

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



Scott Schoeffel, Mayor
Lara Anderson, Mayor Pro Tem
Lisa Bartlett, Council Member
Steven Weinberg, Council Member
William Brough, Council Member

Douglas C. Chotkevys, City Manager

Prepared by:
Department of Administrative Services

CITY OF DANA POINT
Comprehensive Annual Financial Report
For the Year ended June 30, 2011

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January 10, 2012

To the Mayor, City Council, City Manager, and Citizens of the City of Dana Point:

The Comprehensive Annual Financial Report (CAFR) of the City of Dana Point for the fiscal year ended June 30, 2011, is submitted herewith. The Department of Administrative Services prepared this report. The responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. This document reflects the City's commitment to the highest levels of financial reporting by using a reporting format which meets the standards adopted by the Governmental Accounting Standards Board (GASB), which is recognized as the authoritative body for the promulgation of standards of financial accounting and reporting for activities and transactions of state and local governments. We believe that the data provided in this report is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and results of operations of the City. In addition, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In developing the City's accounting system, consideration is given to the adequacy of internal accounting control systems. The objectives of the City's internal accounting control systems are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

It is the policy of the City to have an audit performed annually by an independent certified public accountant. The independent audit of the June 30, 2011, financial statements was performed by Rogers, Anderson, Malody and Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatement. Rogers, Anderson, Malody and Scott concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Dana Point's financial statements for the year ended June 30, 2011, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

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PROFILE OF THE CITY

Dana Point is a city of approximately 6.7 square miles. Located on the southern coast of Orange County, California, the City has a population of approximately 33,500. The City draws its name from author Richard Henry Dana (1815-1882), who documented his experiences in an 1830's sea voyage from Boston to California in the novel *Two Years Before the Mast*. A replica of the sailing vessel he traveled on, the tallship *Pilgrim*, is moored in the Dana Point Harbor.

Geographically, the City is comprised of a number of unique micro-communities. To the south is the Capistrano Beach community which consists mainly of residential housing and limited commercial and retail development. Adjacent to Capistrano Beach is the Doheny Village area which consists of a mix of commercial and retail businesses, multi-family residential housing and a mobile home park. The Dana Point Harbor, although located within city boundaries, is administered by the County of Orange. Located within the harbor are small-craft moorings, a small commercial fishing fleet, two hotels, shopping and many restaurants. Northeast of the Dana Point Harbor are the Town Center and Lantern Village communities. The Town Center area consists principally of resident and visitor-serving commercial and retail businesses, and extends along Pacific Coast Highway ("PCH") and Del Prado Street. In the northern part of the City is the Monarch Beach community, which is home to the City's two largest hotels (the Ritz Carlton and St. Regis), a golf course and large, upscale residential developments.

The City incorporated under the general laws of the State of California on January 1, 1989, and operates under a Council-Manager form of government. The City Council consists of five members, elected at large on a non-partisan basis to four-year terms. The mayor and mayor pro tem are honorary positions filled by Council members for one-year terms. For the first six months of cityhood the County of Orange (the "County") provided police, fire and code enforcement services for the City. The County also provided planning, building and engineering services for the first five months of operations.

Beginning with the City's first full year of operations on July 1, 1989, all of the previously provided services became the direct responsibility of the City and are now provided by the City at its own expense, either with in-house City staff, or by contract with private firms or the County. The City today operates in part as a "contract city," utilizing contracts with other governmental entities, private firms, and individuals to provide certain of the traditional municipal services to the community.

On December 22, 1993, pursuant to a resolution of the Orange County Local Agency Formation Commission ("LAFCO"), the Capistrano Bay Park and Recreation District (the "Park District") merged with the City of Dana Point. The merger resulted from the permanent reallocation by the State of California of 59% of the Park District's property tax revenue base. As a result of this revenue loss, the Park District ceased generating sufficient revenues to support its operations. At the recommendation of both the Dana Point City Council and the Park District's Board of Directors, LAFCO approved the merger of the two entities. In connection with the merger, the City agreed to assume the existing debt of the Park District, which at that time consisted of a \$5.9 million capital lease obligation. The City serviced that debt until its retirement in August of 2006.

Other governmental entities, such as the State of California, the County of Orange, the Orange County Fire Authority, and numerous water, sewer, school and other districts, as well as electric and gas utilities, provide various services within Dana Point. These entities are legally separate from the City.

Budgets are adopted bi-annually by the City Council and are prepared for each fund in accordance with its basis of accounting. As provided by City ordinance, the City Manager is responsible for preparing the budget and for its implementation after adoption. All unencumbered budget appropriations lapse at year-end. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer appropriations from one function or activity to another within the same fund without Council approval, provided such changes will neither have a significant policy impact nor affect budgeted year-end fund balances.

LOCAL ECONOMY

The City serves a significant number of visitors each year, many of whom are drawn by the small boat harbor, beaches, parks, golf courses, and resorts in the city. Dana Point is home to two five-star resorts, one four-star resort, nine hotels and motels, and a 29-unit bed and breakfast inn, for a total of approximately 1,850 rooms. The city's coastal resources continue to draw visitors that support its visitor-oriented commercial and retail establishments.

The City is highly reliant upon the tourism industry which is its principal revenue source. At 31% of general fund revenues, transient occupancy taxes were the City's single largest revenue source in fiscal 2011. This tax is imposed at the rate of 10% upon visitors staying in lodgings located in the City. The luxury hotels that many visitors stay in are also the City's largest individual property tax payers, the largest employers and the largest sales tax generators. Moreover, their guests dine in area restaurants, shop in retail establishments and partake of recreational opportunities within the city that provide other streams of revenue to the Dana Point merchants. In total, it is estimated that the tourism industry (directly or indirectly) typically contributes about half of the City's General Fund revenues.

Due to high property values and the limited availability of suitable sites, there is limited commercial and industrial development within the City. Most existing businesses are oriented toward serving visitors or local residents. The City does not have a mall, new-car dealerships or major franchise retailers. The City is nearly built-out, with limited opportunities for new residential or commercial construction. The largest contiguous undeveloped parcels are located in the Headlands area of the City, which is adjacent to the Dana Point Harbor. The Headlands project received final development approval from the City in fiscal 2006, site grading was complete by fiscal 2008, and the first of the new custom homes was completed during fiscal 2010. The Headlands development will ultimately include 118 luxury homes, and has already provided new public park facilities and open space, and is planned to eventually include new lodging and visitor-serving retail establishments. The Headlands area was originally expected to be built-out over the next five years; however, the timetable has understandably been extended due to the recent economic environment.

The City also receives significant revenue through the State of California. These include motor vehicle in-lieu fees and gasoline taxes, both of which are apportioned by the State based upon population, and property taxes in-lieu of motor vehicle license fees, which are apportioned similarly to property taxes.

Transient occupancy tax (TOT) revenues rebounded in fiscal 2011, increasing a total of \$1.1 million (14.7%) to \$8.3 million. After reaching its peak of \$11.3 million in fiscal 2008, TOT revenues declined by \$2.7 million in fiscal 2009, and again by an additional \$1.4 million in fiscal 2010, to an annual low of \$7.2 million. This was a cumulative decline of 36% from the peak achieved in fiscal 2008. While a portion of this decrease was attributed to reduced room availability at one of the larger hotels (due to a major renovation project that was completed in April 2010), most of the drop is attributable to economic factors. These economic factors now appear to be improving. The City's two largest hotels, the Ritz Carlton Laguna Niguel and the St. Regis Monarch Beach, appeal primarily to high-end domestic and international visitors, in addition to corporate events and meetings. In fiscal 2011 the City experienced eleven months where the TOT revenues were higher than the prior year's monthly amount, with the trend being a continuation from the last two months of fiscal 2010. This reversed a trend from the first ten months of fiscal 2010 in which declines were experienced in TOT revenues received when compared to same month in fiscal 2009. Sales tax revenues also increased in fiscal 2011 by 5.7%, or \$166,000, to a total of \$3.1 million. Sales tax revenues declined by 18.3% in fiscal 2009 and declined a further 3.1% in fiscal 2010. Since many of the largest sales tax generating businesses are reliant on tourism, this revenue tends to move along a similar trend line with transient occupancy. The summer season, when the largest proportion of transient occupancy and sales tax revenues are generated, saw significant improvement in both transient occupancy tax and sales tax in calendar year 2011 and the City anticipates this will continue through-out the remainder of calendar 2011 and calendar 2012, as the economy continues to slowly improve.

Until 2007, California's economic growth and unemployment rates largely mirrored that of the rest of the United States. However, beginning in 2008 and continuing throughout 2011 the California economy, due largely to the collapse of the housing market, weakened to a greater extent than the nation as a whole. Most experts believe that California's recovery will, similarly, occur later and more slowly than the rest of the country. The local unemployment rate, which stood at 2.8% in calendar year 2007, surged to 7.0% by fiscal 2010. The final rate for 2011 is not yet available, but the expectation is that it has not changed significantly from the 2010 rate. With a relatively more-educated populace, Dana Point is somewhat better off than California as a whole, which experienced an unemployment rate of over 12% in 2010. Locally, Dana Point has experienced growth in median household income (up 6.9% since 2002) and per capita income (up 10.3% since 2002). However, over the last two years, both median household income and per capita income have declined, falling by \$13,400 (15.4%) and \$5,700 (12.0%), respectively. Recent economic forecasts point to income growth resuming over the next five years.

Home prices declined at a much slower rate in 2010 than they had in the prior three years, possibly signaling that the bottom of the decline is nearing. According to Dataquick, median single-family residential housing prices fell from their peak of \$915,000 in calendar 2007 down to \$578,000 in calendar 2009, a drop of 36.8%; subsequently, the prices for calendar 2010 came in at \$571,000, a 1.2% drop.

As shown in the table below, despite the decline in median home prices over that same period, citywide assessed real property valuation increased \$995 million, a 12.9% increase. However, from fiscal year 2009 when the assessed valuation peaked at \$8.9 billion, assessed values have declined \$192 million, or 2.2%.

Dana Point Assessed Property Values				
Last Five Fiscal Years				
(in thousands)				
2007	2008	2009	2010	2011
\$7,693,000	\$8,533,000	\$8,880,000	\$8,763,000	\$8,688,000

There are a couple of factors that explain why this happened. First, the valuation date for the 2010 assessments is actually the April preceding the start of the fiscal year (i.e. April 2009), so the assessment does not fully reflect the continued decline in resale values. Secondly, and more important, the actual underlying *market* values typically increase or decrease much more than the assessed valuations. This is because, under California’s Proposition 13, growth in *assessed* valuation is limited to 2% per year, except in cases where property is sold, at which time it is reassessed to market value. As a result, in a period when housing prices increased dramatically as they did in California through the mid-2000’s, assessed values could grow by only 2% per year. Subsequently, when the price of houses being sold quickly declined, the market value of many properties still remained above their previous assessed value. As a result, after factoring out the State borrowing of property taxes noted below, gross property tax revenues only fell by \$66,807, or 1.1%, in fiscal year 2010 and fell \$174,000 in fiscal year 2011. However, and based on numbers already released by the County of Orange Auditor/Controller’s Office for fiscal 2012, the assessed value for property in Dana Point increased by \$48 million, or 1%.

As has been the case in prior reports, the City’s economic future remains threatened by the State of California and its budget problems. The State continues to face structural budget deficits, and in fiscal 2012 the State again used a variety of budget gimmicks that included wildly speculative revenue projections, all to mask their true financial problems instead of addressing them. The State’s Legislative Analyst (LAO) reported as of November 2011 that State General Fund revenues for FY12 will be \$3.7 billion below budget. In December 2011 the State Department of Finance projected the same shortfall to be \$2.2 billion below budget. The adopted State Budget amusingly dictates that the lower of these two projected deficits be used to make mid-year expenditure reductions to the State budget, with those reductions taking place January 1, 2012.

Per the November 2011 LAO report, for fiscal year 2012-13, the State will face higher costs due to expiration of a number of temporary budget measures, an increase in Proposition 98 school costs under current law, the repayment of its Proposition 1A property tax loan to cities, and other factors. The LAO projects another \$10 billion budget shortfall for fiscal year 2012-13 that will have to be solved by the time they adopt that year’s budget.

In fiscal 2010 the State borrowed 8% of California cities property tax revenue, with a requirement to repay it by June 2013. This amounted to \$882,000 for Dana Point's share. These actions by the State are representative of the direct fiscal impacts upon local governments as a result of the State's chronic inability to resolve its fiscal problems. In response to the local impacts caused by State fiscal problems, in November 2010, by an overwhelming majority, California voters passed Proposition 22, which bars the State from future taking of locally imposed taxes, including transient occupancy taxes and sales taxes, as well as prohibits the taking of local transportation funds, including gasoline taxes.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2011, the City had \$18.8 million of spendable fund balance in the General Fund. Of this amount, a total of \$12.6 million is in the committed or assigned categories leaving \$6.1 million available for appropriation. The commitments and assignments consist of (1) a cash flow commitment of \$2.9 million, (2) a state budget impact commitment of \$0.6 million, (3) an Art in Public Places commitment of \$0.2 million, (4) a commitment for emergencies of \$5.8 million, and (5) the assignment of \$3.2 million for spending on future capital projects. In fiscal 2007 the City Council formally adopted a policy to set aside each fiscal year permanent minimum reserves equal to 30% of General Fund revenues. This policy is reflected in the reserve balances.

Since incorporation the City has made a practice of living within its means. General Fund surpluses, as well as outside funding sources when available, have been used to fund improvements to the City's infrastructure. One key component of this strategy has been a requirement of all new development that the developer pay for any new infrastructure requirements necessitated by their projects. This includes not only streets and sidewalks, but also the addition of park facilities, public art, and low income housing subsidies.

The City has aggressively pursued opportunities to work with the Federal, State, County, local agencies, developers, and non-profit groups whenever possible to jointly fund the cost of infrastructure improvements. In the past, the City has joint-ventured with the local school district and neighboring cities to improve shared recreational facilities, and continues to seek out similar partnerships.

