lost an Orange County Superior Court decision related to the use of Beach Parking Impact Fees, which would require the refunding of approximately \$10.5 million of collected fees that are recorded as restricted fund balance held in the Public Facilities Construction Capital Project Fund. The Superior Court decision is currently on appeal and is not final. In addition, the City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the City's opinion that the outcome of the majority of these cases will have no material adverse effect on the net financial position of the City.

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

The City has outstanding commitments in the amount of \$10.2 million as of June 30, 2014 related to construction and other contractual arrangements.

F. New Accounting Pronouncement:

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



Required Supplementary Information

CITY OF SAN CLEMENTE
Required Supplementary Information
June 30, 2014

BUDGETARY INFORMATION:

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

1. In May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Council meetings to obtain taxpayer comments.
3. Prior to July 1, the budget is adopted by Council action. The budget includes amounts for revenues that, along with the appropriations, compute the budgetary fund balance.
4. The City Manager is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions that alter the total appropriations of any department must be approved by the City Council. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are considered a single department.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds.
6. Budgets for the governmental funds are adopted on a basis substantially consistent with generally accepted accounting principles. Under the GAAP basis of accounting, the allocations of General Fund overhead are treated as program reimbursements offsetting expenditures. In the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual comparison General Fund budgeted service charge revenues were reduced in the amount of \$2,747,940 and the department budgets were reduced by \$2,747,940 as a result of these program reimbursements. Budgeted amounts are as originally adopted and as further amended by the City Council.

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

The Regional Circulation Financing and Phasing Program (RCFPP) Fund, the Developers Improvement Capital Project Fund, and the Public Facilities Construction Capital Project Fund major funds have legally adopted budgets. These capital project fund budgetary schedules are presented in the supplementary information section.



CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 37,742,820	\$ 37,725,820	\$ 38,825,796	\$ 1,099,976
Licenses and permits	1,256,810	1,414,430	1,534,484	120,054
Fines and forfeits	899,000	899,000	690,083	(208,917)
Investment and rentals	1,958,120	1,863,120	1,824,941	(38,179)
Intergovernmental	405,070	509,240	420,006	(89,234)
Charges for services	4,343,390	4,999,360	5,251,955	252,595
Other	59,020	147,020	89,203	(57,817)
Total Revenues	46,664,230	47,557,990	48,636,468	1,078,478
Expenditures:				
General government:				
Administration				
City council	24,826	21,346	3,069	18,277
City manager	466,022	477,762	409,095	68,667
City clerk	537,429	538,429	487,795	50,634
Finance and administrative services	1,697,057	1,756,837	1,431,636	325,201
City general	2,956,748	2,920,698	2,631,423	289,275
Police	12,946,240	12,972,840	12,694,633	278,207
Fire	7,690,050	7,695,550	7,658,531	37,019
Public works	6,761,725	6,667,375	5,876,774	790,601
Community development	4,903,500	5,041,030	4,436,561	604,469
Beaches, parks and recreation	10,971,913	11,236,109	10,653,881	582,228
Capital outlay	5,583,450	6,153,193	1,940,113	4,213,080
Total Expenditures	54,538,960	55,481,169	48,223,511	7,257,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,874,730)	(7,923,179)	412,957	8,336,136
Other Financing Sources (Uses):				
Transfers in	767,130	819,110	810,557	(8,553)
Transfers out	(1,095,590)	(1,495,590)	(1,495,590)	-
Total Other Financing Sources (Uses)	(328,460)	(676,480)	(685,033)	(8,553)
Net Change in Fund Balance	(8,203,190)	(8,599,659)	(272,076)	8,327,583
Fund Balance, Beginning of Year	30,105,869	30,105,869	30,105,869	-
Fund Balance, End of Year	\$ 21,902,679	\$ 21,506,210	\$ 29,833,793	\$ 8,327,583

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years
(dollar amount in thousands)

	2005	2006	2007	2008
Total Pension Liability (2)				
Discount Rate	N/A	N/A	N/A	N/A
Service Costs	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	N/A	N/A	N/A	N/A
Experience Losses (Gains)	N/A	N/A	N/A	N/A
Assumption Changes	N/A	N/A	N/A	N/A
Benefit Payments Net Change	N/A	N/A	N/A	N/A
Total Pension Liability at Beginning of Year	N/A	N/A	N/A	N/A
Total Pension Liability at End of Year	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position				
Additions:				
Employer Contributions	\$ 954	\$ 1,205	\$ 1,404	\$ 1,447
Member Contributions	675	714	833	896
Net Investment Income (Loss)	1,569	1,618	3,085	(1,168)
Total Additions	3,198	3,537	5,322	1,175
Deductions:				
Benefit Payments	(1,314)	(1,941)	(2,428)	(1,824)
Administration Expenses	(2)	(22)	(7)	(28)
Transfer to CalPERS (1)	-	-	-	-
Total Deductions	(1,316)	(1,963)	(2,435)	(1,852)
Net Change	1,882	1,574	2,887	(677)
Fiduciary Net Position - Beginning of Year	18,663	20,545	22,119	25,006
Fiduciary Net Position - End of Year	<u>\$ 20,545</u>	<u>\$ 22,119</u>	<u>\$ 25,006</u>	<u>\$ 24,329</u>

Total Pension Liability (2)

Fiduciary Net Position - End of Year

Net Pension Liability

Funded Status

Covered Payroll

Net Pension Liability % Payroll

Notes:

(1) - This payment to CalPERS was the result of a transfer of all active city employee's pension.

(2) - Information prior to 2011 is not presented as a result of different actuarial methodology being used.

N/A - Not Available

	2009	2010	2011	2012	2013	2014
	N/A	N/A	7.25%	7.25%	7.25%	7.25%
\$	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
\$	1,626	\$ 1,864	\$ 1,638	\$ 2,243	\$ 2,267	\$ 2,482
	925	912	889	952	1,214	1,019
	(2,311)	2,907	5,157	741	4,666	6,598
	240	5,683	7,684	3,936	8,147	10,099
	(2,477)	(1,741)	(447)	(678)	(1,039)	(1,378)
	(18)	(29)	(50)	(30)	(49)	(38)
	-	-	-	-	-	(32,550)
	(2,495)	(1,770)	(497)	(708)	(1,088)	(33,966)
	(2,255)	3,913	7,187	3,228	7,059	(23,867)
	24,329	22,074	25,987	33,174	36,402	43,461
\$	22,074	\$ 25,987	\$ 33,174	\$ 36,402	\$ 43,461	\$ 19,594
			\$ 46,678	\$ 52,775	\$ 58,125	\$ 29,284
			33,174	36,402	43,461	19,594
			13,504	16,373	14,664	9,690
			71.1%	69.0%	74.8%	66.9%
			13,799	13,542	13,446	425
			98%	121%	109%	2280%

CITY OF SAN CLEMENTE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS

Last Ten Fiscal Years
(dollar amount in thousands)

	2005	2006	2007	2008
Contributions				
Actuarially determined contribution	N/A	N/A	N/A	N/A
Contributions in relation the actuarially determined contribution	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A
Covered Employee Payroll				
Contributions as a % of covered employee payroll				
Investment Returns				
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A

CSCERP had no benefit changes during the year.

Actuarial Methods and Assumptions at June 30, 2014 are:

Valuation date	6/30/2014
Actuarial cost method	Entry Age Normal - Level % of Salary
Amortization period	20 Year (level dollar amount)
Discount rate	7.25%
Inflation rate	3.00%
Salary increases	3.00%
Mortality	CalPERS 2013 Experience Study (fully generational mortality improvement projection Scale AA)
Retirement	CalPERS 2013 Experience Study
Disability and turnover	CalPERS 2013 Experience Study Disability and Termination Rates for Miscellaneous Employees

2009	2010	2011	2012	2013	2014
N/A	N/A	N/A	N/A	N/A	\$ 2,482
N/A	N/A	N/A	N/A	N/A	2,482
N/A	N/A	N/A	N/A	N/A	-
					13,446
					18%
N/A	N/A	N/A	N/A	7.50%	13.50%



Supplementary Information

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
RCFPP Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 38,000	\$ 21,225	\$ (16,775)
Developer fees	6,126,370	6,093,251	(33,119)
Total Revenues	<u>6,164,370</u>	<u>6,114,476</u>	<u>(49,894)</u>
Expenditures:			
Current:			
Public works	5,853,880	5,844,561	9,319
Capital outlay	315,360	140,896	174,464
Total Expenditures	<u>6,169,240</u>	<u>5,985,457</u>	<u>183,783</u>
Net Change in Fund Balance	(4,870)	129,019	133,889
Fund Balance, Beginning of Year	<u>3,100,537</u>	<u>3,100,537</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,095,667</u></u>	<u><u>\$ 3,229,556</u></u>	<u><u>\$ 133,889</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Developers Improvement Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 90,000	\$ 45,814	\$ (44,186)
Charges for services	22,420	112,113	89,693
Developer fees	115,600	98,625	(16,975)
Other	190,860	39,609	(151,251)
Total Revenues	<u>418,880</u>	<u>296,161</u>	<u>(122,719)</u>
Expenditures:			
Current:			
Community development	2,874,485	1,514,537	1,359,948
Capital outlay	1,411,345	590,754	820,591
Total Expenditures	<u>4,285,830</u>	<u>2,105,291</u>	<u>2,180,539</u>
Net Change in Fund Balance	(3,866,950)	(1,809,130)	2,057,820
Fund Balance, Beginning of Year	<u>9,466,658</u>	<u>9,466,658</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 5,599,708</u></u>	<u><u>\$ 7,657,528</u></u>	<u><u>\$ 2,057,820</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Public Facilities Construction Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 200,000	\$ 103,267	\$ (96,733)
Developer fees	141,140	372,382	231,242
Total Revenues	341,140	475,649	134,509
Expenditures:			
Current:			
Public safety	26,660	24,516	2,144
Community development	19,270	19,170	100
Capital outlay	1,722,370	54,429	1,667,941
Total Expenditures	1,768,300	98,115	1,670,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,427,160)	377,534	1,804,694
Fund Balance, Beginning of Year	17,010,967	17,010,967	-
Fund Balance, End of Year	\$ 15,583,807	\$ 17,388,501	\$ 1,804,694

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

DEBT SERVICE FUND

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds	
	Gas Tax	Air Quality Improvement
<u>ASSETS:</u>		
Cash and investments	\$ 6,809,357	\$ 451,557
Receivables (net of allowances for uncollectibles):		
Taxes	-	-
Accounts	-	-
Accrued interest	11,388	755
Loans	-	-
Due from other governments	910,967	20,793
Restricted assets:		
Cash and investments with fiscal agent	-	-
Total assets	\$ 7,731,712	\$ 473,105
<u>LIABILITIES:</u>		
Accounts payable	\$ 376,830	\$ -
Accrued wages	-	-
Unearned revenue	-	-
Deposits payable	-	-
Due to other funds	-	-
Total liabilities	376,830	-
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue - receivables	-	-
Unavailable revenue - loans	-	-
Unavailable revenue - grants	696,000	-
Total deferred inflows of resources	696,000	-
<u>FUND BALANCES:</u>		
Restricted for:		
Capital projects	6,658,882	-
Other purposes	-	473,105
Committed to:		
Capital projects	-	-
Assigned to:		
Capital projects	-	-
Other purposes	-	-
Unassigned	-	-
Total fund balances	6,658,882	473,105
Total liabilities, deferred inflows of resources and fund balances	\$ 7,731,712	\$ 473,105