The City provides retirement benefits to its employees through contributions to the California Public Employee's Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee defined benefit pension plan. As discussed in Note 7 to the financial statements, in fiscal 2006 CalPERS assigned the City to a risk pool consisting of similarly sized agencies. The purpose of the risk pool is to provide greater consistency in contribution rates from year to year. The risk pool has a substantial unfunded liability and as a result the City's pension contribution rates are expected to remain somewhat higher than would otherwise be required for the next ten years in order to amortize the liability. To partially mitigate this increase, in fiscal 2010 the City made a lump-sum payoff of its separately distinguishable portion of the future retirement obligation in the amount of \$860,298. This payoff had the effect of reducing the fiscal 2010 contribution rate by 2.7%, and it will also reduce future required annual pension contributions.

MAJOR INITIATIVES

In fiscal 2005 the City initiated the development of the Town Center Specific Plan (“TCSP”). The Town Center is the City’s symbolic “downtown.” The City’s goal, as set forth in the General Plan, is to create the conditions for a thriving diversity of retail, office and residential uses that will promote positive pedestrian activity. The TCSP includes a series of policies, development standards and design guidelines which are intended to guide the transformation of the Town Center into a pedestrian-oriented, mixed-use district which serves the community more effectively and creates a more meaningful place that adds to the identity of Dana Point. The first phase of the TCSP, completed in 2009, was the PCH Congestion Relief project, and has significantly relieved traffic congestion at PCH and Harbor Drive by incorporating an overhead pedestrian bridge, widening lanes, sidewalk enhancements, bus turnouts, and street reconfiguration. Design work for the next phase, PCH/Del Prado Street Improvements, is substantially complete, and pending the completion of a City-commissioned Environmental Impact Report. As the economy improves over the next few years, the City will begin to explore various strategies to finance the estimated \$20 million of public improvements included in the TCSP project.

Doheny Village is the original downtown of then Capistrano Beach, one of the three communities that form Dana Point. The City was awarded a \$340,000 California Sustainable Communities Planning Grant from the California Strategic Growth Council to fund the Doheny Village Plan. The City awarded a contract to develop the Doheny Village Plan to serve as a guide to revitalize the area, improve its appearance and encourage a more vibrant business climate. The Doheny Village area requires special attention to reach its economic development potential as well as to improve its physical appearance as a gateway to the City. The area has experienced a decline over the years and has fallen short of its vast potential. The purpose of the planning project is to establish a clear direction for future revitalization of the area, both as an attractive, unique and vibrant neighborhood, and also as a vital link to the City’s other communities, visitor-serving facilities, businesses and amenities.

The City continued its active participation to obtain approval from the California Coastal Commission (“CCC”) for a major revitalization of the Dana Point harbor. Although the harbor is actually operated and administered by the County of Orange, it serves as a major tourism draw and its operations directly impact the finances and operations of the City. In October 2010, the CCC approved the first phase of the project, the Land Use Plan, providing guidance for revitalizing the Harbor and aimed at the commercial core, including a complete renovation of public facilities, structures and parking. Although this \$120 - \$150 million project will span several years or longer, it is expected that construction activity could commence to some degree in the next year or so.

The City, at the request of its four largest resorts, assisted in forming a Tourism Business Improvement District (“TBID”) which went into effect January 1, 2010. The four TBID hotels collect a \$3 fee per rented room night, with the proceeds accumulated to collectively promote and market Dana Point as an overnight destination. In Spring 2010, a contract was awarded to a marketing consultant to formulate a plan to market Dana Point, and to assist in the development and launch of the plan. During the time that the plan has been in development, the TBID was afforded time to amass funds necessary for launch of the new brand marketing along with creation of enhanced and new events in Dana Point. As of June 30, 2011 the TBID has on-hand \$1.05 million. Such brand development actions are increasingly important in order for the City’s hotels to maintain (or increase) market share as new competing properties open along the Southern California coast. A vibrant hotel community is critical to create a thriving environment for the other tourism-related businesses in the City.

Work was undertaken on several infrastructure improvements during fiscal 2011. The City spent \$1.5 million on residential roadway resurfacing and improvements and \$650,000 on arterial roadway resurfacing and slurry seal activities. There were also a number of smaller projects undertaken in fiscal 2011 to install, upgrade or repair various street, sidewalk, storm drain and park facilities.

A number of other initiatives were undertaken in fiscal 2011:

- During fiscal 2011, the City installed solar electrical panels at its Nature Interpretive Center and its Community Center, combined providing 14,000 kilowatt hours of electricity and providing significant savings. Both systems were funded by grants from which the City successfully competed to acquire.
- The City Council took action to create the City's Arts and Culture Commission which will serve as an advisory body to the City Council on matters pertaining to artistic, aesthetic and cultural aspects of the City.
- In August 2010, the city conducted its third annual Emergency Expo at Dana Hills High School, to educate and inform the public regarding emergency preparedness and response. The Expo included displays and participation from various agencies that provide services in the city.
- During fiscal 2011, the City implemented an electronic records management system to improve staff and public access to data, enhance disaster recovery capabilities, improve efficiency, and provide cost savings. Additional functionality will be implemented in fiscal 2012 and that will make much of the City's records available to the public via the internet.

AWARDS AND ACKNOWLEDGEMENTS

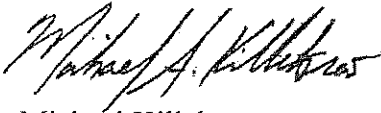
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dana Point for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Dana Point has received a Certificate of Achievement for the last twenty consecutive years (fiscal years 1989 through 2010). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation and development of this report would not have been possible without the special efforts of the entire Administrative Services Department. We would like to take this opportunity to compliment and express our gratitude to all those staff members of both the City and our independent auditors who were associated with the preparation of this report. This CAFR is dedicated to the memory of Andrew Glass who was our accounting manager for the past 22 years. Mr. Glass passed away unexpectedly this year and he will be greatly missed. We would also like to thank the City Manager, Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Killebrew". The signature is written in a cursive style with a large initial "M".

Michael Killebrew
Assistant City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dana Point
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

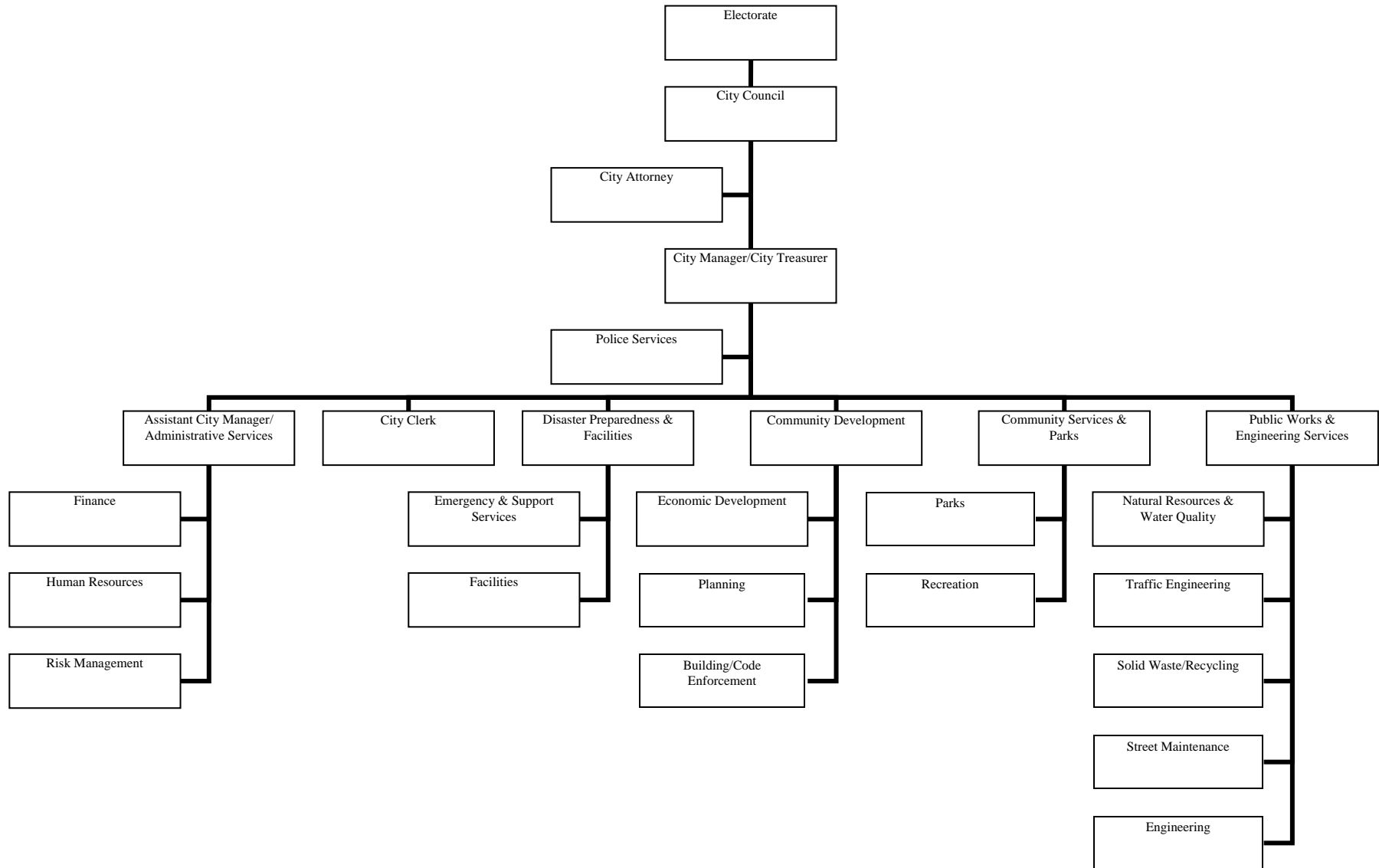
Scott Schoeffel, Mayor
Lara Anderson, Mayor Pro Tem
Lisa Bartlett, Council Member
William P. Brough, Council Member
Steven H. Weinberg, Council Member

Administrative Staff

Douglas Chotkevys.....City Manager
Kathy Ward..... City Clerk
Michael Killebrew Assistant City Manager
Kyle Butterwick..... Director of Community Development
Brad Fowler Director of Public Works & Engineering Services
Kevin Evans..... Director of Community Services & Parks
Lt. Mark Levy..... Chief of Police Services
Mike Rose.....Director of Emergency Services & Facilities
Patrick Munoz.....City Attorney

* Reflects office holders and positions as of the issue date of this report.

CITY OF DANA POINT ORGANIZATIONAL CHART





ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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The Honorable City Council
City of Dana Point, California

Independent Auditor's Report

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dana Point, California (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes of these financial statements, the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011.

MEMBERS

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The Honorable City Council
City of Dana Point, California

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Rogers Anderson Maloney & Scott, LLP

January 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Dana Point offers the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FISCAL 2011 FINANCIAL HIGHLIGHTS

Long-term Economic Resource (Government-wide) Focus – Economic resources are differentiated from financial resources in that the economic measurement focus measures changes in net assets as soon as the event occurs regardless of the timing of related cash flows. Therefore this measurement focus includes both current spendable resources and fixed non-spendable assets, and long-term claims against these assets. The resulting net assets utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The City's total net assets were \$205.3 million at June 30, 2011, which was a decrease of \$6.4 million from the prior year. Of this amount, \$171.3 million is invested in capital assets, \$2.7 million is restricted for various purposes and \$31.3 million is unrestricted.
- City-wide governmental revenues include program revenues of \$5.2 million and general revenues of \$23.1 million, for a total of \$28.3 million.
- Total City-wide governmental expenses were \$34.6 million.

Short-term Financial Resource (Fund) Focus – The Financial Resources focus measures inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities, otherwise known as fund balance (or net working capital in the private sector), is a measure of the City's ability to finance activities in the near term.

- At the close of fiscal 2011, the City's Governmental Funds reported combined ending fund balances of \$33.7 million, a decrease of \$2.6 million from fiscal 2010. Of this amount, \$2.5 million is restricted, \$9.5 million is committed, \$15.6 million is assigned and \$6.1 million is unassigned (see Note 9 for an explanation of these fund balance categories).
- General Fund revenues totaled \$25.9 million, an increase of \$1.8 million from fiscal 2010. Approximately \$1.1 million of this increase was the result of higher transient occupancy taxes received during the year and the remaining \$0.7 million was mainly due to an increase in property taxes collected for the year.

- Capital Improvements Fund revenues decreased by \$168,000 to \$773,000. This decrease is attributable to the State of California's elimination of the Proposition 1B funding program and less development impact fees collected during the fiscal year, partially offset by increases in developer deposits collected and increases in funding from various County of Orange, State of California, and federal grants for road programs.
- All Other Governmental Funds revenues decreased by \$0.5 million to \$1.6 million. This decrease is entirely attributable to the CFD 2006-1 Facilities Acquisition Fund, which received two prepayments by property owners of the special assessment associated with the Headlands debt issuance in fiscal 2010 and none in the current year.
- General Fund expenditures totaled \$27.9 million, an increase of \$0.5 million from fiscal 2010. The increase is mainly the result of the \$0.5 million spent on storm damage repairs during the current year in the public safety program. No similar expenditures occurred in fiscal 2010.
- Capital Improvements Fund expenditures decreased by \$3.1 million from fiscal 2010 to \$2.8 million. Major capital outlays vary widely from year to year depending upon the nature of the projects, length of time to construct and availability of internal and external resources. The largest single project again in fiscal 2011 was the annual residential roadway resurfacing project at \$1.5 million, representing over 50% of fiscal 2011 capital outlays. The amount expended on this project was \$4.2 million lower in the current year than in the prior year. The current year's project is being done in phases with phases two and three being planned for fiscal 2012.
- All Other Governmental Funds expenditures (combined) decreased by \$0.5 million in fiscal 2011. As noted above, this decrease is entirely attributable to non-recurring outlays associated with the prepayments of the special assessment received from two property owners and transferred to the trustee during fiscal 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. There are four components to these financial statements, namely:

- (1) **Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The following reports comprise the government-wide financial statements:
 - a) Statement of Net Assets - This report presents information on all the assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City; and,

- b) Statement of Activities - The information presented in this report shows how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenditures are reported in this statement for some items that will impact cash flows in future fiscal periods.

Both of these government-wide financial statements detail functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as *governmental activities*). The *governmental activities* of the City of Dana Point include general government, public safety, community development, recreation and parks, and public works. Certain of these activities are funded through user fees and operating grants, while others are funded through general revenues such as sales and use taxes, transient occupancy taxes, property taxes and franchise taxes. The statement of activities assists users in understanding the extent to which programs are self-supporting and which are subsidized through general revenues.

- (2) **Fund financial statements.** These statements show how City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants and other money. There are three kinds of funds, namely:

- a) Governmental funds These funds focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or less financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets and in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.
- b) Proprietary funds When a city charges for the services it provides, the services are generally reported in proprietary funds. The City does not have any financial transactions required to be accounted for using proprietary funds.
- c) Fiduciary funds These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs.

- (3) **Notes to the financial statements.** The notes provide additional information essential to a full understanding of the government-wide and fund financial statements.
- (4) **Supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes budgetary and combining schedules that provide additional details about the City's major and non-major Governmental Funds. These statements can be found immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress). There was a small decrease of \$3.6 million in capital assets in fiscal 2011 resulting from depreciation of \$6.1 million for the year offset by \$2.8 million of expenditures on new projects that were capitalized this year. There is no outstanding debt associated with the City's capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining net assets of the City are concentrated primarily in cash and investments, including \$33.0 million of unrestricted cash and investments and \$167,000 of cash and investments which are restricted due to debt covenants or other legal restrictions on the manner in which they may be spent. The City also carries various receivables from other governmental agencies and the private sector which arise in the normal course of the City's operations.

Table 1
Net Assets
(in thousands)

	Governmental Activities		
	2010	2011	% Change
Assets:			
Current and other assets	\$ 38,803	\$ 36,530	(5.9%)
Capital assets	174,898	171,342	(2.0%)
Total assets	<u>213,701</u>	<u>207,872</u>	(2.7%)
Liabilities:			
Long-term liabilities	454	538	18.5%
Other liabilities	1,570	2,008	27.9%
Total liabilities	<u>2,024</u>	<u>2,546</u>	25.8%
Net Assets:			
Invested in capital assets	174,898	171,342	(2.0%)
Restricted	2,847	2,665	(6.4%)
Unrestricted	33,932	31,319	(7.7%)
Total net assets	<u>\$ 211,677</u>	<u>\$ 205,326</u>	(3.0%)

As shown in Table 1, net assets of the City decreased by \$6.4 million, or 3.0%, to \$205.3 million, of which \$171.3 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current and other assets fell by 5.9% due to a \$1.8 million decrease in cash and investment balances, and a \$0.3 million decrease in accounts receivable.

New capital outlays in fiscal 2011 totaled \$2.6 million and depreciation for the year totaled \$6.1 million, resulting in a net decrease of \$3.5 million in capital assets. The majority of the capital outlays in fiscal 2011 were for roadway improvements.

As of June 30, 2011, the City had remaining restricted and unrestricted net assets totaling \$34.0 million. Of this amount, \$31.3 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be designated for other specific purposes that may be identified by the City Council. The remaining \$2.7 million of net assets is restricted by various debt covenants, legal restrictions or other constraints on the manner in which it may be expended.

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		
	2010	2011	% Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,732	\$ 2,438	(10.8%)
Operating grants and capital contributions	2,424	1,900	(21.6%)
Capital grants and contributions	46,617	826	(98.2%)
General revenues:			
Taxes:			
Property taxes	6,109	5,935	(2.8%)
Franchise taxes	1,255	1,247	(0.6%)
Sales taxes	2,909	3,075	5.7%
In-lieu property taxes	3,719	3,944	6.1%
Property transfer taxes	229	200	(12.7%)
Transient occupancy taxes	7,221	8,284	14.7%
Motor vehicle in-lieu taxes - unrestricted	109	170	56.0%
Other	53	60	13.2%
Unrestricted investment earnings	335	193	(42.4%)
Total revenues	73,712	28,272	(61.6%)
Expenses:			
General government	5,285	5,636	6.6%
Public safety	9,701	10,156	4.7%
Community development	2,831	2,604	(8.0%)
Recreation and parks	4,528	4,632	2.3%
Public works	10,667	11,374	6.6%
Unallocated depreciation	219	221	0.9%
Total expenses	33,231	34,623	4.2%
Change in net assets	40,481	(6,351)	(115.7%)
Net assets, beginning of year	171,196	211,677	23.6%
Net assets, end of year	\$ 211,677	\$ 205,326	(3.0%)

Governmental Activities – The cost of all governmental activities in fiscal 2011 was \$34.6 million. As shown in Table 2, the City recovered \$5.2 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. There were \$29.5 million of net expenses subsidized through general City revenues.

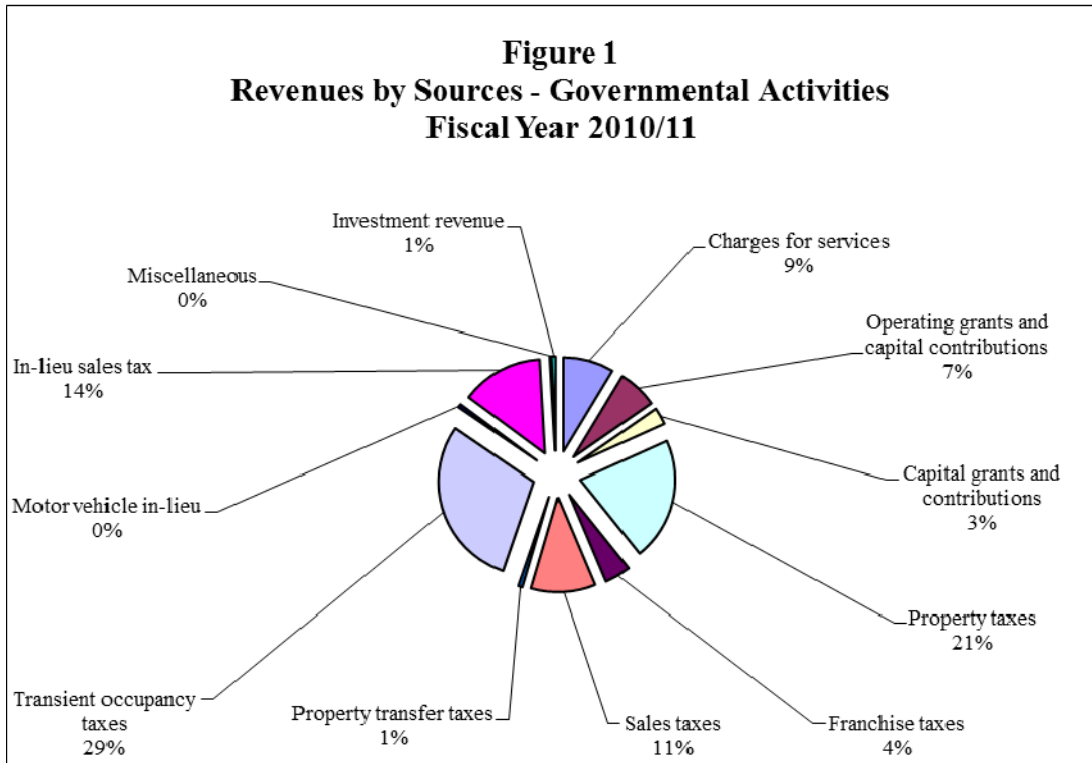


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal 2011 revenues. The fiscal 2011 revenue picture is much different than the prior year because of the \$45.6 million capital contribution of land and improvements from the Headlands project which was received in the prior fiscal year. Accordingly, this analysis discusses revenue changes excluding that one-time event. The City remains highly dependent on tourism in general and transient occupancy taxes in particular to fund its operations. This revenue which represented 29% of recurring governmental revenues in fiscal 2011, increased by \$1.1 million, or 14.7%, and partially recovers the \$1.4 million drop in fiscal 2010. Sales tax revenues also increased in fiscal 2011, by \$166,000, or 5.7%. The City’s investment interest earnings decreased by \$142,000, or 42.4% due to substantially lower investment yields earned on invested funds during the current year when compared to the prior year. The City experienced a drop in property taxes received during the fiscal year of \$174,000, or 2.8%, due to the continuing declines in property values. In-lieu property taxes, which are closely tied to changes in assessed property values, increased by \$225,000, or 6.1%. Operating grants and contributions revenue decreased by \$0.5 million in fiscal year 2010-11 due to the non-recurring prepayment of the special assessments in the prior fiscal year on two lots located in the Headlands Community Facilities District (“CFD”). Charges for services declined by approximately \$300,000, or 10.8% as permits and fees associated with new construction declined during the year and reimbursements for administration costs also declined. When excluding the Headlands project’s \$45.6 million contribution to revenues in fiscal 2010, all other capital grants and contributions were essentially unchanged from fiscal 2010. Overall, the City experienced a decrease of \$45.4 million, or 61.6%, in governmental revenues in fiscal 2011. The non-recurring revenues in fiscal 2010 that were associated with the Headlands project capital

facilities donation and debt issuances were the cause of this reduction, while recurring City revenues remained approximately the same over the two fiscal years.

Dana Point is a “contract” City, wherein certain municipal services are provided to the community through contracts with other governmental entities, private firms, and individuals. The City’s services are functionally divided into the following categories:

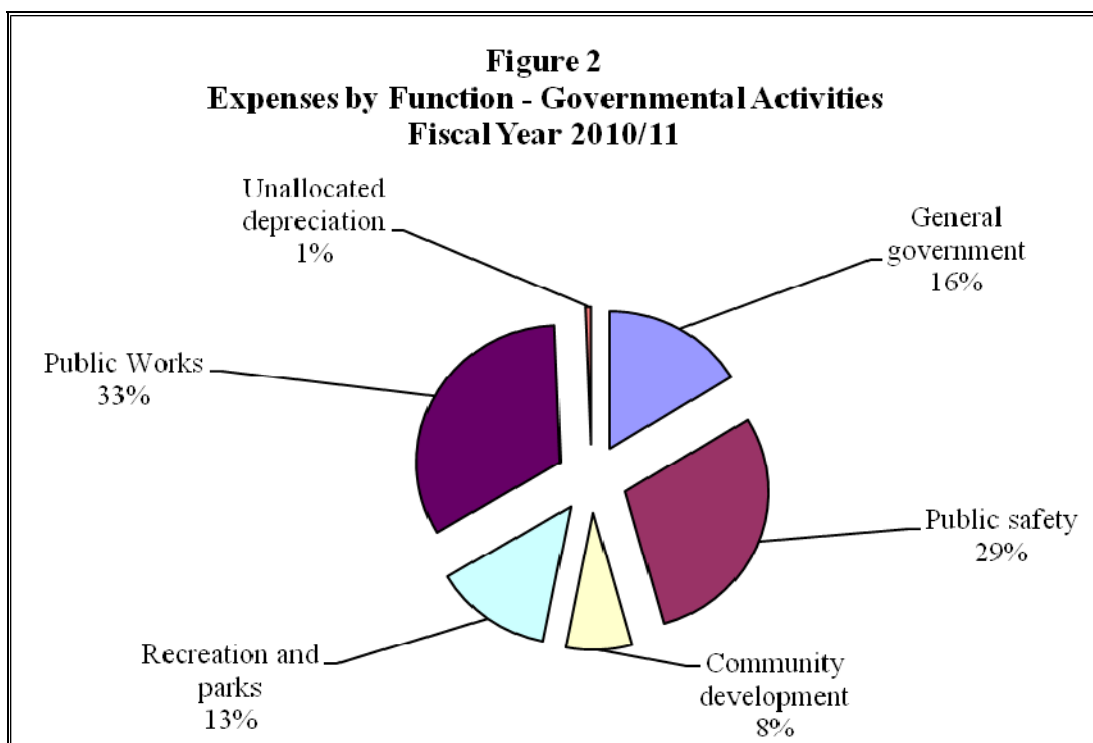
General Government is comprised of nine departments (City Council, City Manager, City Clerk, Public Information Services, City Attorney, Administrative Services, Risk Management, Facilities, and Non-Departmental), which provide the general governance services, executive management, legal, records management, insurance, human resources, finance and accounting, information technology and property maintenance services. City Attorney services are provided through a contract with a private firm.

Public Safety is comprised of three departments (Police Services, Volunteers in Police Support, and Emergency and Support Services), which provide law enforcement, disaster and emergency planning services. The City contracts with the Orange County Sheriff’s Department to provide police services in the City. Fire services in the community are provided by the Orange County Fire Authority.

Community Development is comprised of four departments (Planning, Building, Code Enforcement and Economic Development), which provide development review and permitting services, building inspection, plan review and enforcement of municipal code services.

Recreation and Parks is comprised of two departments (Community Services and Parks), which provide recreational and cultural arts programs, community outreach activities, senior services and park maintenance services. The City contracts with private firms to perform most park maintenance.

Public Works is comprised of six departments (Administration, Street Maintenance, Traffic Engineering, Solid Waste, Engineering, and Water Quality & Natural Resources), which provide street maintenance, signal maintenance, median and sidewalk maintenance, traffic signage design, installation and maintenance, solid waste administration, storm drain repairs and maintenance services and overall administration of the City’s capital improvement program. The City contracts, as needed, with private firms and individuals to provide certain engineering review and design services. Solid waste collection services are provided to the community through a franchise agreement with a private firm. Street maintenance services are provided through contracts with the County of Orange and several private sector firms. Water, sewer, gas, electric, telephone and cable television services are provided by other governmental agencies or private sector enterprises.



As shown in Figure 2, Public Works and Public Safety continue to represent the two largest cost centers of the City, together comprising 62% of total expenses.

Public Works outlays increased by \$707,000, or 6.6%. The increase is attributable to the increase in depreciation expense of \$1.0 million in fiscal year 2010-11 due to the Headlands assets acquired in the prior year. This increase in depreciation was partially offset by a decrease in the amount paid for retirement benefits due to the City's election in fiscal 2010 to retire a portion of its future pension obligation and thus reduce future benefit costs by making a one-time lump sum payment into the CalPERS retirement system.

Public Safety expenses rose by \$455,000, or 4.7%, the result of expenses related to repairing the damage that resulted from the storms that occurred in December 2010. The total amount of these expenses in fiscal 2011 was \$0.5 million. The City has been reimbursed for a portion of these expenses by the Federal Emergency Management Agency (FEMA) and the State of California Emergency Management Agency in the amount of \$144,000. A reimbursement from CalTrans for the balance of the expenses incurred is expected to be received in fiscal 2012. This one-time expense was partially offset by the decrease in retirement costs associated with the one-time retirement contribution discussed above which decreased personnel costs by \$25,000 for in-house public safety employees.