Special Revenue Funds			Debt Service Fund
Street Improvement	Police Grants	Miscellaneous Grants	Negocio Building
\$ 8,339,059	\$ 96,056	\$ -	\$ 69,553
48	-	-	-
142,731	-	-	331,170
13,946	160	-	184
-	-	508,256	-
-	-	41,378	-
-	-	-	352,925
<u>\$ 8,495,784</u>	<u>\$ 96,216</u>	<u>\$ 549,634</u>	<u>\$ 753,832</u>
\$ 454,795	\$ -	\$ 4,042	\$ 24,683
-	-	675	-
-	-	-	260,945
-	-	-	43,950
-	-	65,788	-
<u>454,795</u>	<u>-</u>	<u>70,505</u>	<u>329,578</u>
-	-	-	40,224
-	-	508,256	-
-	-	-	-
-	-	508,256	40,224
8,040,989	-	-	-
-	96,216	-	-
-	-	-	-
-	-	-	-
-	-	-	384,030
-	-	(29,127)	-
<u>8,040,989</u>	<u>96,216</u>	<u>(29,127)</u>	<u>384,030</u>
<u>\$ 8,495,784</u>	<u>\$ 96,216</u>	<u>\$ 549,634</u>	<u>\$ 753,832</u>

CITY OF SAN CLEMENTE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2014

	Capital Projects Funds	
	Reserve	Local Drainage Facilities
<u>ASSETS:</u>		
Cash and investments	\$ 4,131,568	\$ 3,904,771
Receivables (net of allowances for uncollectibles):		
Taxes	-	-
Accounts	-	-
Accrued interest	6,910	6,530
Loans	-	-
Due from other governments	-	-
Restricted assets:		
Cash and investments with fiscal agent	-	-
Total assets	\$ 4,138,478	\$ 3,911,301
<u>LIABILITIES:</u>		
Accounts payable	\$ 25,214	\$ -
Accrued wages	-	-
Unearned revenue	-	-
Deposits payable	-	-
Due to other funds	-	-
Total liabilities	25,214	-
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue - receivables	-	-
Unavailable revenue - loans	-	-
Unavailable revenue - grants	-	-
Total deferred inflows of resources	-	-
<u>FUND BALANCES:</u>		
Restricted for:		
Capital projects	-	3,911,301
Other purposes	-	-
Committed to:		
Capital projects	59,265	-
Assigned to:		
Capital projects	3,359,930	-
Other purposes	694,069	-
Unassigned	-	-
Total fund balances	4,113,264	3,911,301
Total liabilities, deferred inflows of resources and fund balances	\$ 4,138,478	\$ 3,911,301

<u>Parks Acquisition and Development</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,313,185	\$ 25,115,106
-	48
-	473,901
2,196	42,069
-	508,256
-	973,138
-	352,925
<u>\$ 1,315,381</u>	<u>\$ 27,465,443</u>
\$ 1,730	\$ 887,294
-	675
-	260,945
-	43,950
-	65,788
<u>1,730</u>	<u>1,258,652</u>
-	40,224
-	508,256
-	696,000
<u>-</u>	<u>1,244,480</u>
1,313,651	19,924,823
-	569,321
-	59,265
-	3,359,930
-	1,078,099
-	(29,127)
<u>1,313,651</u>	<u>24,962,311</u>
<u>\$ 1,315,381</u>	<u>\$ 27,465,443</u>

(Concluded)

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds	
	Gas Tax	Air Quality Improvement
Revenues:		
Taxes	\$ -	\$ -
Investment and rentals	40,508	2,843
Intergovernmental	2,391,802	80,050
Charges for services	-	-
Developer fees	-	-
Other	-	-
Total Revenues	<u>2,432,310</u>	<u>82,893</u>
Expenditures:		
Current:		
General government	-	-
Police	-	-
Public works	120,081	45,543
Community development	-	-
Beaches, parks and recreation	-	-
Capital outlay	2,253,271	-
Debt service:		
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	<u>2,373,352</u>	<u>45,543</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,958</u>	<u>37,350</u>
Other Financing Sources (Uses):		
Transfers in	14,000	-
Transfers out	<u>(494,352)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(480,352)</u>	<u>-</u>
Net Change in Fund Balances	<u>(421,394)</u>	<u>37,350</u>
Fund Balance (Deficit) at Beginning of Year	<u>7,080,276</u>	<u>435,755</u>
Fund Balance (Deficit) at End of Year	<u>\$ 6,658,882</u>	<u>\$ 473,105</u>

Special Revenue Funds			Debt Service Fund
Street Improvement	Police Grants	Miscellaneous Grants	Negocio Building
\$ 2,222	\$ -	\$ -	\$ -
50,550	448	-	631,640
816,467	118,020	290,437	-
-	-	-	-
-	-	-	-
-	2,869	-	187
<u>869,239</u>	<u>121,337</u>	<u>290,437</u>	<u>631,827</u>
-	-	-	316,963
-	101,348	-	-
92,218	-	-	-
-	-	232,743	-
-	-	-	-
1,007,463	-	84,935	8,286
-	-	-	105,000
-	-	-	132,608
<u>1,099,681</u>	<u>101,348</u>	<u>317,678</u>	<u>562,857</u>
<u>(230,442)</u>	<u>19,989</u>	<u>(27,241)</u>	<u>68,970</u>
759,047	-	-	-
-	-	(17,940)	-
<u>759,047</u>	<u>-</u>	<u>(17,940)</u>	<u>-</u>
<u>528,605</u>	<u>19,989</u>	<u>(45,181)</u>	<u>68,970</u>
<u>7,512,384</u>	<u>76,227</u>	<u>16,054</u>	<u>315,060</u>
<u>\$ 8,040,989</u>	<u>\$ 96,216</u>	<u>\$ (29,127)</u>	<u>\$ 384,030</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2014

	Capital Projects Funds	
	Reserve	Local Drainage Facilities
Revenues:		
Taxes	\$ -	\$ -
Investment and rentals	24,460	23,735
Intergovernmental	-	-
Charges for services	358,030	-
Developer fees	-	1,384
Other	-	-
Total Revenues	<u>382,490</u>	<u>25,119</u>
Expenditures:		
Current:		
General government	86,088	-
Police	-	-
Public works	-	7,655
Community development	-	-
Beaches, parks and recreation	-	-
Capital outlay	482,077	-
Debt service:		
Principal retirements	-	-
Interest and fiscal charges	-	-
Total Expenditures	<u>568,165</u>	<u>7,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(185,675)</u>	<u>17,464</u>
Other Financing Sources (Uses):		
Transfers in	180,000	-
Transfers out	-	(112,000)
Total Other Financing Sources (Uses)	<u>180,000</u>	<u>(112,000)</u>
Net Change in Fund Balances	<u>(5,675)</u>	<u>(94,536)</u>
Fund Balance (Deficit) at Beginning of Year	<u>4,118,939</u>	<u>4,005,837</u>
Fund Balance (Deficit) at End of Year	<u>\$ 4,113,264</u>	<u>\$ 3,911,301</u>

<u>Parks Acquisition and Development</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,222
8,865	783,049
-	3,696,776
-	358,030
6,000	7,384
320,125	323,181
<u>334,990</u>	<u>5,170,642</u>
-	403,051
-	101,348
-	265,497
-	232,743
41,960	41,960
59,884	3,895,916
-	105,000
-	132,608
<u>101,844</u>	<u>5,178,123</u>
<u>233,146</u>	<u>(7,481)</u>
-	953,047
-	(624,292)
-	328,755
<u>233,146</u>	<u>321,274</u>
<u>1,080,505</u>	<u>24,641,037</u>
<u>\$ 1,313,651</u>	<u>\$ 24,962,311</u>

(Concluded)

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 65,750	\$ 40,508	\$ (25,242)
Intergovernmental	3,375,120	2,391,802	(983,318)
	3,440,870	2,432,310	(1,008,560)
Total Revenues			
Expenditures:			
Current:			
Public works	227,720	120,081	107,639
Capital outlay	7,700,110	2,253,271	5,446,839
	7,927,830	2,373,352	5,554,478
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,486,960)	58,958	4,545,918
Other Financing Sources (Uses):			
Transfers in	14,000	14,000	-
Transfers out	(505,000)	(494,352)	10,648
	(491,000)	(480,352)	10,648
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(4,977,960)	(421,394)	4,556,566
Fund Balance, Beginning of Year	7,080,276	7,080,276	-
Fund Balance, End of Year	\$ 2,102,316	\$ 6,658,882	\$ 4,556,566

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 5,500	\$ 2,843	\$ (2,657)
Intergovernmental	80,000	80,050	50
Total Revenues	<u>85,500</u>	<u>82,893</u>	<u>(2,607)</u>
Expenditures:			
Current:			
Public works	<u>150,000</u>	<u>45,543</u>	<u>104,457</u>
Total Expenditures	<u>150,000</u>	<u>45,543</u>	<u>104,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,500)	37,350	101,850
Fund Balance, Beginning of Year	<u>435,755</u>	<u>435,755</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 371,255</u>	<u>\$ 473,105</u>	<u>\$ 101,850</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Improvement Special Revenue Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ -	\$ 2,222	\$ 2,222
Investment and rentals	45,000	50,550	5,550
Intergovernmental	823,020	816,467	(6,553)
Total Revenues	<u>868,020</u>	<u>869,239</u>	<u>1,219</u>
Expenditures:			
Current:			
Public works	499,860	92,218	407,642
Capital outlay	6,868,580	1,007,463	5,861,117
Total Expenditures	<u>7,368,440</u>	<u>1,099,681</u>	<u>6,268,759</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,500,420)</u>	<u>(230,442)</u>	<u>6,269,978</u>
Other Financing Sources (Uses):			
Transfers in	1,051,290	759,047	(292,243)
Total Other Financing Sources (Uses)	<u>1,051,290</u>	<u>759,047</u>	<u>(292,243)</u>
Net Change in Fund Balance	(5,449,130)	528,605	5,977,735
Fund Balance, Beginning of Year	<u>7,512,384</u>	<u>7,512,384</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,063,254</u>	<u>\$ 8,040,989</u>	<u>\$ 5,977,735</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Police Grants Special Revenue Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 200	\$ 448	\$ 248
Intergovernmental	103,210	118,020	14,810
Other	-	2,869	2,869
	<u>103,410</u>	<u>121,337</u>	<u>17,927</u>
Total Revenues			
Expenditures:			
Police	100,000	101,348	(1,348)
	<u>100,000</u>	<u>101,348</u>	<u>(1,348)</u>
Net Change in Fund Balance	3,410	19,989	16,579
Fund Balance, Beginning of Year	<u>76,227</u>	<u>76,227</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 79,637</u>	<u>\$ 96,216</u>	<u>\$ 16,579</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 483,920	\$ 290,437	\$ (193,483)
Other	20,000	-	(20,000)
Total Revenues	<u>503,920</u>	<u>290,437</u>	<u>(213,483)</u>
Expenditures:			
Current:			
Community development	289,160	232,743	56,417
Capital outlay	<u>184,960</u>	<u>84,935</u>	<u>100,025</u>
Total Expenditures	<u>474,120</u>	<u>317,678</u>	<u>156,442</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,800</u>	<u>(27,241)</u>	<u>(57,041)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(20,000)</u>	<u>(17,940)</u>	<u>2,060</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(17,940)</u>	<u>2,060</u>
Net Change in Fund Balance	9,800	(45,181)	(54,981)
Fund Balance (Deficit), Beginning of Year	<u>16,054</u>	<u>16,054</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 25,854</u>	<u>\$ (29,127)</u>	<u>\$ (54,981)</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 642,160	\$ 631,640	\$ (10,520)
Other	-	187	187
Total Revenues	642,160	631,827	(10,333)
Expenditures:			
Current:			
General government	333,720	316,963	16,757
Capital outlay	20,000	8,286	11,714
Debt service:			
Principal retirement	105,000	105,000	-
Interest and fiscal charges	135,100	132,608	2,492
Total Expenditures	593,820	562,857	30,963
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,340	68,970	20,630
Fund Balance, Beginning of Year	315,060	315,060	-
Fund Balance, End of Year	\$ 363,400	\$ 384,030	\$ 20,630