General Government outlays grew by \$351,000, or 6.6%, in fiscal 2011 when compared to the prior year. This increase is made up of (1) an increase in litigation costs in the amount of \$816,000 due to the progression of legal cases related to the illegal marijuana dispensaries and a case regarding a proposed development, partially offset by a reduction in attorney costs of \$318,000 resulting in a net increase in these two categories of \$498,000; (2) an increase in property insurance premiums of \$100,000; and (3) a reduction of \$380,000 due to the early payoff of a portion of the City's future retirement obligation made in fiscal 2010.

Community Development expenses decreased by \$227,000, or 8.0%, due to the one-time retirement payoff made in fiscal 2010 noted earlier. There were no other significant changes.

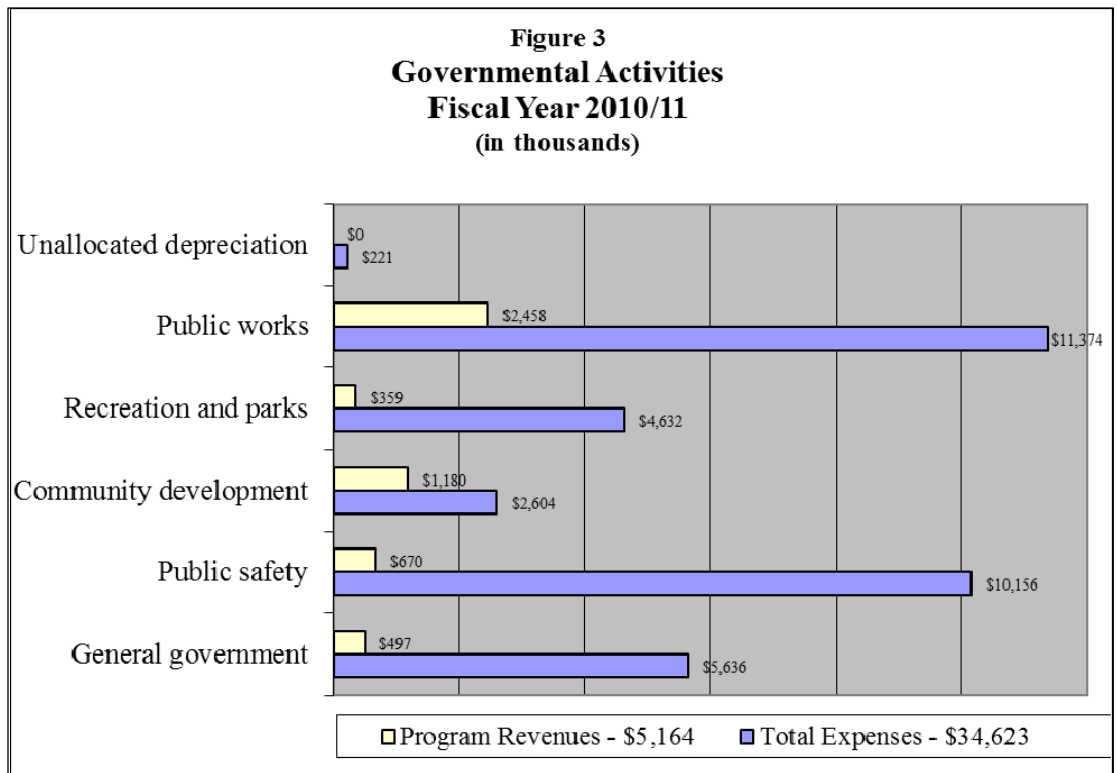
Recreation and Parks expenses grew by \$104,000, or 2.3%. This increase is the result of (1) an increase of \$185,000 for landscape and tree maintenance due mainly to the acquisition of the parks and trees in the Headlands area in fiscal 2010; and (2) an increase of \$82,000 for community activities due to the addition of the Star Spangled Spectacular and enhancements to other City events in fiscal year 2011. These increases were partially offset by a decrease of \$93,000 in utilities due to the significant increase in rainfall in fiscal year 2011 resulting in a savings in water consumption at the City's parks, and a savings of \$61,000 due to the retirement payoff previously discussed.

Overall, total fiscal 2011 expenses for governmental activities increased by \$1.4 million, or 4.2%, to \$34.6 million in fiscal 2011.

Table 3
Net Cost of Governmental Activities
(in thousands)

	Total Cost of Services			Net Cost (Revenue) from Services		
	2010	2011	% Change	2010	2011	% Change
General government	\$ 5,285	\$ 5,636	6.6%	\$ 4,600	\$ 5,140	11.7%
Public safety	9,701	10,156	4.7%	8,916	9,485	6.4%
Community development	2,831	2,604	(8.0%)	1,550	1,423	(8.2%)
Recreation and parks	4,528	4,632	2.3%	4,085	4,273	4.6%
Public works	10,667	11,374	6.6%	(37,913)	8,917	(123.5%)
Unallocated depreciation	219	221	0.9%	219	221	0.9%
	\$ 33,231	\$ 34,623	4.2%	\$ (18,543)	\$ 29,459	(258.9%)

Table 3 above and Figure 3 on the next page illustrate the City's expenses by program, as well as the amount of revenue generated through direct fees, grants and contributions which funded the program activities. The excess of costs over program revenues were funded from general revenues.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds utilize the financial resources measurement focus; the City's governmental funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's fiscal requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balance – As of the end of fiscal 2011, the City's governmental funds reported combined fund balances of \$33.7 million, a decrease of \$2.6 million from the prior year. Of that total, the General Fund represented \$18.8 million, or 55.7%, of the combined balances, the Capital Improvements Fund represented \$11.7 million, or 34.7%, and the remainder of \$3.2 million, or 9.6%, was in all other funds combined.

At June 30, 2011, the City had \$64,619 of prepaid expenditures that are classified in the non-spendable portion of the fund balance. This amount has already been spent so it is not available for additional appropriation. There is \$2.5 million of fund balance that is restricted in its use by the Federal government, the State of California or other grantors. There are a total of \$9.5 million of the fund balance that is categorized as committed. The commitment classification means the amounts are constrained to specific purposes by the City Council and cannot be used for any other purpose unless the City Council specifically authorizes the change. These commitments consist of the cash flow commitment of \$2.9 million, the State budget impact commitment of \$0.6 million, the commitment for Art in Public Places of \$0.2 million and the commitment for emergencies of \$5.8 million. The

assigned classification of fund balance is for items where it is the City's intent to spend the funds on a specific purpose such as a construction project. The assigned classification has a balance of \$15.6 million at the end of fiscal year 2011. The remainder of the fund balance is \$6.1 million and is categorized as unassigned, meaning it is available for appropriation for any purpose.

Activities in the Major Governmental Funds in the current fiscal year included the following:

GENERAL FUND

The General Fund generated a \$2.0 million net deficit of expenditures over revenues. Interfund transfers out of the General Fund of \$30,000 to the Headlands CFD Maintenance Fund, \$25,171 to the Facilities Improvement Fund, and \$100,000 to the Capital Improvement Fund. The General Fund received transfers in from the Gasoline Tax fund totaling \$578,561, which was used to fund street maintenance activities. As a result of these transactions, the City concluded fiscal 2011 with a net decrease of \$1.5 million in the General Fund balance.

Following a peak in transient occupancy tax revenues in fiscal 2008 at \$11.3 million, the City experienced a \$2.7 million (23.6%) decline in fiscal 2009, and a further drop of \$1.4 million (16.3%) in fiscal 2010 to \$7.2 million. In fiscal 2011 transient occupancy tax revenues increased 14.7% to \$8.3 million, returning to a level last seen in fiscal 2009. With transient occupancy taxes representing the City's largest single revenue source, the past declines had a major adverse impact on total revenues. Investment interest earnings, which as recently as fiscal 2008 amounted to \$2.2 million, have declined significantly as well due to the weak economy and Federal Reserve actions. By fiscal 2011, investment interest earnings had fallen to \$358,255. California has been impacted by the housing market decline to a larger degree than most states. Although the immediate impact on local property tax revenues has been mitigated to some extent by Proposition 13, which placed a 2% annual limit on the growth of assessed value (even though market values had sky-rocketed), home values in the City have fallen significantly from their peaks. In some cases the value dropped below the Proposition 13 floor, and as a result the City experienced a net decline in assessed values of \$116 million (1.3%) in fiscal year 2010 with a further decline of \$76 million in fiscal 2011 (0.9%) for a total decline in assessed values of \$192 million (2.2%) from the peak reached in fiscal 2009. This led to a \$174,000 drop in property tax revenues for the year. However, assessed values as reported by the Orange County Auditor-Controller's office have increased in fiscal 2012 by \$48 million. In fiscal year 2010 the State of California took unilateral action to borrow \$882,000 of City property taxes, which will not be repaid until fiscal 2013 (see Note 11 in the Notes to Financial Statements for further explanation). Aside from the impact of the transient occupancy tax, property taxes, and investment interest revenue declines, most other revenues were stable when compared to fiscal 2010.

In response to the declining revenues, efforts continue to be made to reduce General Fund expenditures. Among the actions taken, the City has not provided employee salary or benefit increases for three years, has had a hiring freeze for vacated staff positions in place, and has been utilizing staff to perform some functions that had previously been contracted out. Although one action noted previously, the early retirement of future pension fund contribution obligations, resulted in a one-time increase in expenditures in fiscal 2010 of \$585,000, this action will significantly reduce the required annual contributions in future years. In addition, outlays for police services increased by \$430,000. The City contracts with the County of Orange for police services, and as a result service costs are impacted by factors largely beyond the City's control. Public safety remains the City's highest priority, and despite substantial revenue decreases, police services staffing was sustained in fiscal 2011 at the same level as in the prior year. To offset these increases, expenditure reductions were made in almost all

other cost centers such that, when factoring out the two increases noted above, all other General Fund expenditures combined were decreased by \$888,000 in fiscal 2011.

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund generated a \$2.0 million net deficit of expenditures over revenues. The Capital Improvements Fund received transfers in to fund street improvement activities from the Measure M Fund in the amount of \$646,156, from the Gasoline Tax Fund in the amount of \$391,939, and from the General Fund in the amount of \$100,000. As a result of these transactions, the Capital Improvements Fund concluded fiscal 2011 with a net \$0.9 million decrease in fund balance.

Overall revenues in the Capital Improvements Fund were little changed from fiscal 2010, declining by \$168,000 to \$773,000. A decrease in State funding under Proposition 1B in fiscal 2011 was partially offset by an increase in funding from developer fees and funding from the federal government through the American Recovery and Reinvestment Act (ARRA) for roadway improvements.

Following outlays of \$5.9 million in fiscal 2010, construction activity was reduced by \$3.1 million in fiscal 2011 to \$2.8 million. The reduction was largely due to the completion of a major roadway improvement project in the prior year. The primary effort for fiscal 2011 was on maintenance of existing infrastructure assets, particularly those that offered the potential for cooperative funding from other agencies.

Budgetary Highlights

The City adopts two-year operating and capital budgets, with fiscal 2011 being the second year of the current two-year budget cycle. Due to the uncertainty and estimations involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal 2011, the General Fund revenue budget was decreased by \$0.8 million. The major components of this decrease were:

Transient occupancy taxes – due to the weak economy, the City experienced a significant decrease in tourism, which drives transient occupancy taxes. Accordingly, the budget was decreased by \$1.25 million during the year.

Property taxes – the City was impacted by a decrease in assessed property values. Accordingly, the budget was reduced by \$180,000.

In-lieu property taxes – these taxes arose from the past swap by the State of California of a portion of local sales taxes and motor vehicle in-lieu taxes for property taxes. This revenue is now largely based on changes in assessed property value. As noted earlier, assessed property values fell in fiscal 2011, and therefore this revenue budget was reduced by \$245,000.

Sales taxes – the drop in tourism which resulted in declining transient occupancy tax revenue also impacted local sales tax generation as fewer visitors shopped and dined in the City. Accordingly, the sale tax revenue budget was reduced by \$109,000 to reflect this decline.

Investment earnings – due to the continued slow economy and the federal reserve policy of keeping short-term interest rates low, the budget for investment earnings was reduced by a total of \$351,000 for fiscal 2011.

These budget reductions for revenues were partially offset by budget increases totaling \$745,000 for grant funds awarded during the year and an increase of \$716,000 for reimbursements of City costs to be received from various parties.

Actual General Fund revenues for fiscal 2011 were \$2.1 million, or 7.5%, short of the final budget amount. The major contributors to this unfavorable variance in taxes received were transient occupancy taxes at \$662,000, property taxes at \$250,000 and franchise fees at \$105,000. Other categories with major unfavorable variances for the year were (1) intergovernmental revenues at \$563,000 short of budget due to lower than anticipated amounts received for grants and other reimbursements and (2) charges for services at \$526,000 less than budgeted due to less building activity in the City than estimated in the budget.

During fiscal 2011 the General Fund expenditure budget had a net increase of \$400,000. The major component was the carryover of encumbrances from fiscal 2010 – the City had \$344,000 of outstanding commitments at the end of fiscal 2010 in the form of purchase orders for which funding was re-appropriated in fiscal 2011. The largest purchase order carried over to fiscal 2011 was in the amount of \$148,000 for environmental review work to be performed for the community development department. The remainder of the purchase orders were all significantly smaller in amount and were principally related to various professional services contracts.

Actual General Fund expenditures for fiscal 2011 were \$1.4 million, or 4.7%, under the final budgeted amount. Of these unexpended funds, \$530,000 was obligated at June 30, 2011, through encumbrances and was re-appropriated in fiscal 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In accordance with Government Accounting Standards Board Statement No. 34, the City records and reports the value of its capital assets, including infrastructure. Infrastructure includes roads, bridges, parks, traffic signals, curbs, sidewalks, gutters, storm drains and similar public assets. At the end of fiscal 2011 the cost of infrastructure and other capital assets recorded on the City’s financial statements was as shown in Table 4:

Table 4
Capital Assets
(in thousands)

	Governmental Activities		
	2010	2011	% Change
Land	\$ 56,929	\$ 56,929	0.0%
Construction in progress	17,784	3,893	(78.1%)
Buildings and improvements	9,514	9,575	0.6%
Equipment	1,794	1,794	0.0%
Infrastructure	158,391	174,799	10.4%
Less: Accumulated depreciation	(69,515)	(75,648)	8.8%
Governmental activity capital assets, net	\$ 174,897	\$ 171,342	(2.0%)

Major capital asset transactions during the year included the following:

- Construction in progress decreased by a net of \$13.9 million, which consisted of the capitalization of the Town Center streetscape project (\$7.8 million) and roadway resurfacing projects (\$7.0 million). These amounts were transferred to the Infrastructure category.
- Infrastructure construction projects completed during fiscal 2011 and transferred from the construction in progress category totaled \$14.8 million as discussed above. The balance of \$1.8 million consisted of other park and roadway improvement projects that were completed during the year.

For more detailed information regarding the City’s capital assets, refer to Note 4 in the Notes to the Financial Statements.

Long-term Debt

At the end of fiscal 2011, the City had total outstanding long-term debt of \$538,000, consisting entirely of compensated time-off obligations due to employees.

As of June 30, 2011, the City’s long-term debt was as shown in Table 5:

Table 5
Long-term Debt
(in thousands)

	Governmental Activities		
	2010	2011	% Change
Other debt:			
Compensated absences	\$ 454	\$ 538	18.5%
Total long-term debt	\$ 454	\$ 538	18.5%

For more detailed information regarding the City’s long-term debt, refer to Note 6 in the Notes to the Financial Statements.

Contacting the City’s Financial Management

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Administrative Services, 33282 Golden Lantern, Dana Point, CA 92629.

BASIC FINANCIAL STATEMENTS

CITY OF DANA POINT
Statement of Net Assets
June 30, 2011

	<u>Governmental activities</u>
Assets	
Cash and investments	\$ 33,003,887
Receivables:	
Taxes	1,630,222
Accounts, net	494,283
Interest	61,006
Assessments	5,584
Intergovernmental	1,103,402
Prepays	64,619
Cash and investments - restricted	167,048
Capital assets, not depreciated	60,822,166
Capital assets, depreciated, net	<u>110,519,916</u>
 Total assets	 <u>207,872,133</u>
Liabilities	
Accounts payable	1,856,442
Accrued liabilities	6,425
Unearned revenue	145,181
Noncurrent liabilities:	
Due within one year	177,414
Due in more than one year	<u>360,203</u>
 Total liabilities	 <u>2,545,665</u>
Net assets	
Invested in capital assets	171,342,082
Restricted:	
Public safety	134,890
Community development	1,481,318
Recreation and parks	595,550
Public works	286,692
Development of Art in Public Places	167,048
Unrestricted	<u>31,318,888</u>
 Total net assets	 <u><u>\$ 205,326,468</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Statement of Activities
For the year ended June 30, 2011

	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Net (expense) revenue</u>
Governmental activities:					
General government	\$ 5,636,245	\$ 463,750	\$ 32,928	\$ -	\$ (5,139,567)
Public safety	10,155,597	253,163	417,012	-	(9,485,422)
Community development	2,604,034	1,171,443	9,300	-	(1,423,291)
Recreation and parks	4,631,927	306,249	-	52,900	(4,272,778)
Public works	11,374,260	244,116	1,440,472	772,649	(8,917,023)
Unallocated depreciation	220,898	-	-	-	(220,898)
Total governmental activities	<u>\$34,622,961</u>	<u>\$ 2,438,721</u>	<u>\$ 1,899,712</u>	<u>\$ 825,549</u>	<u>(29,458,979)</u>

General revenues:

Taxes:	
Property taxes	5,935,413
Franchise taxes	1,246,901
Sales taxes	3,074,964
In-lieu property taxes	3,943,841
Property transfer taxes	199,835
Transient occupancy taxes	8,283,705
Motor vehicle in lieu tax - unrestricted	170,372
Unrestricted investment earnings	193,359
Other	<u>60,401</u>
Total general revenues and transfers	<u>23,108,791</u>
Change in net assets	(6,350,188)
Net assets, beginning of year	<u>211,676,656</u>
Net assets, end of year	<u><u>\$ 205,326,468</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2011

	General	Capital Improvements	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 18,092,242	\$ 11,720,616	\$ 3,191,029	\$ 33,003,887
Receivables, net:				
Taxes	1,630,222	-	-	1,630,222
Accounts, net	342,024	-	152,259	494,283
Interest	61,006	-	-	61,006
Assessments	-	-	5,584	5,584
Intergovernmental	695,858	396,228	11,316	1,103,402
Prepaid expenditures	64,619	-	-	64,619
Restricted assets:				
Cash and investments	167,048	-	-	167,048
 Total assets	 \$21,053,019	 \$ 12,116,844	 \$ 3,360,188	 \$ 36,530,051
 Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,429,176	\$ 409,764	\$ 17,502	\$ 1,856,442
Accrued liabilities	6,425	-	-	6,425
Deferred revenue	828,058	-	145,181	973,239
 Total liabilities	 2,263,659	 409,764	 162,683	 2,836,106
 Fund balances:				
Nonspendable	64,619	-	-	64,619
Restricted	-	-	2,498,450	2,498,450
Committed	9,461,904	-	-	9,461,904
Assigned	3,169,000	11,707,080	699,055	15,575,135
Unassigned	6,093,837	-	-	6,093,837
 Total fund balances	 18,789,360	 11,707,080	 3,197,505	 33,693,945
 Total liabilities and fund balances	 \$21,053,019	 \$ 12,116,844	 \$ 3,360,188	 \$ 36,530,051

The accompanying notes are an integral part of these financial statements.

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

Fund balances of governmental funds \$ 33,693,945

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:

Capital assets	246,990,267
Accumulated depreciation	(75,648,185)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds:

Compensated absences	(537,617)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.

<u>828,058</u>

Net assets of governmental activities \$ 205,326,468

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Capital Improvements	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 21,492,156	\$ -	\$ 1,329,059	\$ 22,821,215
Licenses, fees and permits	1,926,326	-	48,800	1,975,126
Fines, forfeitures and penalties	286,329	-	-	286,329
Intergovernmental	470,485	546,879	100,016	1,117,380
Charges for services	1,308,073	6,771	77,322	1,392,166
Investment earnings	358,255	-	40,319	398,574
Contributions from property owners	-	-	41,000	41,000
Other	76,383	219,000	-	295,383
	<u>25,918,007</u>	<u>772,650</u>	<u>1,636,516</u>	<u>28,327,173</u>
Total revenues				
	<u>25,918,007</u>	<u>772,650</u>	<u>1,636,516</u>	<u>28,327,173</u>
Expenditures				
Current:				
General government	5,524,447	-	-	5,524,447
Public safety	9,996,948	-	80,025	10,076,973
Community development	2,577,600	-	-	2,577,600
Parks and recreation	4,526,547	-	-	4,526,547
Public works	5,257,234	-	151,404	5,408,638
Capital outlay	-	2,808,339	60,990	2,869,329
	<u>27,882,776</u>	<u>2,808,339</u>	<u>292,419</u>	<u>30,983,534</u>
Total expenditures				
	<u>27,882,776</u>	<u>2,808,339</u>	<u>292,419</u>	<u>30,983,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,964,769)</u>	<u>(2,035,689)</u>	<u>1,344,097</u>	<u>(2,656,361)</u>
Other financing sources (uses)				
Transfers in	578,561	1,138,095	55,171	1,771,827
Transfers out	<u>(155,171)</u>	<u>-</u>	<u>(1,616,656)</u>	<u>(1,771,827)</u>
Total other financing sources (uses)	<u>423,390</u>	<u>1,138,095</u>	<u>(1,561,485)</u>	<u>-</u>
Net change in fund balances	<u>(1,541,379)</u>	<u>(897,594)</u>	<u>(217,388)</u>	<u>(2,656,361)</u>
Fund balances, beginning	<u>20,330,739</u>	<u>12,604,674</u>	<u>3,414,893</u>	<u>36,350,306</u>
Fund balances, ending	<u>\$ 18,789,360</u>	<u>\$ 11,707,080</u>	<u>\$ 3,197,505</u>	<u>\$ 33,693,945</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2011

Net change in fund balances - total governmental funds \$ (2,656,361)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less the net book value of disposals	2,869,329
Depreciation expense	(6,133,300)
Loss on disposal of assets	(291,652)

Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(83,804)
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Revenues that are measureable but not available are recorded as deferred revenue under the modified accrual basis of accounting.	(54,400)
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Change in net assets of governmental activities \$ (6,350,188)

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
General Fund
For the year ended June 30, 2011

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 24,243,000	\$ 22,459,000	\$ 21,492,156	\$ (966,844)
Licenses, fees and permits	1,882,300	1,882,300	1,926,326	44,026
Fines and forfeitures	473,000	320,000	286,329	(33,671)
Intergovernmental	263,200	1,033,171	470,485	(562,686)
Charges for services	1,117,200	1,833,871	1,308,073	(525,798)
Investment earnings	749,000	398,000	358,255	(39,745)
Other	94,000	89,000	76,383	(12,617)
Total revenues	28,821,700	28,015,342	25,918,007	(2,097,335)
Expenditures				
Current:				
General government	5,555,030	5,556,827	5,524,447	32,380
Public safety	10,018,039	10,151,229	9,996,948	154,281
Community development	2,837,480	3,333,755	2,577,600	756,155
Parks and recreation	4,543,348	4,637,202	4,526,547	110,655
Public works	5,901,305	5,589,324	5,257,234	332,090
Total expenditures	28,855,202	29,268,337	27,882,776	1,385,561
Excess (deficiency) of revenues over (under) expenditures	(33,502)	(1,252,995)	(1,964,769)	(711,774)
Other financing sources				
Transfers in	659,000	659,000	578,561	(80,439)
Transfers out	-	(155,171)	(155,171)	-
Total other financing sources	659,000	503,829	423,390	(80,439)
Net change in fund balance	625,498	(749,166)	(1,541,379)	(792,213)
Fund balance, beginning	20,330,739	20,330,739	20,330,739	-
Fund balance, ending	\$ 20,956,237	\$ 19,581,573	\$ 18,789,360	\$ (792,213)

The accompanying notes are an integral part of these financial statements.

CITY OF DANA POINT
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and investments	\$ 2,393,012
Cash with fiscal agents	<u>1,194,115</u>
Total assets	<u>\$ 3,587,127</u>

Liabilities

Deposits	1,336,140
Due to bondholders	1,194,115
Due to other agencies	<u>1,056,872</u>
Total liabilities	<u>\$ 3,587,127</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of the Reporting Entity

The City of Dana Point (the "City") was incorporated on January 1, 1989, under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a Council-Manager form of government and provides planning, engineering, park, recreation and general administrative services. Law enforcement services are provided through a contract with the County of Orange Sheriff's Department. Fire services are provided directly by the Orange County Fire Authority, of which the City is a member.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable, if any. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. There are no blended or discretely presented component units in these financial statements.

On December 22, 1993, pursuant to a resolution of the Orange County Local Agency Formation Commission ("LAFCO"), the Capistrano Bay Park and Recreation District (the "District") was merged with the City of Dana Point.

A number of other independent governmental entities, including the State of California, the County of Orange, various water, sewer and other districts provide services within the City of Dana Point.

B) Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Statements: The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All City activities are governmental; no business-type activities are reported in the statements.

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as general revenues.

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within two months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, motor vehicle license fees, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

The General Fund is used to account for all financial resources of the City, except for those required to be accounted for in another fund.

The Capital Improvements Fund accounts for the acquisition, construction and improvement of capital facilities financed by grants and operating transfers from the General Fund and other non-major funds.

Additionally, the City reports the following fund types:

The Agency Funds are used to account for money received by the City as an agent for individuals, other governments and other entities. This includes deposits for road and park improvements which are passed through to other governmental agencies, as well as refundable security deposits collected to ensure compliance with City municipal code requirements for construction activities. An Agency Fund is also used to account for the assessment and collection of special taxes for bonds financed under the Mello-Roos Community Facilities Act of 1982.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated. Interfund services provided and used have not been eliminated.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 they are needed.

D) Budgetary Policy and Control

Budgets are adopted bi-annually by the City Council and prepared for all governmental funds in accordance with their basis of accounting. As provided by City ordinance, the City Manager is responsible for preparing the budget and for its implementation after adoption. All unencumbered appropriations lapse at year-end. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer appropriations from one function or activity to another within the same fund without Council approval provided such changes would neither have a significant policy impact, nor affect budgeted year-end fund balances.

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. For management purposes, the City monitors activity at the function and activity level, within each individual fund. Formal budgetary integration is employed as a management control device during the year for the Governmental Type Funds. Budgets for the Governmental Type Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. During the 2010-11 fiscal year, the City Council made several budgetary amendments, including a \$1,797 increase in the General Government budget, a \$133,190 increase in the Public Safety budget, a \$496,275 increase in the Community Development budget, a \$93,854 increase in the Recreation and Parks budget, a \$311,981 decrease in the Public Works budget, and a \$9,368,670 increase in the Capital Outlays budget in the Capital Improvements Fund.

For the year ended June 30, 2011, actual expenditures exceeded appropriations by \$39,049 in the Headlands CFD 2006-1 Acquisition Fund. This was a result of unanticipated prepayments of special facilities taxes by two property owners. Under the terms of the associated debt agreement, the City was required to distribute these prepaid taxes to the developer of the Headlands project. As such, there were offsetting revenues in fiscal 2011 for this unanticipated expenditure.

E) Cash and Investments

The City follows the practice of pooling the cash and investments of all funds. Where required by State law, interest income earned on cash and investments is allocated in the fund financial statements among the various Special Revenue and Capital Projects Funds based upon their average cash and investment balances.

The City has implemented Governmental Accounting Standards Board ("GASB") Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the City's investments are stated at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items subject to involuntary participation in an external pool, and
 - c) Items associated with a fund other than the fund to which the income is assigned;

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain or loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB Statement No. 31; and,
- 4) The gain or loss resulting from valuation will be reported within the revenue account "Unrestricted investment earnings" on the Statement of Activities.

The City has also implemented GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. This provides enhanced disclosure regarding certain risks associated with cash and investments.

F) Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10.