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Reserve Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment and rentals	\$ 40,000	\$ 24,460	\$ (15,540)
Charges for services	358,030	358,030	-
Total Revenues	<u>398,030</u>	<u>382,490</u>	<u>(15,540)</u>
Expenditures:			
Current:			
General government	170,000	86,088	83,912
Capital outlay	<u>1,128,710</u>	<u>482,077</u>	<u>646,633</u>
Total Expenditures	<u>1,298,710</u>	<u>568,165</u>	<u>730,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(900,680)</u>	<u>(185,675)</u>	<u>715,005</u>
Other Financing Sources (Uses):			
Transfers in	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Net Change in Fund Balance	(720,680)	(5,675)	715,005
Fund Balance, Beginning of Year	<u>4,118,939</u>	<u>4,118,939</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 3,398,259</u></u>	<u><u>\$ 4,113,264</u></u>	<u><u>\$ 715,005</u></u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Drainage Facilities Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 52,000	\$ 23,735	\$ (28,265)
Developer fees	500	1,384	884
Total Revenues	<u>52,500</u>	<u>25,119</u>	<u>(27,381)</u>
Expenditures:			
Current:			
Public works	<u>306,880</u>	<u>7,655</u>	<u>299,225</u>
Total Expenditures	<u>306,880</u>	<u>7,655</u>	<u>299,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(254,380)</u>	<u>17,464</u>	<u>271,844</u>
Other Financing Sources (Uses):			
Transfers out	<u>(142,500)</u>	<u>(112,000)</u>	<u>30,500</u>
Net Change in Fund Balance	(396,880)	(94,536)	302,344
Fund Balance, Beginning of Year	<u>4,005,837</u>	<u>4,005,837</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,608,957</u>	<u>\$ 3,911,301</u>	<u>\$ 302,344</u>

CITY OF SAN CLEMENTE
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Parks Acquisition and Development Capital Project Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment and rentals	\$ 9,000	\$ 8,865	\$ (135)
Developer fees	23,600	6,000	(17,600)
Other	390,000	320,125	(69,875)
Total Revenues	<u>422,600</u>	<u>334,990</u>	<u>(87,610)</u>
Expenditures:			
Current:			
Beaches, parks, and recreation	41,960	41,960	-
Capital outlay	<u>899,870</u>	<u>59,884</u>	<u>839,986</u>
Total Expenditures	<u>941,830</u>	<u>101,844</u>	<u>839,986</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(519,230)	233,146	752,376
Fund Balance, Beginning of Year	<u>1,080,505</u>	<u>1,080,505</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 561,275</u></u>	<u><u>\$ 1,313,651</u></u>	<u><u>\$ 752,376</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 Position
Nonmajor Proprietary Funds
June 30, 2014

	Clean Ocean	Solid Waste Management	Totals
Assets:			
Current Assets:			
Cash and investments	\$ 2,179,161	\$ 339,954	\$ 2,519,115
Receivables (net of allowances for uncollectible accounts)	429,409	41,237	470,646
Accrued interest	3,644	569	4,213
Total Current Assets	2,612,214	381,760	2,993,974
Capital Assets:			
Machinery and equipment	54,741	-	54,741
Construction in progress	59,048	-	59,048
Total Capital Assets	113,789	-	113,789
Less accumulated depreciation	(54,741)	-	(54,741)
Net Capital Assets	59,048	-	59,048
Total Assets	2,671,262	381,760	3,053,022
Liabilities:			
Current Liabilities			
Payable from Current Assets:			
Accounts payable	185,517	1,382	186,899
Accrued wages	4,393	1,033	5,426
Long-term liabilities, current portion	3,160	1,665	4,825
Total Current Liabilities	193,070	4,080	197,150
Long-Term Liabilities:			
Compensated absences payable	14,394	7,586	21,980
Total Liabilities	207,464	11,666	219,130
Net Assets:			
Net investment in capital assets	59,048	-	59,048
Unrestricted	2,404,750	370,094	2,774,844
Total Net Assets	\$ 2,463,798	\$ 370,094	\$ 2,833,892

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Clean Ocean	Solid Waste Management	Totals
Operating Revenues:			
Charges for services	\$ 1,821,432	\$ 142,990	\$ 1,964,422
Other	317,453	14,347	331,800
Total Operating Revenues	<u>2,138,885</u>	<u>157,337</u>	<u>2,296,222</u>
Operating Expenses:			
Salaries and benefits	381,157	100,602	481,759
Cost of materials and supplies	47,370	14,279	61,649
Maintenance and other operating expenses	1,147,619	76,702	1,224,321
Total Operating Expenses	<u>1,576,146</u>	<u>191,583</u>	<u>1,767,729</u>
Operating Income (Loss)	<u>562,739</u>	<u>(34,246)</u>	<u>528,493</u>
Non-Operating Revenues (Expenses):			
Investment income	13,823	2,124	15,947
Grant income	-	17,121	17,121
Total Non-Operating Revenues	<u>13,823</u>	<u>19,245</u>	<u>33,068</u>
Income (Loss) Before Transfers and Capital Contributions	576,562	(15,001)	561,561
Transfers:			
Transfers out	<u>(516,110)</u>	<u>-</u>	<u>(516,110)</u>
Change in Net Assets	60,452	(15,001)	45,451
Net Assets - Beginning of Year	<u>2,403,346</u>	<u>385,095</u>	<u>2,788,441</u>
Net Assets - End of Year	<u>\$ 2,463,798</u>	<u>\$ 370,094</u>	<u>\$ 2,833,892</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2014

	Clean Ocean	Solid Waste Management	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,780,553	\$ 143,144	\$ 1,923,697
Cash paid to other suppliers for goods or services	(1,075,493)	(91,567)	(1,167,060)
Cash payment to employees	(384,166)	(100,818)	(484,984)
Cash from other operating revenues	317,453	14,347	331,800
Net Cash Provided by (Used for) Operating Activities	<u>638,347</u>	<u>(34,894)</u>	<u>603,453</u>
Cash Flows from Noncapital Financing Activities:			
Grant receipts	-	17,121	17,121
Cash paid to other funds	(516,110)	-	(516,110)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(516,110)</u>	<u>17,121</u>	<u>(498,989)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase and construction of capital assets	(42,836)	-	(42,836)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(42,836)</u>	<u>-</u>	<u>(42,836)</u>
Cash Flows from Investing Activities:			
Investment income received	10,179	3,074	13,253
Net Cash Provided by (Used for) Investing Activities	<u>10,179</u>	<u>3,074</u>	<u>13,253</u>
Net Increase (Decrease) in Cash and Cash Equivalents	89,580	(14,699)	74,881
Cash and Cash Equivalents at Beginning of Year	2,089,581	354,653	2,444,234
Cash and Cash Equivalents at End of Year	<u>\$ 2,179,161</u>	<u>\$ 339,954</u>	<u>\$ 2,519,115</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	<u>\$ 562,739</u>	<u>\$ (34,246)</u>	<u>\$ 528,493</u>
Adjustments to Reconcile Operating Income to Net Cash Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(40,879)	154	(40,725)
Increase (decrease) in accounts payable	119,496	(586)	118,910
Increase (decrease) in accrued wages	718	161	879
Increase (decrease) in compensated absences	(3,727)	(377)	(4,104)
Total Adjustments	<u>75,608</u>	<u>(648)</u>	<u>74,960</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 638,347</u>	<u>\$ (34,894)</u>	<u>\$ 603,453</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

CITY OF SAN CLEMENTE
Combining Statement of Net Position
Internal Service Funds
June 30, 2014

	Employee Benefits	Central Services
Assets:		
Current Assets:		
Cash and investments	\$ 321,696	\$ 293,431
Receivables (net of allowances for uncollectible accounts):		
Accounts	14,070	-
Accrued interest	-	491
Prepaid expense	-	-
Total Current Assets	335,766	293,922
Capital Assets:		
Buildings	-	-
Improvements other than buildings	-	-
Machinery and equipment	-	525,078
Construction in progress	-	-
Total Capital Assets	-	525,078
Less accumulated depreciation	-	(387,569)
Net Capital Assets	-	137,509
Noncurrent Assets:		
Advances to other funds	-	-
Total Noncurrent Assets	-	137,509
Total Assets	335,766	431,431
Liabilities:		
Current Liabilities:		
Accounts payable	101,739	16,007
Accrued wages	232,526	779
Long-term liabilities, current portion	-	37,015
Total Current Liabilities	334,265	53,801
Noncurrent Liabilities:		
Capitalized lease obligations	-	51,482
OPEB obligation	-	-
Compensated absences payable	-	1,834
Claims and judgments payable	-	-
Total Noncurrent Liabilities	-	53,316
Total Liabilities	334,265	107,117
Net Assets:		
Net investment in capital assets	-	49,415
Unrestricted	1,501	274,899
Total Net Assets	\$ 1,501	\$ 324,314