Under California law, property taxes are assessed and collected by the County at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based upon complex formulas.

G) Interfund Payables/Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

H) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City accounts for such items using the consumption method.

I) Restricted Assets

The City imposes impact fees upon certain new development in order to fund the creation, improvement and installation of public art in locations throughout the City. In addition, the City imposes similar fees for future roadway improvements necessitated by additional traffic generated from certain new development. These impact fees are restricted in use for the specific improvements for which the fees were collected. Accordingly, they are designated as restricted on the Statement of Net Assets and the Governmental Funds Balance Sheet.

Notes to Financial Statements

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J) Capital Assets

Capital assets, which include land, structures, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 3 years or more. Infrastructure is capitalized if cost is in excess of \$50,000 and it has an expected useful life of 5 years or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their estimated fair market value at the date of donation.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings	50 years
Furniture & Equipment	3 – 20 years
Infrastructure	5 – 40 years

K) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Notes to Financial Statements

2. CASH AND INVESTMENTS

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

Statement of net assets:	
Cash and investments	\$ 33,003,887
Cash and investments - restricted	167,048
Fiduciary funds:	
Cash and investments	2,393,012
Cash and investments with fiscal agents	1,194,115
Total cash and investments	\$ 36,758,062

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

Cash on hand (petty cash)	\$ 4,200
Deposits with financial institutions	456,915
Investments	36,296,947
Total cash and investments	\$ 36,758,062

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	2 years	30%	None
Repurchase Agreements	1 year	50%	None
Time Deposits	1 year	15%	\$100,000
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	50%	None

Notes to Financial Statements

2. CASH AND INVESTMENTS (continued)

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2011, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in months)</u>	
		<u>12 or Less</u>	<u>13 to 24</u>
Local Agency Investment Fund	\$ 15,624,674	\$ 15,624,674	\$ -
U.S. Treasury Notes	19,423,271	10,054,900	9,368,371
Held by bond trustee:			
U.S. Bank money market	1,249,002	1,249,002	-
 Total Investments	 <u>\$ 36,296,947</u>	 <u>\$ 26,928,576</u>	 <u>\$ 9,368,371</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2011, the City did not have any investments considered to be highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Notes to Financial Statements

2. CASH AND INVESTMENTS (continued)

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

<u>Investment type</u>	<u>Amount</u>	<u>Minimum legal rating</u>	<u>Ratings at fiscal year end</u>	
			<u>Exempt from disclosure</u>	<u>Not rated</u>
Local Agency Investment Fund	\$ 15,624,674	N/A	\$ -	\$ 15,624,674
U.S. Treasury notes	19,423,271	N/A	19,423,271	-
Held by bond trustee:				
U.S. Bank money market	1,249,002	N/A	-	1,249,002
Total investments	<u>\$ 36,296,947</u>		<u>\$ 19,423,271</u>	<u>\$ 16,873,676</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of June 30, 2011, the City did not have any concentrations of credit risk requiring disclosure under GASB Statement No. 40.

Notes to Financial Statements

2. CASH AND INVESTMENTS (continued)

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 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 risk for deposits, other than the following provision: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's Investment Policy contains a requirement that would limit the exposure to custodial risk for investments by the following provision: All securities owned by the City, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the City under terms of a custody agreement executed by the bank and by the City. All security transactions entered into by the City shall be conducted on a delivery-versus-payment basis, i.e., the City's safekeeping agent will only release payment for a security after the security has been properly delivered.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The City had no deposits with financial institutions in excess of federal depository insurance limits.

Investment in State Investment Pool

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

Notes to Financial Statements

3. INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2011, are as follows:

		TRANSFERS IN			
		General Fund	Capital Improvements	Nonmajor Funds	Total
TRANSFERS	General Fund	\$ -	\$ 100,000	\$ 55,171	\$ 155,171
OUT	Nonmajor funds	578,561	1,038,095	-	1,616,656
Totals		\$ 578,561	\$ 1,138,095	\$ 55,171	\$ 1,771,827

The City has established certain funds to account for revenues, which are subject to statutory requirements requiring that the revenues not be commingled with other revenue sources. In cases where the associated expenditure of these revenues occurs in other funds, the City utilizes interfund transfers to move the monies from the fund in which the revenues are received into the fund in which the associated expenditures occur. Interfund transfers are also used to move unrestricted monies from the General Fund into other funds, as needed, to provide matching funds or supplemental funds for operating and/or capital expenditures. In the year ended June 30, 2011, the City made the following interfund transfers:

1. A transfer of \$30,000 from the General Fund to the Headlands CFD Maintenance Fund representing the City's share of funicular operating expenses.
2. A transfer of \$25,171 from the General Fund to the Facilities Improvement Fund representing the proceeds of a federal energy efficiency grant utilized for the installation of solar panels at the Nature Interpretive Center located at the Headlands and at the Community Center.
3. A transfer of \$100,000 from the General Fund to the Capital Improvement Projects Fund used to partially fund street improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Project Fund.
4. A transfer of \$391,939 from the Gasoline Tax Fund to the Capital Improvement Projects Fund. These funds are restricted and may be used only to fund street improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
5. A transfer of \$646,156 from the Measure M Fund to the Capital Improvement Projects Fund, representing the City's share of proceeds from Orange County's Measure M ½% sales tax, which are restricted for use in transportation improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
6. A transfer of \$578,561 from the Gasoline Tax Fund to the General Fund representing highway user tax apportionments received from the State of California that are restricted for street maintenance activities. Such maintenance expenditures are accounted for in the General Fund.

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 56,928,865	\$ -	\$ -	\$ 56,928,865
Construction in progress	17,784,303	2,808,339	(16,699,341)	3,893,301
Total capital assets, not being depreciated	74,713,168	2,808,339	(16,699,341)	60,822,166
Capital assets, being depreciated:				
Buildings	9,514,293	60,991	-	9,575,284
Equipment	1,793,908	-	-	1,793,908
Infrastructure	158,391,221	16,407,688	-	174,798,909
Total capital assets, being depreciated	169,699,422	16,468,679	-	186,168,101
Less accumulated depreciation for:				
Buildings	(2,493,013)	(312,666)	-	(2,805,679)
Equipment	(933,440)	(174,944)	-	(1,108,384)
Infrastructure	(66,088,432)	(5,645,690)	-	(71,734,122)
Total accumulated depreciation	(69,514,885)	(6,133,300)	-	(75,648,185)
Total capital assets, being depreciated, net	100,184,537	10,335,379	-	110,519,916
Governmental activities capital assets, net	<u>\$174,897,705</u>	<u>\$13,143,718</u>	<u>\$(16,699,341)</u>	<u>\$171,342,082</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 27,994
Public safety	78,624
Community development	26,434
Recreation and parks	105,380
Public works	5,673,970
Unallocated depreciation	220,898
Total depreciation expense	<u>\$ 6,133,300</u>

Notes to Financial Statements

4. CAPITAL ASSETS (continued)

Construction commitments

The City has active construction projects as of June 30, 2011. The projects include street construction, street resurfacing, landscaping, storm drain construction and curb, sidewalk, median, gutter construction, building rehabilitation, and park improvements. At year end, the City had outstanding commitments to firms performing the construction work which totaled \$3,141,271.

5. OPERATING LEASE REVENUE

The City is the lessor under several leases for office space in its City Hall facility, which was purchased by the City on June 11, 1996. These leases are considered for accounting purposes to be operating leases. Lease revenues for the year ended June 30, 2011, amounted to \$90,928. Future minimum lease revenues based on the terms of the existing leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 25,700
Total	<u>\$ 25,700</u>

6. LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2011:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Compensated absences	\$ 453,813	\$ 235,414	\$ (151,610)	\$ 537,617	\$ 177,414

Compensated Absences

All full-time and certain part-time employees are eligible to receive comprehensive annual leave (CAL). The number of days each employee accrues is determined based upon length of employment and hours worked. An employee may accrue a maximum of two times their annual accrual rate. CAL vests immediately upon being earned.

All leave benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated by the General Fund.

Notes to Financial Statements

7. PENSION PLAN

Plan Description

The City of Dana Point contracts with the California Public Employee's Retirement System ("CalPERS"), a cost-sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement 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 of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from the executive office located at 400 P Street, Sacramento, CA 95814.

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code, allowed CalPERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2009, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2009. The City participates in the 2% @ 55 pool.

Funding Policy

Employees are required to contribute 7% of their annual covered salary. Beginning September 1, 1999, the City has paid both the employee and employer contributions for all employees. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 8.984% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the years ended June 30, 2009, 2010, and 2011 were \$585,321, \$1,165,811, and \$445,247, respectively, equal to or more than the required contributions for each year. Included in the 2010 amount is \$860,298 which represents the early payoff of a portion of the City's future retirement contribution obligation. This action had the effect of reducing the City's 2010 and 2011 required contribution rate by 2.663%, to 9.073% and 8.984%, respectively.

Three year trend information for CalPERS

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
6/30/2009	\$ 585,321	100%	\$ -
6/30/2010	1,165,811	100%	-
6/30/2011	445,247	100%	-

Notes to Financial Statements

8. JOINT VENTURES

South Orange County Animal Services Authority

The City is a member of the South Orange County Animal Services Authority, along with the City of San Clemente. The Authority was established to provide animal control and animal shelter services to the member agencies. The Board of Directors of the Authority is comprised of one representative from each member agency.

Funding of the Authority's budgeted amounts comes from contributions received from non-profit organizations, with the member agencies paying any portion of unfunded costs allocated to the members in the budget. Separate financial statements of the Authority can be obtained at: San Clemente Animal Shelter, 535 Avenue Fabricante, San Clemente, CA 92672.

Orange County Fire Authority

In January 1995, the City of Dana Point entered into a joint powers agreement with several other Orange County cities and the County of Orange 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. 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 fire 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 make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2011. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Complete financial statements may be obtained from the Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

Notes to Financial Statements

8. JOINT VENTURES (continued)

Orange County 800 Megahertz Communications System

In May 1995, the City of Dana Point entered into a joint powers agreement with thirty other Cities and the County of Orange to create the Orange County 800 MHz CCCS Authority. The purpose of the Authority is to provide an 800 megahertz coordinated law enforcement/public works/fire radio communication system (the 800 MHz CCCS). The Authority's governing board consists of one representative from each City, two from the County, the elected Sheriff, and one other representative selected by the County Board of Supervisors. Each member is responsible for its percentage interest contribution of the Authority's annual budget. The percentage interest contribution is calculated based upon each member's equipment purchase divided by the total equipment purchases. The City of Dana Point's percentage contribution is 0.835%. Upon dissolution, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by the member during its membership. The City of Dana Point's precise share of the Authority's assets, liabilities, equities and changes therein, as well as summarized audited information of the Authority for the period ended June 30, 2011, were not available at the time of this report.

9. FUND BALANCES

Beginning with the current fiscal year, the City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- *Committed* – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- *Assigned* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned* – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council, establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The City has not designated any level of authority for assigning fund balance; therefore, the City Council can assign fund balance.

Notes to Financial Statements

9. FUND BALANCES (continued)

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The following table summarizes the City's fund balance:

	General Fund	Capital Improvements Fund	Nonmajor Funds	Totals
Nonspendable				
Prepaid expenditures	\$ 64,619	\$ -	\$ -	\$ 64,619
Restricted:				
Public works	-	-	286,692	286,692
Community development	-	-	1,481,318	1,481,318
Public safety	-	-	134,890	134,890
Recreation and parks	-	-	595,550	595,550
Committed:				
Cash flows	2,882,000	-	-	2,882,000
State budget impact	648,856	-	-	648,856
Art in public places	167,048	-	-	167,048
Emergencies	5,764,000	-	-	5,764,000
Assigned:				
Capital projects	3,169,000	11,707,080	699,055	15,575,135
Unassigned	6,093,837	-	-	6,093,837
Totals	<u>\$ 18,789,360</u>	<u>\$ 11,707,080</u>	<u>\$ 3,197,505</u>	<u>\$ 33,693,945</u>

Definitions of fund balances:

Nonspendable:

Prepaid expenditures - This reserve was created to represent payments made by the City in advance of the receipt of the underlying goods or services.

Committed:

Cash flow - This commitment was established to ensure that the City would have adequate cash resources on hand at all times to compensate for normal fluctuations in monthly cash receipts and disbursements.

State budget impacts - This commitment was established to reflect potential revenue losses that could impact the City in the event the State of California, in balancing its own budget, takes action to seize, delay, or reduce future revenues that would otherwise accrue to the City.

Art in public places - This commitment was established to accumulate funds for the creation, improvement, and installation of art in locations throughout the City that are available to the general public for viewing.

Notes to Financial Statements

9. FUND BALANCES (continued)

Emergencies - This commitment was established to ensure adequate funds are available to respond to unanticipated emergencies that might result from natural disasters or major economic calamities. Expenditure of funds from this fund balance designation requires a vote of four-fifths of the City Council members.

Contracts - This commitment was established to account for unperformed contracts for goods and services.

Assigned:

Capital projects - This assignment was created to accumulate funds for the future replacement of major capital facilities, to accumulate funds for various improvements of the segment of Pacific Coast Highway located within Dana Point, and to accumulate funds for potential cost overruns and/or scope changes to capital improvement projects.

10. RISK MANAGEMENT PROGRAM

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for all risk management activities in the General Fund.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority ("CJPIA"). The CJPIA is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other lines of coverage. The CJPIA'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. The City's precise share of the CJPIA's assets, liabilities, and equities is not available. Separate financial statements of CJPIA may be obtained at: 8081 Moody St., La Palma, California 90623.

Notes to Financial Statements

10. RISK MANAGEMENT PROGRAM (continued)

Self-Insurance Programs of the CJPIA

General Liability Each member government pays an annual contribution to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

Workers' Compensation The City also participates in the workers' compensation pool administered by the Authority. In this program, claims are pooled separately between public safety (police and fire) and non-public safety 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 \$50,000 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 \$50,000 to \$100,000 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 \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and the Employer's Liability losses from \$4 million to \$10 million are pooled among members.

Notes to Financial Statements

10. RISK MANAGEMENT PROGRAM (continued)

Purchased Insurance:

Property Insurance The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$29,201,357. 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 retrospective adjustments.

Pollution Legal Liability Insurance The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through CJPIA. 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 CJPIA has a limit of \$50,000,000 for the 3-year period from July 1, 2008, through July 1, 2011. Each member of the CJPIA has a \$10,000,000 sub-limit during the 3-year term of the policy.

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 CJPIA. City property currently has earthquake protection in the amount of \$9,874,352. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided by the CJPIA. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the CJPIA.

The City does not participate in the California State Unemployment Insurance program. The City funds all claims for unemployment benefits from current resources on an as-incurred basis. In fiscal years 2010 and 2011 the City did not incur any unemployment benefit claims.

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CJPIA premiums for fiscal years 2010 and 2011 were \$404,631 and \$474,629, respectively. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term debt has been recorded.

Notes to Financial Statements

10. RISK MANAGEMENT PROGRAM (continued)

As of June 30, 2011, the City's management was not aware of any material claims that were incurred, but not reported, which would exceed the amounts insured by CJPIA. Accordingly, no provision has been made in the financial statements for such items (see Note 12).

11. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplementary property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Dana Point was \$882,458.

This borrowing by the State of California was recognized as a receivable and deferred revenue in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal 2013). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal 2010).

12. CONTINGENCIES

As a CJPIA member (see Note 10), the City is insured for claims and judgments resulting from the normal operations of the City. Material losses not covered by the CJPIA program would be paid from the committed fund balance for emergencies (\$5,764,000) as of June 30, 2011 and/or other undesignated fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2010 or 2011.

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

The City receives financial assistance from federal, state and local governmental agencies in the form of grants and allocations. The disbursement of funds received under these programs requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of the City's management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2011.

Notes to Financial Statements

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June 2004 the Governmental Accounting Standards Board (“GASB”) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires certain disclosures concerning the City’s financial obligations and liabilities associated with non-pension benefits provided to employees after they separate from the City. Such benefits may include, but are not limited to, healthcare, life insurance and long-term care.

The City does not provide postemployment benefits to retirees except to the extent they are legally mandated under California’s Public Employee Medical and Hospital Care Act (“PEMHCA”). Under PEMHCA, participants in the CalPERS health medical program (the City is a participant) are required to make a contribution to retiree’s medical care, subject to certain eligibility criteria. In order for a retiree to be eligible for a City contribution, they must (1) be a CalPERS member; (2) be a participant in the CalPERS health program at the time of retirement; and (3) elect to continue participation in the CalPERS health program (at their own expense) at the time of retirement. If the retiree meets all three criteria, then the City is required to make a monthly payment which is credited against the retiree’s cost of continued health insurance through the CalPERS health system. For calendar 2011, the City’s mandated contribution rate was set at \$105/month per eligible retiree. The contribution rate is adjusted annually by the State of California based on the medical care component of the Consumer Price Index.

During fiscal 2011, there was one City retiree receiving the PEMHCA benefit. The total cost to the City was \$1,278. Since incorporation, two qualified retirees have elected to continue participation in the CalPERS health program after retirement, and one retiree currently remains active in the program. Due to the strict eligibility criteria and high cost to retirees, the City has determined that future retiree participation in the CalPERS health program is likely to remain minimal, and that any costs to the City associated with the PEMHCA program will not be material in nature; accordingly, the City has not recognized any expense nor recorded any liability in its financial statements.

14. COMMUNITY FACILITIES DISTRICT BONDS

Included within the City is Community Facilities District No. 2006-1 of the City of Dana Point (“CFD”), which was formed pursuant to the Mello-Roos Community Facilities Act of 1982 for the purpose of financing the acquisition and/or construction of certain public improvements in the area of the City known as The Headlands. The CFD is authorized to issue up to \$40 million of debt, which is to be repaid from revenues generated by special taxes levied on the taxable property within the CFD.

On July 2, 2008, the CFD sold 2008 Special Tax Bonds totaling \$8,710,000 of aggregate principal. The bonds mature in increments over a 30-year period. The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payment of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent CFD bond payments. The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding as of June 30, 2011 was \$8,345,000. An amount of \$1,194,115 is being held by the City and is reflected as due to bondholders at June 30, 2011 in the Statement of Fiduciary Assets and Liabilities.

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Capital Projects Fund
June 30, 2011

The City of Dana Point has established the following major capital projects fund to account for resources used for acquisition or construction of major capital facilities:

Capital Improvements Projects Fund	Used to account for the acquisition, construction and improvement of capital facilities financed by grants and operating transfers from the General Fund.
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CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Capital Improvements Projects Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 1,410,853	\$ 546,879	\$ (863,974)
Charges for services	-	6,771	6,771
Other	219,000	219,000	-
Total revenues	<u>1,629,853</u>	<u>772,650</u>	<u>(857,203)</u>
Expenditures			
Capital outlay	<u>11,278,970</u>	<u>2,808,339</u>	<u>8,470,631</u>
Total expenditures	<u>11,278,970</u>	<u>2,808,339</u>	<u>8,470,631</u>
Excess of revenues over (under) expenditures	<u>(9,649,117)</u>	<u>(2,035,689)</u>	<u>7,613,428</u>
Other financing sources			
Transfers in	<u>1,252,300</u>	<u>1,138,095</u>	<u>(114,205)</u>
Total other financing sources	<u>1,252,300</u>	<u>1,138,095</u>	<u>(114,205)</u>
Net change in fund balance	(8,396,817)	(897,594)	7,499,223
Fund balance, beginning of year	<u>12,604,674</u>	<u>12,604,674</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,207,857</u></u>	<u><u>\$11,707,080</u></u>	<u><u>\$ 7,499,223</u></u>

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2011

The City of Dana Point has established the following nonmajor special revenue funds which are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes:

Gasoline Tax Fund	Used to account for revenues collected as the City's share of State gasoline taxes, pursuant to the California State Constitution and authorized by the State Legislature. All associated street repairs and maintenance expenditures are accounted for in the General Fund. Accordingly, gasoline tax revenues are transferred from the Gasoline Tax Fund to the General Fund.
Measure M Fund	Used to account for revenues collected pursuant to Measure M, a half-cent sales tax increase approved by Orange County voters in 1990. Measure M funds are restricted to use for transportation improvements made within the County. Transportation related improvements are accounted for in the Capital Improvements Fund. Accordingly, Measure M revenues are transferred to the Capital Improvements Fund.
Supplemental Law Enforcement Services Fund	Used to account for revenues collected pursuant to California Assembly Bill AB3229 which was passed in 1996. Known as the COPS program (Citizens' Option for Public Safety), it provides funds to cities and counties for use in supplementing law enforcement services.
Headlands CFD 2006-1 Maintenance Fund	Used to account for special tax revenues assessed on properties located within the Community Facilities District 2006-1 of the City of Dana Point, and associated costs for the maintenance of certain public facilities located within the District boundaries.
Coastal Transit Fund	Used to account for revenues collected from the California Coastal Commission for the purpose of providing coastal recreational transit services. Funds will be used to provide a summer shuttle service to and from the beach and harbor areas.
AB 2766 Fund	Used to account for funds received pursuant to the California Clean Air Act. Under this Act, the South Coast Air Quality Management District distributes fees generated from motor vehicle registrations to local jurisdictions for use in developing programs to reduce mobile sources of air pollution.

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2011

The City of Dana Point has established the following nonmajor capital projects funds to account for resources used for acquisition or construction of major capital facilities:

Facilities Improvement Fund	Used to account for major improvements or rehabilitation to the City Hall and Del Obispo Community Recreation Center facilities financed by operating transfers from other City funds.
Headlands CFD 2006-1 Acquisition Fund	Used to account for the acquisition and/or construction of certain public improvements located within the boundaries of Community Facilities District No. 2006-1 of the City of Dana Point commonly referred to as The Headlands.
Park Development Fund	Used to account for the acquisition, construction and improvement of park sites financed by General Fund operating transfers, interest earnings and developer contributions.

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CITY OF DANA POINT
Combining Balance Sheet
Nonmajor Funds
June 30, 2011

	Special Revenue			
	Gas Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance
Assets				
Cash and investments	\$ -	\$ -	\$ 133,313	\$ 226,905
Receivables:				
Taxes	112,778	39,481	-	-
Assessments	-	-	-	5,584
Intergovernmental	-	-	11,316	-
Total assets	\$ 112,778	\$ 39,481	\$ 144,629	\$ 232,489
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 9,739	\$ -
Deferred revenue	-	-	-	145,181
Total liabilities	-	-	9,739	145,181
Fund balances:				
Restricted	112,778	39,481	134,890	87,308
Assigned	-	-	-	-
Total fund balances	112,778	39,481	134,890	87,308
Total liabilities and fund balances	\$ 112,778	\$ 39,481	\$ 144,629	\$ 232,489

Special Revenue		Capital Projects			Total nonmajor governmental funds
Coastal Transit	AB 2766	Facilities Improvement	Headlands CFD 2006-1 Acquisition	Park Development	
\$ 1,330,914	\$ 150,404	\$ 699,055	\$ 54,888	\$ 595,550	\$ 3,191,029
-	-	-	-	-	152,259
-	-	-	-	-	5,584
-	-	-	-	-	11,316
<u>\$ 1,330,914</u>	<u>\$ 150,404</u>	<u>\$ 699,055</u>	<u>\$ 54,888</u>	<u>\$ 595,550</u>	<u>\$ 3,360,188</u>
\$ -	\$ -	\$ -	\$ 7,763	\$ -	\$ 17,502
-	-	-	-	-	145,181
-	-	-	7,763	-	162,683
1,330,914	150,404	-	47,125	595,550	2,498,450
-	-	699,055	-	-	699,055
<u>1,330,914</u>	<u>150,404</u>	<u>699,055</u>	<u>47,125</u>	<u>595,550</u>	<u>3,197,505</u>
<u>\$ 1,330,914</u>	<u>\$ 150,404</u>	<u>\$ 699,055</u>	<u>\$ 54,888</u>	<u>\$ 595,550</u>	<u>\$ 3,360,188</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Funds
June 30, 2011

	Special Revenue			
	Gas Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance
Revenues				
Taxes	\$ 961,331	\$ 335,700	\$ -	\$ -
Licenses, fees and permits	-	-	-	-
Intergovernmental	-	-	100,016	-
Charges for services	-	-	-	77,322
Investment earnings	-	3,400	900	800
Contributions from property owners	-	-	-	-
Total revenues	961,331	339,100	100,916	78,122
Expenditures				
Current:				
Public safety	-	-	80,025	-
Public works	-	-	-	112,355
Capital outlay	-	-	-	-
Total expenditures	-	-	80,025	112,355
Excess (deficiency) of revenues over expenditures	961,331	339,100	20,891	(34,233)
Other financing sources (uses)				
Transfers in	-	-	-	30,000
Transfers out	(970,499)	(646,157)	-	-
Total other financing sources (uses)	(970,499)	(646,157)	-	30,000
Net change in fund balances	(9,168)	(307,057)	20,891	(4,233)
Fund balances, beginning	121,946	346,538	113,999	91,541
Fund balances, ending	<u>\$ 112,778</u>	<u>\$ 39,481</u>	<u>\$ 134,890</u>	<u>\$ 87,308</u>

Special Revenue		Capital Projects			Total nonmajor governmental funds
Coastal Transit	AB 2766	Facilities Improvement	Headlands CFD 2006-1 Acquisition	Park Development	
\$ -	\$ 32,028	\$ -	\$ -	\$ -	\$ 1,329,059
-	-	-	-	48,800	48,800
-	-	-	-	-	100,016
-	-	-	-	-	77,322
9,300	900	-	20,919	4,100	40,319
-	-	-	41,000	-	41,000
<u>9,300</u>	<u>32,928</u>	<u>-</u>	<u>61,919</u>	<u>52,900</u>	<u>1,636,516</u>
-	-	-	-	-	80,025
-	-	-	39,049	-	151,404
-	-	60,990	-	-	60,990
<u>-</u>	<u>-</u>	<u>60,990</u>	<u>39,049</u>	<u>-</u>	<u>292,419</u>
<u>9,300</u>	<u>32,928</u>	<u>(60,990)</u>	<u>22,870</u>	<u>52,900</u>	<u>1,344,097</u>
-	-	25,171	-	-	55,171
-	-	-	-	-	(1,616,656)
<u>-</u>	<u>-</u>	<u>25,171</u>	<u>-</u>	<u>-</u>	<u>(1,561,485)</u>
9,300	32,928	(35,819)	22,870	52,900	(217,388)
<u>1,321,614</u>	<u>117,476</u>	<u>734,874</u>	<u>24,255</u>	<u>542,650</u>	<u>3,414,893</u>
<u>\$ 1,330,914</u>	<u>\$ 150,404</u>	<u>\$ 699,055</u>	<u>\$ 47,125</u>	<u>\$ 595,550</u>	<u>\$ 3,197,505</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Gasoline Tax Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 659,000	\$ 961,331	\$ 302,331
Intergovernmental	383,300	-	(383,300)
Total revenues	<u>1,042,300</u>	<u>961,331</u>	<u>(80,969)</u>
Other financing sources (uses)			
Transfers out	<u>(1,042,300)</u>	<u>(970,499)</u>	<u>71,801</u>
Total other financing sources (uses)	<u>(1,042,300)</u>	<u>(970,499)</u>	<u>71,801</u>
Net change in fund balance	-	(9,168)	(9,168)
Fund balance, beginning	<u>121,946</u>	<u>121,946</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 121,946</u></u>	<u><u>\$ 112,778</u></u>	<u><u>\$ (9,168)</u></u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Measure M Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Taxes	\$ 422,000	\$ 335,700	\$ (86,300)
Investment earnings	-	3,400	3,400
Total revenues	<u>422,000</u>	<u>339,100</u>	<u>(82,900)</u>
Other financing sources (uses)			
Transfers out	<u>(769,000)</u>	<u>(646,157)</u>	<u>122,843</u>
Total other financing sources (uses)	<u>(769,000)</u>	<u>(646,157)</u>	<u>122,843</u>
Net change in fund balance	(347,000)	(307,057)	39,943
Fund balance, beginning	<u>346,538</u>	<u>346,538</u>	<u>-</u>
Fund balance, ending	<u>\$ (462)</u>	<u>\$ 39,481</u>	<u>\$ 39,943</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Supplemental Law Enforcement Services Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ -	\$ 100,016	\$ 100,016
Investment earnings	500	900	400
Total revenues	<u>500</u>	<u>100,916</u>	<u>100,416</u>
Expenditures			
Current:			
Public safety	<u>80,261</u>	<u>80,025</u>	<u>236</u>
Total expenditures	<u>80,261</u>	<u>80,025</u>	<u>236</u>
Net change in fund balance	(79,761)	20,891	100,652
Fund balance, beginning	<u>113,999</u>	<u>113,999</u>	<u>-</u>
Fund balance, ending	<u>\$ 34,238</u>	<u>\$ 134,890</u>	<u>\$ 100,652</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Headlands CFD 2006-1 Maintenance Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Charges for services	\$ 74,600	\$ 77,322	\$ 2,722
Investment earnings	1,000	800	(200)
Total revenues	<u>75,600</u>	<u>78,122</u>	<u>2,522</u>
Expenditures			
Current:			
Public works	<u>196,068</u>	<u>112,355</u>	<u>83,713</u>
Total expenditures	<u>196,068</u>	<u>112,355</u>	<u>83,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,468)</u>	<u>(34,233)</u>	<u>86,235</u>
Other financing sources (uses)			
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance	(90,468)	(4,233)	86,235
Fund balance, beginning	<u>91,541</u>	<u>91,541</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,073</u>	<u>\$ 87,308</u>	<u>\$ 86,235</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Coastal Transit Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Intergovernmental	\$ 500	\$ -	\$ (500)
Investment earnings	20,000	9,300	(10,700)
	<u>20,500</u>	<u>9,300</u>	<u>(11,200)</u>
Total revenues			
Expenditures			
Current:			
Public works	120,000	-	120,000
	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total expenditures			
Net change in fund balance	(99,500)	9,300	108,800
Fund balance, beginning	1,321,614	1,321,614	-
Fund balance, ending	<u>\$ 1,222,114</u>	<u>\$ 1,330,914</u>	<u>\$ 108,800</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
AB 2766 Fund
For the year ended June 30, 2011