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 294,730	\$ 4,374,566	\$ 628,768	\$ 1,196,744	\$ 652,965	\$ 7,762,900
224	2,340	10,962	-	-	27,596
493	7,316	1,052	2,001	1,092	12,445
-	-	-	-	2,984	2,984
<u>295,447</u>	<u>4,384,222</u>	<u>640,782</u>	<u>1,198,745</u>	<u>657,041</u>	<u>7,805,925</u>
-	443,134	-	-	-	443,134
-	411,227	-	-	-	411,227
539,914	5,287,510	-	-	-	6,352,502
6,037	-	-	-	-	6,037
<u>545,951</u>	<u>6,141,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,212,900</u>
<u>(430,625)</u>	<u>(3,744,190)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,562,384)</u>
<u>115,326</u>	<u>2,397,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,650,516</u>
-	-	-	458,880	-	458,880
<u>115,326</u>	<u>2,397,681</u>	<u>-</u>	<u>458,880</u>	<u>-</u>	<u>3,109,396</u>
<u>410,773</u>	<u>6,781,903</u>	<u>640,782</u>	<u>1,657,625</u>	<u>657,041</u>	<u>10,915,321</u>
43,631	350,203	19,894	7,139	43,619	582,232
6,711	-	-	-	1,691	241,707
27,796	-	-	281,332	1,573,237	1,919,380
<u>78,138</u>	<u>350,203</u>	<u>19,894</u>	<u>288,471</u>	<u>1,618,547</u>	<u>2,743,319</u>
-	-	-	-	-	51,482
-	-	737,409	-	-	737,409
126,627	-	-	-	15,938	144,399
-	-	-	270,299	1,498,632	1,768,931
<u>126,627</u>	<u>-</u>	<u>737,409</u>	<u>270,299</u>	<u>1,514,570</u>	<u>2,702,221</u>
<u>204,765</u>	<u>350,203</u>	<u>757,303</u>	<u>558,770</u>	<u>3,133,117</u>	<u>5,445,540</u>
115,326	2,397,681	-	-	-	2,562,422
<u>90,682</u>	<u>4,034,019</u>	<u>(116,521)</u>	<u>1,098,855</u>	<u>(2,476,076)</u>	<u>2,907,359</u>
<u>\$ 206,008</u>	<u>\$ 6,431,700</u>	<u>\$ (116,521)</u>	<u>\$ 1,098,855</u>	<u>\$ (2,476,076)</u>	<u>\$ 5,469,781</u>

CITY OF SAN CLEMENTE
Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	Employee Benefits	Central Services
Operating Revenues:		
Charges for current services	\$ -	\$ 585,072
Other	-	-
Total Operating Revenues	-	585,072
Operating Expenses:		
Salaries and benefits	-	58,496
Cost of materials and supplies	-	46,237
Depreciation	-	58,925
Workers compensation insurance	-	-
Employee health/life insurance	-	-
Liability insurance	-	-
Benefit payments	-	-
Maintenance and other operating expenses	-	370,320
Total Operating Expenses	-	533,978
Operating Income (Loss)	-	51,094
Nonoperating Revenues (Expenses):		
Investment income	-	1,725
Interest and fiscal charges	-	(5,053)
Total Nonoperating Revenues (Expenses)	-	(3,328)
Income (Loss) Before Transfers	-	47,766
Transfers:		
Transfers in	-	-
Change in Net Assets	-	47,766
Net Assets - Beginning of Year	1,501	276,548
Net Assets - End of Year	\$ 1,501	\$ 324,314

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,475,000	\$ 1,754,230	\$ 3,094,899	\$ 380,235	\$ 1,650,000	\$ 8,939,436
403	36,760	12,867	127,553	1,852	179,435
<u>1,475,403</u>	<u>1,790,990</u>	<u>3,107,766</u>	<u>507,788</u>	<u>1,651,852</u>	<u>9,118,871</u>
722,246	-	-	-	135,380	916,122
2,615	478,408	-	-	956	528,216
43,908	609,095	-	-	-	711,928
-	-	-	123,689	-	123,689
-	-	2,861,140	-	-	2,861,140
-	-	-	-	531,913	531,913
-	-	218,617	211,722	1,444,802	1,875,141
749,995	746,519	89,476	95,595	384,667	2,436,572
<u>1,518,764</u>	<u>1,834,022</u>	<u>3,169,233</u>	<u>431,006</u>	<u>2,497,718</u>	<u>9,984,721</u>
(43,361)	(43,032)	(61,467)	76,782	(845,866)	(865,850)
1,808	25,760	1,853	18,055	(5,163)	44,038
-	-	-	-	-	(5,053)
<u>1,808</u>	<u>25,760</u>	<u>1,853</u>	<u>18,055</u>	<u>(5,163)</u>	<u>38,985</u>
(41,553)	(17,272)	(59,614)	94,837	(851,029)	(826,865)
110,000	-	-	-	400,000	510,000
68,447	(17,272)	(59,614)	94,837	(451,029)	(316,865)
137,561	6,448,972	(56,907)	1,004,018	(2,025,047)	5,786,646
<u>\$ 206,008</u>	<u>\$ 6,431,700</u>	<u>\$ (116,521)</u>	<u>\$ 1,098,855</u>	<u>\$ (2,476,076)</u>	<u>\$ 5,469,781</u>

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	<u>Employee Benefits</u>	<u>Central Service</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ (5,910)	\$ 585,090
Cash paid to other suppliers of goods or services	101,739	(423,080)
Cash payment to employees	<u>30,167</u>	<u>(58,345)</u>
Net Cash Provided by (Used for) Operating Activities	<u>125,996</u>	<u>103,665</u>
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	-	-
Payment on capital lease payable	-	(38,932)
Interest and fiscal charges	<u>-</u>	<u>(5,053)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(43,985)</u>
Cash Flows from Investing Activities:		
Investment income received (paid)	<u>-</u>	<u>2,226</u>
Net Cash Provided by (Used for) Investing Activities:	<u>-</u>	<u>2,226</u>
Net Increase (Decrease) in Cash and Cash Equivalents	125,996	61,906
Cash and Cash Equivalents at Beginning of Year	<u>195,700</u>	<u>231,525</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 321,696</u></u>	<u><u>\$ 293,431</u></u>

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ 1,475,403	\$ 1,795,976	\$ 3,112,558	\$ 507,788	\$ 1,651,852	\$ 9,122,757
(712,635)	(937,209)	(3,065,376)	(444,538)	(2,394,140)	(7,875,239)
(755,311)	-	-	-	(132,802)	(916,291)
<u>7,457</u>	<u>858,767</u>	<u>47,182</u>	<u>63,250</u>	<u>(875,090)</u>	<u>331,227</u>
<u>110,000</u>	<u>-</u>	<u>-</u>	<u>147,001</u>	<u>400,000</u>	<u>657,001</u>
<u>110,000</u>	<u>-</u>	<u>-</u>	<u>147,001</u>	<u>400,000</u>	<u>657,001</u>
(22,647)	(560,240)	-	-	-	(582,887)
-	-	-	-	-	(38,932)
-	-	-	-	-	(5,053)
<u>(22,647)</u>	<u>(560,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,872)</u>
<u>2,162</u>	<u>35,784</u>	<u>3,278</u>	<u>20,193</u>	<u>(1,417)</u>	<u>62,226</u>
<u>2,162</u>	<u>35,784</u>	<u>3,278</u>	<u>20,193</u>	<u>(1,417)</u>	<u>62,226</u>
96,972	334,311	50,460	230,444	(476,507)	423,582
<u>197,758</u>	<u>4,040,255</u>	<u>578,308</u>	<u>966,300</u>	<u>1,129,472</u>	<u>7,339,318</u>
<u>\$ 294,730</u>	<u>\$ 4,374,566</u>	<u>\$ 628,768</u>	<u>\$ 1,196,744</u>	<u>\$ 652,965</u>	<u>\$ 7,762,900</u>

(Continued)

CITY OF SAN CLEMENTE
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Employee Benefits	Central Service
Operating Income (Loss)	\$ -	\$ 51,094
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation expense	-	58,925
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(5,910)	18
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	101,739	(6,523)
Increase (decrease) in accrued wages	30,167	168
Increase (decrease) in OPEB Obligation	-	-
Increase (decrease) in compensated absences	-	(17)
Increase (decrease) in claims and judgments payable	-	-
Total Adjustments	125,996	52,571
Net Cash Provided by (Used for) Operating Activities	\$ 125,996	\$ 103,665
Noncash investing, capital, and financing activities:		
Unrealized gain (loss) on investments	\$ -	\$ 18

Information Technology	Fleet Maintenance	Self-Insurance			Totals
		Employee Medical	Workers' Compensation	General Liability	
\$ (43,361)	\$ (43,032)	\$ (61,467)	\$ 76,782	\$ (845,866)	\$ (865,850)
43,908	609,095	-	-	-	711,928
-	4,986	4,792	-	-	3,886
-	-	-	-	(2,984)	(2,984)
39,975	287,718	(3,143)	565	30,151	450,482
(88)	-	-	-	310	30,557
-	-	107,000	-	-	107,000
(32,977)	-	-	-	2,268	(30,726)
-	-	-	(14,097)	(58,969)	(73,066)
<u>50,818</u>	<u>901,799</u>	<u>108,649</u>	<u>(13,532)</u>	<u>(29,224)</u>	<u>1,197,077</u>
<u>\$ 7,457</u>	<u>\$ 858,767</u>	<u>\$ 47,182</u>	<u>\$ 63,250</u>	<u>\$ (875,090)</u>	<u>\$ 331,227</u>
\$ 55	\$ (334)	\$ (45)	\$ 53	\$ (595)	\$ (848)

(Concluded)



AGENCY FUNDS

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

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

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

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

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

The Coastal Animal Service Authority Fund is used to record the assets and liabilities of the joint powers authority that provides and operates an animal sheltering facility located within the City of San Clemente.

CITY OF SAN CLEMENTE
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2014

	Street Assessment Collection	99-1 AD Collection	99-1 CFD Collection
Assets:			
Taxes receivable	\$ -	\$ 371	\$ -
Accounts receivable	-	-	-
Accrued interest receivable	365	-	2,558
Restricted cash and investments	-	-	304,654
Restricted cash and investments with fiscal agents	218,392	92,574	539,565
Total Assets	\$ 218,757	\$ 92,945	\$ 846,777
Liabilities:			
Accounts payable	\$ -	\$ 378	\$ 438
Accrued wages	-	-	-
Deposits payable	-	-	-
Payable to bondholders	218,757	92,567	846,339
Total Liabilities	\$ 218,757	\$ 92,945	\$ 846,777

<u>98-1 RAD PFA Collection</u>	<u>Coastal Animal Services Authority</u>	<u>Totals</u>
\$ 17,417	\$ -	\$ 17,788
-	57,058	57,058
233	-	3,156
139,292	107,560	551,506
1,841,337	-	2,691,868
<u>\$ 1,998,279</u>	<u>\$ 164,618</u>	<u>\$ 3,321,376</u>
\$ 1,043	\$ 39,897	\$ 41,756
-	18,225	18,225
-	106,496	106,496
1,997,236	-	3,154,899
<u>\$ 1,998,279</u>	<u>\$ 164,618</u>	<u>\$ 3,321,376</u>

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended
June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>STREET ASSESSMENT COLLECTION</u>				
Assets				
Accrued interest receivable	\$ 956	\$ 365	\$ 956	\$ 365
Cash and investments	223,222	1,935	6,765	218,392
Total Assets	<u>\$ 224,178</u>	<u>\$ 2,300</u>	<u>\$ 7,721</u>	<u>\$ 218,757</u>
Liabilities				
Payable to bondholders	\$ 224,178	\$ 2,004	\$ 7,425	\$ 218,757
Total Liabilities	<u>\$ 224,178</u>	<u>\$ 2,004</u>	<u>\$ 7,425</u>	<u>\$ 218,757</u>
<u>99-1 AD COLLECTION</u>				
Assets				
Taxes receivable	\$ 740	\$ 371	\$ 740	\$ 371
Accrued interest receivable	29	-	29	-
Cash and investments	99,311	118,910	125,647	92,574
Total Assets	<u>\$ 100,080</u>	<u>\$ 119,281</u>	<u>\$ 126,416</u>	<u>\$ 92,945</u>
Liabilities				
Accounts payable	\$ 377	\$ 58,513	\$ 58,512	\$ 378
Payable to bondholders	99,703	66,189	73,325	92,567
Total Liabilities	<u>\$ 100,080</u>	<u>\$ 124,702</u>	<u>\$ 131,837</u>	<u>\$ 92,945</u>
<u>99-1 CFD COLLECTION</u>				
Assets				
Taxes receivable	\$ 1,367	\$ -	\$ 1,367	\$ -
Accrued interest receivable	3,323	2,558	3,323	2,558
Cash and investments	829,162	809,735	794,678	844,219
Total Assets	<u>\$ 833,852</u>	<u>\$ 812,293</u>	<u>\$ 799,368</u>	<u>\$ 846,777</u>
Liabilities				
Accounts payable	\$ 438	\$ 391,581	\$ 391,581	\$ 438
Payable to bondholders	833,414	416,138	403,213	846,339
Total Liabilities	<u>\$ 833,852</u>	<u>\$ 807,719</u>	<u>\$ 794,794</u>	<u>\$ 846,777</u>

(Continued)

CITY OF SAN CLEMENTE
Statement of Changes in
Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended
June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>98-1 RAD PFA COLLECTION</u>				
Assets				
Taxes receivable	\$ 20,412	\$ 17,417	\$ 20,412	\$ 17,417
Accrued interest receivable	1,146	233	1,146	233
Cash and investments	1,960,212	2,359,584	2,339,167	1,980,629
Total Assets	\$ 1,981,770	\$ 2,377,234	\$ 2,360,725	\$ 1,998,279
Liabilities				
Accounts payable	\$ 395	\$ 1,243,346	\$ 1,242,698	\$ 1,043
Payable to bondholders	1,981,375	1,123,851	1,107,990	1,997,236
Total Liabilities	\$ 1,981,770	\$ 2,367,197	\$ 2,350,688	\$ 1,998,279
<u>COASTAL ANIMAL SERVICES AUTHORITY</u>				
Assets				
Accounts receivable	\$ 47,303	\$ 57,498	\$ 47,743	\$ 57,058
Cash and investments	33,032	1,527,459	1,452,931	107,560
Total Assets	\$ 80,335	\$ 1,584,957	\$ 1,500,674	\$ 164,618
Liabilities				
Accounts payable	\$ 28,388	\$ 1,018,250	\$ 1,006,741	\$ 39,897
Accrued wages	14,389	701,485	697,649	18,225
Deposits payable	37,558	1,527,835	1,458,897	106,496
Total Liabilities	\$ 80,335	\$ 3,247,570	\$ 3,163,287	\$ 164,618
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Taxes receivable	\$ 22,519	\$ 17,788	\$ 22,519	\$ 17,788
Accounts receivable	47,303	57,498	47,743	57,058
Accrued interest receivable	5,454	3,156	5,454	3,156
Cash and investments	3,144,939	4,817,623	4,719,188	3,243,374
Total Assets	\$ 3,220,215	\$ 4,896,065	\$ 4,794,904	\$ 3,321,376
Liabilities				
Accounts payable	\$ 29,598	\$ 2,711,690	\$ 2,699,532	\$ 41,756
Accrued wages	14,389	701,485	697,649	18,225
Deposits payable	37,558	1,527,835	1,458,897	106,496
Payable to bondholders	3,138,670	1,608,182	1,591,953	3,154,899
Total Liabilities	\$ 3,220,215	\$ 6,549,192	\$ 6,448,031	\$ 3,321,376

(Concluded)



**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Clemente, California (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant + Fankhaed, LLP

December 22, 2014

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	160
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	172
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	178
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	182
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	186

CITY OF SAN CLEMENTE

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ 107,200,967	\$ 120,396,154	\$ 139,240,988	\$ 150,591,242
Restricted	60,646,071	63,848,558	73,257,751	72,576,665
Unrestricted	34,344,873	36,731,775	32,975,491	34,432,738
Total governmental activities net position	\$ 202,191,911	\$ 220,976,487	\$ 245,474,230	\$ 257,600,645
Business-type activities				
Net investment in capital assets	\$ 122,528,356	\$ 128,145,144	\$ 138,419,739	\$ 141,188,272
Restricted	35,045,918	37,706,913	43,020,332	45,175,807
Unrestricted	15,274,346	13,211,871	7,061,711	9,510,733
Total business-type activities net position	\$ 172,848,620	\$ 179,063,928	\$ 188,501,782	\$ 195,874,812
Primary Government				
Net investment in capital assets	\$ 229,729,323	\$ 248,541,298	\$ 277,660,727	\$ 291,779,514
Restricted	95,691,989	101,555,471	116,278,083	117,752,472
Unrestricted	49,619,219	49,943,646	40,037,202	43,943,471
Total primary government net position	\$ 375,040,531	\$ 400,040,415	\$ 433,976,012	\$ 453,475,457

Source: City of San Clemente

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 160,753,531	\$ 164,975,785	\$ 184,880,908	\$ 191,342,737	\$ 186,634,872	\$ 184,058,187
70,789,068	72,358,104	61,254,366	51,568,742	56,226,561	57,569,626
36,234,606	33,143,594	38,223,976	39,174,674	37,714,193	37,285,652
<u>\$ 267,777,205</u>	<u>\$ 270,477,483</u>	<u>\$ 284,359,250</u>	<u>\$ 282,086,153</u>	<u>\$ 280,575,626</u>	<u>\$ 278,913,465</u>
\$ 148,073,703	\$ 145,862,033	\$ 144,382,566	\$ 148,528,745	\$ 152,088,828	\$ 159,890,481
44,132,042	48,219,563	49,019,121	11,604,636	10,969,269	6,738,924
5,255,209	2,535,183	2,556,796	35,030,472	35,940,828	38,291,531
<u>\$ 197,460,954</u>	<u>\$ 196,616,779</u>	<u>\$ 195,958,483</u>	<u>\$ 195,163,853</u>	<u>\$ 198,998,925</u>	<u>\$ 204,920,936</u>
\$ 308,827,234	\$ 310,837,818	\$ 329,263,474	\$ 339,871,482	\$ 338,723,700	\$ 343,948,668
114,921,110	120,577,667	110,273,487	63,173,378	67,195,830	64,308,550
41,489,815	35,678,777	40,780,772	74,205,146	73,655,021	75,577,183
<u>\$ 465,238,159</u>	<u>\$ 467,094,262</u>	<u>\$ 480,317,733</u>	<u>\$ 477,250,006</u>	<u>\$ 479,574,551</u>	<u>\$ 483,834,401</u>

CITY OF SAN CLEMENTE
CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2005	2006	2007
Expenses			
Governmental activities:			
General government	\$ 6,714,032	\$ 9,648,050	\$ 8,618,717
Public safety ¹	14,217,552		
Police		9,565,635	10,111,028
Fire		5,710,457	6,193,700
Economic development ²	16,654,803		
Public works		9,070,583	22,373,476
Community development		5,396,690	6,515,898
Beaches, parks & recreation	8,316,082	8,725,821	9,519,314
Interest and fiscal charges	345,345	334,736	365,633
Total governmental activities expenses	<u>46,247,814</u>	<u>48,451,972</u>	<u>63,697,766</u>
Business-type activities:			
Water	10,636,696	11,829,322	12,039,439
Sewer	7,798,634	8,761,770	8,261,682
Golf	1,934,882	2,197,204	2,152,574
Non-major activities	1,207,503	1,461,065	1,493,220
Total business-type activities expenses	<u>21,577,715</u>	<u>24,249,361</u>	<u>23,946,915</u>
Total primary government expenses	<u>67,825,529</u>	<u>72,701,333</u>	<u>87,644,681</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	4,734,491	2,537,862	2,880,811
Public safety ¹	2,039,859		
Police		1,180,869	1,068,480
Fire		582,914	637,426
Economic development ²	7,167,035		
Public works		1,320,339	1,154,858
Community development		4,585,546	3,690,114
Beaches, parks & recreation	5,521,121	1,899,328	2,161,531
Operating grants and contributions	956,864	3,901,444	5,730,426
Capital grants and contributions	326,812	14,557,681	31,132,043
Total governmental activities program revenues	<u>20,746,182</u>	<u>30,565,983</u>	<u>48,455,689</u>
Business-type activities:			
Charges for services:			
Water	12,236,707	10,216,817	12,192,798
Sewer	7,276,394	7,285,939	7,558,957
Golf	2,034,533	2,057,159	2,100,371
Other	2,428,837	1,985,933	2,063,647
Operating grants and contributions	-	-	-
Capital grants and contributions	906,385	4,129,369	5,498,771
Total business-type activities program revenues	<u>24,882,856</u>	<u>25,675,217</u>	<u>29,414,544</u>
Total primary government program revenues	<u>45,629,038</u>	<u>56,241,200</u>	<u>77,870,233</u>
Net (expense)/revenue:			
Governmental activities	(25,501,632)	(17,885,989)	(15,242,077)
Business-type activities	3,305,141	1,425,856	5,467,629
Total primary government net expense	<u>\$ (22,196,491)</u>	<u>\$ (16,460,133)</u>	<u>\$ (9,774,448)</u>

		Fiscal Year											
		2008	2009	2010	2011	2012	2013	2014					
\$	7,067,972	\$	8,590,506	\$	8,197,612	\$	8,453,237	\$	7,446,115	\$	6,194,743	\$	5,949,601
	11,432,223		11,643,872		12,295,976		12,051,622		12,120,058		12,141,456		12,838,046
	6,396,679		6,646,647		6,931,220		7,074,900		7,441,911		7,723,477		7,885,566
	9,824,925		9,651,386		10,665,664		10,407,140		11,467,488		10,729,698		17,118,629
	6,180,679		6,372,669		7,524,036		5,327,603		5,335,446		8,027,685		6,258,785
	9,817,651		10,258,139		10,173,361		9,926,388		11,832,045		13,092,862		14,159,882
	326,509		302,728		284,613		307,354		232,635		147,897		137,661
	<u>51,046,638</u>		<u>53,465,947</u>		<u>56,072,482</u>		<u>53,548,244</u>		<u>55,875,698</u>		<u>58,057,818</u>		<u>64,348,170</u>
	12,347,470		14,918,006		15,128,156		14,604,342		16,649,645		17,583,799		18,199,173
	8,544,283		10,410,640		9,739,844		10,706,741		10,560,807		10,956,256		10,754,071
	2,260,402		2,286,334		2,163,580		2,135,370		2,191,026		2,274,584		2,169,419
	1,927,960		1,808,289		1,982,432		2,070,131		2,080,649		1,839,962		1,785,248
	<u>25,080,115</u>		<u>29,423,269</u>		<u>29,014,012</u>		<u>29,516,584</u>		<u>31,482,127</u>		<u>32,654,601</u>		<u>32,907,911</u>
	<u>76,126,753</u>		<u>82,889,216</u>		<u>85,086,494</u>		<u>83,064,828</u>		<u>87,357,825</u>		<u>90,712,419</u>		<u>97,256,081</u>
	2,643,881		2,674,407		2,408,851		2,742,791		2,899,751		398,141		408,238
	1,012,436		1,167,198		977,562		1,060,857		1,014,471		887,830		777,499
	564,867		793,180		823,135		681,144		768,098		834,182		697,683
	962,317		800,669		879,257		1,277,324		1,146,576		998,914		1,514,742
	2,914,280		1,412,939		1,619,726		1,456,230		1,365,793		1,669,416		2,256,562
	2,592,051		2,482,348		2,831,200		2,835,372		3,186,014		3,472,211		3,481,050
	3,303,950		2,670,368		3,373,731		3,287,276		3,218,852		4,773,534		4,213,191
	10,039,908		10,049,727		4,463,625		5,694,883		2,682,033		1,221,842		7,579,481
	<u>24,033,690</u>		<u>22,050,836</u>		<u>17,377,087</u>		<u>19,035,877</u>		<u>16,281,588</u>		<u>14,256,070</u>		<u>20,928,446</u>
	12,324,113		12,447,776		12,485,605		13,885,865		16,424,826		18,479,553		21,338,919
	8,134,083		8,132,002		8,358,121		8,977,702		9,270,705		10,071,581		10,284,887
	2,250,182		2,132,715		2,023,047		2,137,694		2,222,932		2,179,625		2,292,262
	2,049,309		2,010,211		1,985,289		2,362,352		2,286,446		2,306,379		2,296,222
	-		-		-		190,241		248,928		56,500		17,121
	<u>2,693,366</u>		<u>3,025,094</u>		<u>769,923</u>		<u>1,100,855</u>		<u>47,180</u>		<u>3,439,735</u>		<u>2,478,027</u>
	<u>27,451,053</u>		<u>27,747,798</u>		<u>25,621,985</u>		<u>28,654,709</u>		<u>30,501,017</u>		<u>36,533,373</u>		<u>38,707,438</u>
	<u>51,484,743</u>		<u>51,484,743</u>		<u>51,484,743</u>		<u>51,484,743</u>		<u>46,782,605</u>		<u>50,789,443</u>		<u>59,635,884</u>
	(27,012,948)		(31,415,111)		(38,695,395)		(34,512,367)		(39,594,110)		(43,801,748)		(43,419,724)
	2,370,938		(1,675,471)		(3,392,027)		(861,875)		(981,110)		3,878,772		5,799,527
\$	<u>(24,642,010)</u>	\$	<u>(33,090,582)</u>	\$	<u>(42,087,422)</u>	\$	<u>(35,374,242)</u>	\$	<u>(40,575,220)</u>	\$	<u>(39,922,976)</u>	\$	<u>(37,620,197)</u>

(Continued)

CITY OF SAN CLEMENTE

CHANGES IN NET POSTION

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

	Fiscal Year		
	2005	2006	2007
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
Property taxes	\$ 19,904,158	\$ 22,663,198	\$ 25,502,996
Sales taxes	5,199,568	5,260,019	5,670,986
Sales taxes - in lieu	1,625,595	1,375,318	1,643,898
Transient occupancy taxes	1,161,392	1,264,514	1,362,015
Franchise taxes	1,727,451	2,127,233	3,185,831
Other taxes	2,608,978	617,638	533,679
Assessments	636,041	668,756	-
Investment earnings	2,626,787	2,144,246	3,061,219
Miscellaneous	798,840	4,832	108,176
Gain on sale of capital assets	22,867	(18,819)	-
Pension side fund payment	-	-	-
Dissolution of the redevelopment agency	-	-	-
Transfers	692,970	563,630	(1,328,980)
Total governmental activities	<u>37,004,647</u>	<u>36,670,565</u>	<u>39,739,820</u>
Business-type activities:			
Investment earnings	761,419	1,086,795	2,822,400
Gain/Loss on sale of capital assets	(2,371)	-	-
Miscellaneous	-	4,266,287	1,409,345
Transfers	(692,970)	(563,630)	1,328,980
Total business-type activities	<u>66,078</u>	<u>4,789,452</u>	<u>5,560,725</u>
Total primary government	<u>\$ 37,070,725</u>	<u>\$ 41,460,017</u>	<u>\$ 45,300,545</u>
Change in Net Assets			
Governmental activities	11,503,015	18,784,576	24,497,743
Business-type activities	3,371,219	6,215,308	11,028,354
Total primary government	<u>\$ 14,874,234</u>	<u>\$ 24,999,884</u>	<u>\$ 35,526,097</u>

Notes:

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

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

³ The State of California initiated the "triple flip" which caused shifts in property tax, sales taxes and motor vehicle fees (other taxes).

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

Source: City of San Clemente

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$ 27,691,490	\$ 27,676,009	\$ 27,114,216	\$ 26,543,254	\$ 25,704,056	\$ 25,613,417	\$ 25,938,562
5,628,813	4,530,994	4,965,641	5,095,486	5,375,251	5,837,066	5,907,313
1,981,820	2,014,780	1,308,380	1,604,663	1,694,225	1,743,745	2,130,322
1,465,852	1,309,644	1,371,937	1,460,880	1,541,248	1,587,576	1,781,354
2,163,287	2,246,570	2,166,871	2,199,894	2,229,194	2,203,002	2,280,321
475,611	1,250,768	1,353,846	1,411,471	1,073,325	1,103,570	1,066,122
-	-	-	-	-	-	-
2,070,969	2,155,014	2,152,699	827,900	1,147,655	3,950,829	2,533,185
306,842	42,135	722,562	150,904	144,473	76,641	26,662
(2,695,057)	-	-	13,403,427	-	-	-
-	-	-	(4,754,163)	-	-	-
-	-	-	-	(1,767,179)	-	-
49,736	365,757	239,521	450,418	178,765	175,375	93,722
<u>39,139,363</u>	<u>41,591,671</u>	<u>41,395,673</u>	<u>48,394,134</u>	<u>37,321,013</u>	<u>42,291,221</u>	<u>41,757,563</u>
2,747,619	2,208,881	1,406,190	653,997	365,245	131,675	216,206
(662,391)	-	-	-	-	-	-
1,376,100	1,418,489	1,381,183	-	-	-	-
(49,736)	(365,757)	(239,521)	(450,418)	(178,765)	(175,375)	(93,722)
<u>3,411,592</u>	<u>3,261,613</u>	<u>2,547,852</u>	<u>203,579</u>	<u>186,480</u>	<u>(43,700)</u>	<u>122,484</u>
<u>\$ 42,550,955</u>	<u>\$ 44,853,284</u>	<u>\$ 43,943,525</u>	<u>\$ 48,597,713</u>	<u>\$ 37,507,493</u>	<u>\$ 42,247,521</u>	<u>\$ 41,880,047</u>
12,126,415	10,176,560	2,700,278	13,881,767	(2,273,097)	(1,510,527)	(1,662,161)
5,782,530	1,586,142	(844,175)	(658,296)	(794,630)	3,835,072	5,922,011
<u>\$ 17,908,945</u>	<u>\$ 11,762,702</u>	<u>\$ 1,856,103</u>	<u>\$ 13,223,471</u>	<u>\$ (3,067,727)</u>	<u>\$ 2,324,545</u>	<u>\$ 4,259,850</u>

(Concluded)

CITY OF SAN CLEMENTE

GOVERNMENTAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Total
2004-2005	\$ 19,622,512	\$ 6,610,205	\$ 1,161,393	\$ 1,727,451	\$ 636,963	\$ 29,758,524
2005-2006	22,521,783	6,796,295	1,264,514	2,127,233	665,762	33,375,587
2006-2007	25,217,121	7,275,883	1,362,015	3,185,831	662,446	37,703,296
2007-2008	27,473,127	7,621,633	1,465,852	2,168,274	652,684	39,381,570
2008-2009	27,784,818	6,627,774	1,309,644	2,260,966	659,279	38,642,481
2009-2010	25,236,787	5,924,020	1,371,937	2,186,180	717,306	35,436,230
2010-2011	26,677,176	6,979,049	1,460,880	2,199,894	781,700	38,098,699
2011-2012	25,812,484	7,074,047	1,541,248	2,288,084	858,626	37,574,489
2012-2013	27,849,666	7,452,871	1,587,576	2,264,288	863,703	40,018,104
2013-2014	25,943,613	7,932,300	1,781,354	2,341,247	829,504	38,828,018

Note:

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

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

CITY OF SAN CLEMENTE

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Other Taxes	Motor Vehicle Tax	Total
2004-2005	\$ 19,904,158	\$ 6,825,163	\$ 1,161,392	\$ 1,727,451	\$ 1,170,737	\$ 1,438,241	\$ 32,227,142
2005-2006	22,663,198	6,635,337	1,264,514	2,127,233	166,418	451,220	33,307,920
2006-2007	25,502,996	7,314,884	1,362,015	3,185,831	167,677	366,002	37,899,405
2007-2008	27,691,490	7,610,633	1,465,852	2,163,287	173,020	302,591	39,406,873
2008-2009	27,676,009	6,545,774	1,309,644	2,246,570	1,016,497	234,271	39,028,765
2009-2010	27,114,216	6,274,021	1,371,937	2,166,871	1,149,918	203,928	38,280,891
2010-2011	26,543,254	6,700,149	1,460,880	2,199,894	1,098,104	313,367	38,315,648
2011-2012	25,704,056	7,069,476	1,541,248	2,229,194	1,038,871	34,454	37,617,299
2012-2013	25,613,417	7,580,811	1,587,576	2,203,002	1,068,321	35,249	38,088,376
2013-2014	25,938,562	8,037,635	1,781,354	2,280,321	1,036,949	29,173	39,103,994

Note:

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

CITY OF SAN CLEMENTE

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved	\$ 3,057,948	\$ 6,851,143	\$ 7,270,478	\$ 5,144,358
Unreserved	24,158,171	21,648,599	18,996,871	20,380,390
Total general fund	<u>\$ 27,216,119</u>	<u>\$ 28,499,742</u>	<u>\$ 26,267,349</u>	<u>\$ 25,524,748</u>
All other governmental funds				
Reserved	\$ 42,189,068	\$ 56,272,435	\$ 79,299,565	\$ 81,250,042
Unreserved, reported in:				
Special revenue funds	4,019,549	(6,233,102)	(6,051,182)	654,026
Capital projects funds	17,134,321	15,506,770	748,444	(7,833,364)
Debt service funds	(1,793,022)	(994,400)	(370,320)	(719,835)
Total all other governmental funds	<u>\$ 61,549,916</u>	<u>\$ 64,551,703</u>	<u>\$ 73,626,507</u>	<u>\$ 73,350,869</u>
General fund				
Nonspendable				
Committed				
Assigned				
Unassigned				
Total general fund				
All other governmental funds				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds				

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

Source: City of San Clemente

Fiscal Year

2009	2010	2011*	2012	2013	2014
\$ 5,023,665	\$ 4,649,496	\$ -	\$ -	\$ -	
20,070,766	18,836,396	-	-	-	
<u>\$ 25,094,431</u>	<u>\$ 23,485,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 79,749,708	\$ 69,850,312	\$ -	\$ -	\$ -	
		-	-	-	
4,370,589	6,190,722	-	-	-	
(11,345,685)	(1,218,011)	-	-	-	
486,740	(2,545,344)	-	-	-	
<u>\$ 73,261,352</u>	<u>\$ 72,277,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2011	2012	2013	2014
\$ 2,169,291	\$ 1,800,743	\$ 2,001,530	\$ 2,006,484
18,923,274	17,754,373	17,450,954	16,751,483
3,770,456	7,373,427	7,060,897	7,225,178
4,110,236	1,528,656	3,592,488	3,850,648
<u>\$ 28,973,257</u>	<u>\$ 28,457,199</u>	<u>\$ 30,105,869</u>	<u>\$ 29,833,793</u>
\$ 2,351,847	\$ 2,120,653	\$ 2,120,653	\$ 1,671,798
31,352,050	46,333,348	47,664,547	41,112,201
11,792,319	442,650	77,643	59,265
17,517,914	4,209,482	4,356,356	4,438,029
(2,001,968)	26,091	-	5,956,604
<u>\$ 61,012,162</u>	<u>\$ 53,132,224</u>	<u>\$ 54,219,199</u>	<u>\$ 53,237,897</u>

CITY OF SAN CLEMENTE

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 29,758,524	\$ 33,375,587	\$ 37,703,296	\$ 39,381,570
Licenses and permits	3,201,431	3,271,025	2,782,916	2,095,709
Fines and forfeits	913,447	921,583	896,133	880,206
Interest and rentals	4,048,545	3,783,715	6,922,912	6,480,064
Intergovernmental	5,116,208	6,748,776	8,305,713	7,555,145
Charges for services	9,721,047	9,096,580	7,577,287	6,716,282
Developers fees	4,257,756	4,397,324	918,600	444,916
Contributions	600	10,611	-	-
Other	125,515	191,600	665,580	473,262
Total revenues	<u>57,143,073</u>	<u>61,796,801</u>	<u>65,772,437</u>	<u>64,027,154</u>
Expenditures				
General government	6,062,696	6,506,896	6,868,943	7,169,531
Public safety	14,196,737			
Police		9,569,745	10,091,550	11,452,808
Fire		5,670,855	6,013,151	6,234,977
Economic development	13,766,323			
Public works		8,520,415	6,569,089	6,996,705
Community development		5,194,929	5,689,852	5,841,406
Beaches, parks and recreation	7,281,436	7,763,991	8,633,081	8,635,436
Capital outlay	9,229,162	11,343,516	13,956,352	16,702,514
Debt service:				
Property tax shift	149,284	152,953	26,852	24,463
Principal retirements	80,000	85,000	95,000	100,000
Interest and fiscal charges	339,956	331,731	321,686	308,786
Total expenditures	<u>51,105,594</u>	<u>55,140,031</u>	<u>58,265,556</u>	<u>63,466,626</u>
Excess of revenues over (under) expenditures	6,656,770	7,506,881	7,506,881	560,528
Other financing sources (uses)				
Proceeds from debt issue	-	-	-	-
Advance from component unit	-	-	-	-
Sale of capital assets	-	-	-	33,617
Transfers in	4,861,030	4,515,034	15,653,591	12,485,771
Transfers out	(4,347,450)	(6,886,394)	(16,318,061)	(14,098,155)
Total other financing sources (uses)	<u>513,580</u>	<u>(2,371,360)</u>	<u>(664,470)</u>	<u>(1,578,767)</u>
Pension side fund payment	-	-	-	-
Redevelopment agency dissolution	-	-	-	-
Net change in fund balances	<u>\$ 7,170,350</u>	<u>\$ 5,135,521</u>	<u>\$ 6,842,411</u>	<u>\$ (1,018,239)</u>
Debt service as a percentage of noncapital expenditures	1%	1%	1%	1%

Source: City of San Clemente

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	38,642,481	\$ 35,436,230	\$ 38,098,699	\$ 37,574,489	\$ 40,018,104	\$ 38,828,018
	1,714,112	2,083,840	1,903,617	892,486	1,042,511	1,534,484
	1,033,082	820,170	931,685	879,981	776,634	690,083
	5,700,804	3,998,962	2,780,497	2,615,105	2,441,657	2,778,297
	6,987,223	5,975,543	5,767,169	4,830,480	3,800,465	4,116,782
	6,664,560	6,905,663	7,150,212	7,527,717	5,090,503	5,722,098
	203,899	238,620	700,150	170,071	1,607,964	6,571,642
	-	-	-	-	-	-
	168,956	892,015	1,152,865	1,755,948	552,873	451,993
	<u>61,115,117</u>	<u>56,351,043</u>	<u>58,484,894</u>	<u>56,246,277</u>	<u>55,330,711</u>	<u>60,693,397</u>
	7,311,045	7,740,422	7,274,138	7,308,774	4,962,425	5,366,069
	11,658,831	12,344,203	12,046,529	12,111,299	12,111,439	12,820,497
	6,484,946	6,769,519	6,913,198	7,280,209	7,478,736	7,658,531
	6,477,525	6,995,428	6,863,269	7,124,688	6,553,374	11,986,832
	5,561,874	6,139,496	4,723,758	5,159,664	7,757,417	6,203,011
	9,113,582	8,699,948	8,378,274	9,421,326	10,209,081	10,695,841
	13,515,137	9,353,222	25,632,719	13,793,640	3,059,286	6,622,108
	504,204	1,052,656	348,788	-	-	-
	105,000	115,000	125,000	830,000	95,000	105,000
	291,444	279,293	304,411	226,089	140,683	132,608
	<u>61,023,588</u>	<u>59,489,187</u>	<u>72,610,084</u>	<u>63,255,689</u>	<u>52,367,441</u>	<u>61,590,497</u>
	91,529	(3,138,144)	(14,125,190)	(7,009,412)	2,963,270	(897,100)
	35,000	70,952	13,449,123	-	-	-
	5,154,595	5,967,593	14,490,883	5,603,370	3,617,669	1,763,604
	<u>(5,800,958)</u>	<u>(5,492,613)</u>	<u>(14,838,805)</u>	<u>(5,222,775)</u>	<u>(3,845,294)</u>	<u>(2,119,882)</u>
	<u>(611,363)</u>	<u>545,932</u>	<u>13,101,201</u>	<u>380,595</u>	<u>(227,625)</u>	<u>(356,278)</u>
	-	-	(4,754,163)	-	-	-
	-	-	-	(1,767,179)	-	-
\$	<u>(519,834)</u>	<u>(2,592,212)</u>	<u>(5,778,152)</u>	<u>(8,395,996)</u>	<u>2,735,645</u>	<u>(1,253,378)</u>
	1%	1%	1%	2%	0%	0%

CITY OF SAN CLEMENTE

ASSESSED VALUE AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	City		Total Taxable Assessed Value	Total Direct Tax Rate
	Secured Value	Unsecured Value		
2004 - 2005	\$ 8,530,666,429	\$ 217,632,601	\$ 8,748,299,030	1.00%
2005 - 2006	9,766,309,751	233,094,120	9,999,403,871	1.00%
2006 - 2007	11,108,747,093	257,421,073	11,366,168,166	1.00%
2007 - 2008	12,244,044,495	242,931,021	12,486,975,516	1.00%
2008 - 2009	12,583,294,477	271,743,872	12,855,038,349	1.00%
2009 - 2010	12,385,008,657	246,328,189	12,631,336,846	1.00%
2010 - 2011	12,203,096,799	227,107,241	12,430,204,040	1.00%
2011 - 2012	12,125,854,115	230,055,391	12,355,909,506	1.00%
2012 - 2013	12,218,790,644	206,465,908	12,425,256,552	1.00%
2013 - 2014	12,547,787,645	200,734,451	12,748,522,096	1.00%

NOTE:

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

	Estimated Actual Taxable Value	Assessed Value as a Percentage of Estimated Taxable Actual Value
\$	8,748,299,030	100%
	9,999,403,871	100%
	11,366,168,166	100%
	12,486,975,516	100%
	12,855,038,349	100%
	12,631,336,846	100%
	12,430,204,040	100%
	12,355,909,506	100%
	12,425,256,552	100%
	12,748,522,096	100%

CITY OF SAN CLEMENTE

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

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Metropolitan Water District	\$ 0.0058	\$ 0.0052	\$ 0.0047	\$ 0.0045
Capistrano Unified School District (various issues)	0.0119	0.0108	0.0095	0.0102
Total Basic Tax Levy per Article 13A of California State Constitution	1.0000	1.0000	1.0000	1.0000
	<u>\$ 1.0177</u>	<u>\$ 1.0160</u>	<u>\$ 1.0142</u>	<u>\$ 1.0147</u>

Note:

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 0.0043	\$ 0.0043	\$ 0.0037	\$ 0.0037	\$ 0.0035	\$ 0.0035
0.0097	0.0108	0.0111	0.0110	0.0117	0.0097
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>\$ 1.0140</u>	<u>\$ 1.0151</u>	<u>\$ 1.0148</u>	<u>\$ 1.0147</u>	<u>\$ 1.0152</u>	<u>\$ 1.0132</u>

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

Taxpayer	Type of Business	2014			2005		
		Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Suncal Marblehead LLC	Real Estate	\$ 152,999,854	1	1.20%	\$ -		
WNG San Clemente 368 LLC	Real Estate	97,158,539	2	0.76%	-		
Bre Properties Inc	Real Estate	63,913,991	3	0.50%	51,813,829	2	0.60%
GS Wispering Winds LLC	Real Estate	57,157,019	4	0.45%			
Centro Watt Operating Partnership LLC	Real Estate	50,667,479	5	0.40%	38,412,000	5	0.44%
Target Corp	Retail Store	29,227,631	6	0.23%	-		
Talega Village Center LLC	Real Estate	28,549,185	7	0.22%	-		
Villa San Clemente LLC	Real Estate	25,125,650	8	0.20%	-		
Won and Jay Inc	Real Estate	23,020,160	9	0.18%	-		
Cox Communications Inc.	Public Utilities	22,685,436	10	0.18%	22,244,661	9	0.26%
Standard Pacific Corp	Real Estate	-			128,136,526	1	1.47%
Seacrest San Clemente LP	Real Estate	-			48,447,594	3	0.56%
Brookfield Talega 78 LLC	Real Estate	-			42,195,699	4	0.49%
ICU Medical, Inc.	Medical	-			27,613,815	6	0.32%
LBK IB Limited Partnership	Real Estate	-			25,401,321	7	0.29%
W Lyons Homes LLC	Real Estate	-			22,502,972	8	0.26%
MT No 1 LLC	Real Estate	-			18,796,293	10	0.22%
		<u>\$ 550,504,944</u>		<u>4.32%</u>	<u>\$ 425,564,710</u>		<u>4.89%</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
2004 - 2005	\$ 21,325,884	\$ 21,160,560	128.67%	\$ 146,406	\$21,306,966	99.91%	\$ 281,451	1.70%
2005 - 2006	26,319,945	25,908,253	126.66%	248,893	26,157,146	99.38%	440,028	2.13%
2006 - 2007	29,847,548	29,052,670	98.70%	407,428	29,460,098	98.70%	800,561	2.68%
2007 - 2008	32,658,925	31,607,230	96.78%	534,706	32,141,935	98.42%	1,046,334	3.20%
2008 - 2009	32,849,831	32,289,655	98.29%	313,380	32,603,035	99.25%	939,392	2.86%
2009 - 2010	30,873,785	28,108,722	91.04%	675,969	28,784,691	93.23%	633,052	2.05%
2010 - 2011	30,847,755	30,201,236	97.90%	239,066	30,440,302	98.68%	465,959	1.51%
2011 - 2012	30,356,687	29,507,606	97.20%	24,860	29,532,466	97.28%	531,576	1.75%
2012 - 2013	30,608,681	30,528,268	99.74%	444,271	30,972,538	101.19%	451,927	1.48%
2013 - 2014	29,183,272	29,217,530	100.12%	400,661	29,618,191	101.49%	449,978	1.54%

Note:

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

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

CITY OF SAN CLEMENTE

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Certificates of Participation	Capital Leases			
2004 - 2005	\$ 3,110,000	\$ 31,070	\$ 31,946,070	1.22%	489
2005 - 2006	3,025,000	177,711	29,637,711	1.04%	447
2006 - 2007	2,930,000	147,207	26,982,207	0.89%	400
2007 - 2008	2,830,000	110,278	2,940,278	0.09%	43
2008 - 2009	2,725,000	91,953	2,816,953	0.09%	41
2009 - 2010	2,610,000	56,062	2,666,062	0.10%	39
2010 - 2011	2,485,000	17,929	2,502,929	0.09%	39
2011 - 2012	1,655,000	164,691	1,819,691	0.07%	28
2012 - 2013	1,560,000	127,026	1,687,026	0.05%	26
2013 - 2014	1,455,000	88,094	1,543,094	0.05%	24

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

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

CITY OF SAN CLEMENTE

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2014

Assessed valuation was \$12,824,727,057 in FY 2013-14

	%	Debt
	Applicable	June 30, 2014
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.587%	\$ 776,454
Capistrano Unified School District School Facilities Improvement District No. 1	22.76%	7,989,265
Santa Margarita Water District CFD No. 99-1	100%	93,710,000
Capistrano Unified School District Community Facilities District No. 90-2	100%	83,095,000
City of San Clemente Communtiy Facilities District No. 99-1	100%	4,680,000
City of San Clemente 1915 Act Bonds	100%	11,900,000
TOTAL OVERLAPPING TAX AND ASSESSED DEBT		202,150,719
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
<u>Overlapping:</u>		
Orange County General Fund Obligations	2.899%	4,217,349
Orange County Pension Obligations	2.899%	933,341
Orange County Board of Education Certificates of Participation	2.899%	449,345
Municipal Water District of Orange County Water Facilities Corporation	3.472%	269,948
Capistrano Unified School District Certificates of Participation	18.900%	3,448,305
Subtotal		9,318,288
<u>Direct:</u>		
City of San Clemente Certificates of Participation	100%	1,455,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		10,773,288
LESS: MWDOC WATER FACILITIES CORPORATION (100% SELF-SUPPORTING)		269,948
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 10,503,340
GROSS COMBINED TOTAL DEBT		212,924,007
NET COMBINED TOTAL DEBT		212,654,059

Note:

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

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

CITY OF SAN CLEMENTE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation	\$ 7,738,679,928	\$ 7,707,375,828	\$ 9,999,403,871	\$ 12,486,975,516
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,934,669,982	1,926,843,957	2,499,850,968	3,121,743,879
Debt limit percentage	15%	15%	15%	15%
Debt limit	290,200,497	289,026,594	374,977,645	468,261,582
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 290,200,497	\$ 289,026,594	\$ 374,977,645	\$ 468,261,582
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

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

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 12,855,038,349	\$ 12,631,336,846	\$ 12,430,204,040	\$ 12,355,909,506	\$ 12,425,256,552	\$ 12,748,522,096	
25%	25%	25%	25%	25%	25%	
3,213,759,587	3,157,834,212	3,107,551,010	3,088,977,377	3,106,314,138	3,187,130,524	
15%	15%	15%	15%	15%	15%	
482,063,938	473,675,132	466,132,652	463,346,606	465,947,121	478,069,579	
-	-	-	-	-	-	
<u>\$ 482,063,938</u>	<u>\$ 473,675,132</u>	<u>\$ 466,132,652</u>	<u>\$ 463,346,606</u>	<u>\$ 465,947,121</u>	<u>\$ 478,069,579</u>	
0%	0%	0%	0%	0%	0%	

CITY OF SAN CLEMENTE

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (2)	Median Age (5)	Percentage High School Grad or Higher (5)	School Enrollment (3)	Unemployment Rate (4)
2004 - 2005	65,031	\$ 2,613,696	\$ 40,192	38	90%	9,072	3.00%
2005 - 2006	66,077	2,861,028	43,298	38	90%	9,361	2.70%
2006 - 2007	66,833	3,031,758	45,363	38	90%	9,468	2.70%
2007 - 2008	67,549	3,096,478	45,840	38	90%	9,550	3.90%
2008 - 2009	68,234	3,025,836	44,345	40	94%	9,659	6.40%
2009 - 2010	68,763	2,751,758	40,018	39	95%	9,700	7.56%
2010 - 2011	63,743	2,890,823	45,509	39	94%	9,743	7.40%
2011 - 2012	64,208	2,787,333	43,411	39	95%	9,757	6.50%
2012 - 2013	64,542	3,091,175	47,894	40	94%	9,244	5.30%
2013 - 2014	64,874	3,068,865	47,305	40	96%	9,799	4.70%

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

CITY OF SAN CLEMENTE

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2014			2005		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
Capistrano Unified School District (CUSD)	599	1	2.03%	Not available		
Saddleback Memorial Medical Center	280	2	0.95%			
Ralphs	226	3	0.77%			
Fisherman's Restaurants	224	4	0.76%			
Albertsons	197	5	0.67%			
Walmart	195	6	0.66%			
City of San Clemente	182	7	0.62%			
Target Retail Store	154	8	0.52%			
Lowe's Home Improvement	150	9	0.51%			
ICU Medical	132	10	0.45%			

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

CITY OF SAN CLEMENTE

FULL-TIME EQUIVALENT CITY
GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	30	29	31	31	34	34	33	32	32	32
Public safety										
Police (contract)	55	55	55	56	57	57	55	55	55	54
Fire (contract)	41	42	43	43	43	43	43	42	42	42
Marine Safety	13	7	7	7	7	7	7	7	7	7
Community Development										
Engineering	23	24	24	24	24	22	22	20	20	20
Building	15	22	22	15	15	14	14	11	11	11
Code Compliance	4	4	4	7	5	5	5	5	5	5
Planning	12	12	12	12	12	12	12	10	11	11
Administration	3	3	3	3	3	3	4	3	2	2
Public Works	3	3	3	3	3	3	3	3	3	3
Maintenance	16	17	17	17	17	18	19	18	18	18
Beaches, Parks, and Recreation	31	23	26	28	27	27	27	28	27	27
Water	23	22	22	23	23	25	25	25	25	25
Sewer	18	24	24	24	23	20	21	20	19	19
Clean Ocean	5	7	7	7	4	4	4	3	3	3
Storm Drain Utility	2	2	2	2	2	3	3	3	3	3
Solid Waste	1	1	1	1	1	1	1	1	1	1
Golf Course	16	10	10	10	10	9	9	9	9	9
Total	311	305	311	309	309	306	303	294	293	292



CITY OF SAN CLEMENTE

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Number of calls for service **	-	-	-	27,776	25,351
Number of traffic collision reports **	-	-	-	358	450
Parking citations issued	23,623	22,523	20,331	20,652	22,528
Fire					
Number of fire calls	77	81	99	84	70
Number of emergency medical calls	2,324	2,365	2,114	2,283	2,159
Inspections	1,396	1,647	1,221	1,203	968
Highways and streets					
Street resurfacing (miles)	3.48	2.65	5.27	6.06	4.24
Beaches, parks and recreation					
Number of recreation classes, activities, and clinics	3,704	4,033	568	531	514
Total experiences in classes, activities, and clinics	174,792	170,015	120,903	86,882	89,464
Total number of facility rentals	3,414	3,398	1,043	1,238	1,169
Golf rounds played	73,847	86,564	95,375	95,898	95,190
Water					
New customers	95	156	190	24	27
Average daily consumption (thousands of gallons)	8,602	10,333	9,833	9,329	9,901
Sewer					
New customers	117	901	42	33	19
Average daily sewage treatment (thousands of gallons)	4,660	4,708	4,206	4,120	4,050

N.A. - not available

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

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

Fiscal Year				
2010	2011	2012	2013	2014
26,233	25,008	23,651	24,082	23,729
404	426	257	487	371
17,855	18,591	17,851	13,713	13,698
72	49	72	55	44
2,418	2,084	2,540	2,137	2,175
1,361	696	171	917	899
3.50	2.83	1.79	0.69	4.29
452	359	519	507	482
104,879	106,809	129,682	106,497	111,219
694	664	825	916	1,068
91,834	89,117	90,118	88,177	84,838
7	34	27	8	11
8,396	7,266	7,587	8,144	8,694
3	5	4	6	9
3,971	4,060	3,883	3,859	3,787

CITY OF SAN CLEMENTE

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Police:					
Stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Highways and streets					
Streets (miles)	133.10	131.10	131.15	134.00	149.68
Streetlights	3,185	3,259	3,259	3,357	3,357
Traffic signals	69	68	70	72	74
Beaches, parks and recreation					
Parks	21	21	25	20	20
Swimming pools	2	2	2	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)	172.90	173.10	173.10	206.40	206.40
Fire hydrants	2,224	2,230	2,230	2,281	2,281
Maximum daily capacity (thousands of gallons)	12,500	13,571	12,297	12,600	12,600
Sewer					
Sanitary sewers (miles)	179.15	179.15	179.15	174.60	174.60
Storm sewers (miles)	57.60	62.50	62.50	62.50	62.50
Maximum daily treatment capacity (thousands of gallons)	6,976	6,976	6,976	6,976	6,976

N.A. - not available

Fiscal Year				
2010	2011	2012	2013	2014
1	1	1	1	1
3	3	3	3	3
134.00	134.00	136.00	136.00	136.00
3,360	3,404	3,419	3,428	3,433
74	74	74	74	76
19	19	20	20	20
1	1	3	3	3
1	1	1	1	-
1	1	1	1	1
1	1	1	1	1
206.40	206.40	206.40	206.40	213.10
2,281	2,281	2,281	2,281	2,281
12,600	12,600	12,600	86,000	86,000
174.60	174.60	174.60	174.60	154.00
62.50	62.50	62.50	62.50	62.50
6,976	6,976	6,976	6,976	6,976