	<u>Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues			
Taxes	\$ 42,670	\$ 32,028	\$ (10,642)
Investment earnings	500	900	400
	<u>43,170</u>	<u>32,928</u>	<u>(10,242)</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	43,170	32,928	(10,242)
Fund balance, beginning	<u>117,476</u>	<u>117,476</u>	<u>-</u>
Fund balance, ending	<u>\$ 160,646</u>	<u>\$ 150,404</u>	<u>\$ (10,242)</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Facilities Improvement Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues	\$ -	\$ -	\$ -
Expenditures			
Capital outlay	87,545	60,990	26,555
Excess (deficiency) of revenues over (under) expenditures	(87,545)	(60,990)	26,555
Other financing sources (uses)			
Transfers in	25,171	25,171	-
Total other financing sources (uses)	25,171	25,171	-
Net change in fund balance	(62,374)	(35,819)	26,555
Fund balance, beginning	734,874	734,874	-
Fund balance, ending	<u>\$ 672,500</u>	<u>\$ 699,055</u>	<u>\$ 26,555</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Headlands CFD 2006-1 Acquisition Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Investment earnings	\$ -	\$ 20,919	\$ 20,919
Other	-	41,000	41,000
 Total revenues	 -	 61,919	 61,919
Expenditures			
Current:			
Public works	-	39,049	(39,049)
 Total expenditures	 -	 39,049	 (39,049)
 Net change in fund balance	 -	 22,870	 22,870
 Fund balance, beginning	 24,255	 24,255	 -
 Fund balance, ending	 <u>\$ 24,255</u>	 <u>\$ 47,125</u>	 <u>\$ 22,870</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Park Development Fund
For the year ended June 30, 2011

	Final budgeted amounts	Actual amounts	Variance with final budget
Revenues			
Licenses, fees and permits	\$ 100,000	\$ 48,800	\$ (51,200)
Investment earnings	5,000	4,100	(900)
Total revenues	<u>105,000</u>	<u>52,900</u>	<u>(52,100)</u>
Expenditures			
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	105,000	52,900	(52,100)
Fund balance, beginning	<u>542,650</u>	<u>542,650</u>	<u>-</u>
Fund balance, ending	<u>\$ 647,650</u>	<u>\$ 595,550</u>	<u>\$ (52,100)</u>

CITY OF DANA POINT
Agency Funds
June 30, 2011

The City of Dana Point has established the following agency funds which are used to account for funds held by the City in a trustee capacity:

Developer Deposits Fund	Used to account for deposits placed with the City by developers to ensure that developers perform required services. These deposits are fully refundable.
Due to Bondholders Fund	Used to account for special taxes collected from Community Facilities District 2006-1 of the City of Dana Point, which are due to the holders of the district's bonds.
Pass-through Deposits Fund	Used to account for revenues collected by the City on behalf of other governmental agencies.

CITY OF DANA POINT
Combining Statement of Agency Funds Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	<u>Developer Deposits</u>	<u>Due to Bondholders</u>	<u>Pass-through Deposits</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 1,336,140	\$ -	\$ 1,056,872	\$ 2,393,012
Cash with fiscal agents	-	1,194,115	-	1,194,115
 Total assets	 <u>\$ 1,336,140</u>	 <u>\$ 1,194,115</u>	 <u>\$ 1,056,872</u>	 <u>\$ 3,587,127</u>
Liabilities				
Deposits	\$ 1,336,140	\$ -	\$ -	\$ 1,336,140
Due to bondholders	-	1,194,115	-	1,194,115
Due to other agencies	-	-	1,056,872	1,056,872
 Total liabilities	 <u>\$ 1,336,140</u>	 <u>\$ 1,194,115</u>	 <u>\$ 1,056,872</u>	 <u>\$ 3,587,127</u>

CITY OF DANA POINT
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the year ended June 30, 2011

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
<u>Developer Deposits</u>				
Assets:				
Cash and investments	<u>\$ 1,290,711</u>	<u>\$ 45,429</u>	<u>\$ -</u>	<u>\$ 1,336,140</u>
Liabilities:				
Deposits	<u>\$ 1,290,711</u>	<u>\$ 45,429</u>	<u>\$ -</u>	<u>\$ 1,336,140</u>
<u>Due to Bondholders</u>				
Assets:				
Cash with fiscal agents	<u>\$ 1,226,124</u>	<u>\$ -</u>	<u>\$ 32,009</u>	<u>\$ 1,194,115</u>
Liabilities:				
Due to bondholders	<u>\$ 1,226,124</u>	<u>\$ -</u>	<u>\$ 32,009</u>	<u>\$ 1,194,115</u>
<u>Pass-through Deposits</u>				
Assets:				
Cash and investments	<u>\$ 383,012</u>	<u>\$ 673,860</u>	<u>\$ -</u>	<u>\$ 1,056,872</u>
Liabilities:				
Due to other agencies	<u>\$ 383,012</u>	<u>\$ 673,860</u>	<u>\$ -</u>	<u>\$ 1,056,872</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and investments	\$ 1,673,723	\$ 719,289	\$ -	\$ 2,393,012
Cash with fiscal agents	<u>1,226,124</u>	<u>-</u>	<u>32,009</u>	<u>1,194,115</u>
Total assets	<u>\$ 2,899,847</u>	<u>\$ 719,289</u>	<u>\$ 32,009</u>	<u>\$ 3,587,127</u>
Liabilities				
Deposits	\$ 1,290,711	\$ 45,429	\$ -	\$ 1,336,140
Due to bondholders	1,226,124	-	32,009	1,194,115
Due to other agencies	<u>383,012</u>	<u>673,860</u>	<u>-</u>	<u>1,056,872</u>
Total liabilities	<u>\$ 2,899,847</u>	<u>\$ 719,289</u>	<u>\$ 32,009</u>	<u>\$ 3,587,127</u>

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STATISTICAL SECTION

This part of the City of Dana Point'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 City's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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Revenue Capacity

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Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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STATISTICAL SECTION, continued

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Operating Information

These schedules contain service and activity level data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Full-time Equivalent City Government Employees Authorized, by Function	85
Operating Indicators by Function/Program	86
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF DANA POINT
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	-	\$70,422	\$79,950	\$84,296	\$102,009	\$120,561	\$119,292	\$128,285	\$174,898	\$171,342
Restricted	-	3,706	5,152	5,412	8,069	5,515	2,645	3,257	2,847	2,665
Unrestricted	-	46,909	40,503	42,388	37,504	41,797	51,789	39,654	33,932	31,319
Total governmental activities net assets	<u>N/A (1)</u>	<u>\$121,037</u>	<u>\$125,605</u>	<u>\$132,096</u>	<u>\$147,582</u>	<u>\$167,873</u>	<u>\$173,726</u>	<u>\$171,196</u>	<u>\$211,677</u>	<u>\$205,326</u>

(1) Net Asset data prior to implementation of GASB Statement 34 is unavailable.

CITY OF DANA POINT
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General Government		\$ 3,782	\$ 3,715	\$ 4,588	\$ 4,977	\$ 4,569	\$ 4,896	\$ 5,093	\$ 5,285	\$ 5,636
Public Safety		6,217	6,845	7,014	7,558	8,068	8,807	9,193	9,700	10,156
Community Development		1,779	1,875	2,149	2,582	2,330	2,811	2,625	2,831	2,604
Recreation and Parks		1,486	1,678	2,085	3,303	3,708	4,037	4,270	4,528	4,632
Public Works		6,476	6,646	8,777	8,294	9,687	10,520	19,447	10,667	11,374
Interest on Long-term Debt		249	225	207	187	15	-	-	-	-
Unallocated Depreciation		74	76	85	122	131	187	192	220	221
Total governmental activities expenses	-	\$ 20,063	\$ 21,060	\$ 24,905	\$ 27,023	\$ 28,508	\$ 31,258	\$ 40,820	\$ 33,231	\$ 34,623
Program Revenues										
Governmental activities:										
Charges for services:										
General Government		\$ 265	\$ 138	\$ 843	\$ 155	\$ 321	\$ 493	\$ 263	\$ 631	\$ 464
Public Safety		339	418	488	461	454	539	332	305	253
Community Development		1,331	1,161	1,344	2,266	1,359	1,396	1,054	1,265	1,171
Recreation and Parks		254	219	221	224	224	262	261	271	306
Public Works		265	155	288	131	469	561	422	260	244
Operating grants and contributions		2,665	1,475	1,585	1,449	1,694	1,612	9,999	2,424	1,900
Capital grants and contributions		2,612	1,836	5,176	13,459	16,321	3,159	852	46,617	826
Total governmental activities program revenues	-	7,731	5,402	9,945	18,145	20,842	8,022	13,183	51,773	5,164
Total government net revenue (expense)	-	\$ (12,332)	\$ (15,658)	\$ (14,960)	\$ (8,878)	\$ (7,666)	\$ (23,236)	\$ (27,637)	\$ 18,542	\$ (29,459)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes		\$ 3,912	\$ 4,209	\$ 4,524	\$ 5,009	\$ 5,373	\$ 6,001	\$ 6,176	\$ 6,109	\$ 5,936
Franchise taxes		942	936	1,034	1,076	1,201	1,239	1,294	1,255	1,247
Sales taxes		3,795	4,015	3,117	3,447	3,761	3,671	2,998	2,909	3,075
In-lieu property taxes		-	-	2,665	3,119	3,867	4,276	4,154	3,719	3,944
Property transfer taxes		319	498	525	441	395	374	224	229	200
Transient occupancy taxes		8,146	8,478	7,763	9,533	10,888	11,298	8,630	7,221	8,284
Motor vehicle in-lieu (unrestricted)		2,095	1,678	852	255	199	164	126	109	170
Other		113	61	152	52	234	66	68	53	60
Unrestricted investment earnings		1,275	351	819	1,433	2,038	2,210	1,227	334	193
Total governmental activities	-	\$ 20,597	\$ 20,226	\$ 21,451	\$ 24,365	\$ 27,956	\$ 29,299	\$ 24,897	\$ 21,938	\$ 23,109
Change in Net Assets	N/A (1)	\$ 8,265	\$ 4,568	\$ 6,491	\$ 15,487	\$ 20,290	\$ 6,063	\$ (2,740)	\$ 40,480	\$ (6,350)

(1) Change in Net Asset data prior to implementation of GASB Statement 34 is unavailable.

CITY OF DANA POINT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
General fund										
Nonspendable										\$64
Committed										9,462
Assigned										3,169
Unassigned										6,094
Reserved	\$1,447	\$1,555	\$2,105	\$1,318	\$3,715	\$561	\$1,466	\$1,378	\$406	-
Unreserved	28,593	20,324	14,251	12,808	12,605	17,836	20,684	19,478	19,925	-
Total general fund	<u>\$30,040</u>	<u>\$21,879</u>	<u>\$16,356</u>	<u>\$14,126</u>	<u>\$16,320</u>	<u>\$18,397</u>	<u>\$22,150</u>	<u>\$20,856</u>	<u>\$20,331</u>	<u>\$18,789</u>
All other governmental funds										
Restricted										\$2,498
Assigned										12,406
Reserved	\$2,950	\$4,301	\$6,699	\$3,741	\$5,225	\$414	\$8,747	\$4,136	\$827	-
Unreserved, reported in:										
Special revenue funds	386	1,330	1,475	1,499	1,424	1,555	2,263	2,553	2,062	-
Capital project funds	14,129	23,293	21,368	27,429	22,986	27,225	21,851	15,794	13,130	-
Total all other governmental funds	<u>\$17,465</u>	<u>\$28,924</u>	<u>\$29,542</u>	<u>\$32,669</u>	<u>\$29,635</u>	<u>\$29,194</u>	<u>\$32,861</u>	<u>\$22,483</u>	<u>\$16,019</u>	<u>\$14,904</u>

(1) Beginning in fiscal year 2011 the City of Dana Point implemented GASB No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* .
Prior year information has not been restated.

CITY OF DANA POINT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 15,802	\$ 17,278	\$ 18,247	\$ 19,666	\$ 22,626	\$ 25,391	\$ 26,715	\$ 23,117	\$ 20,271	\$ 22,821
Licences, fees and permits	1,716	2,451	1,960	1,936	1,926	2,048	2,186	1,997	1,983	1,975
Fines and forfeitures	353	352	428	492	469	470	636	433	335	286
Intergovernmental	4,122	4,711	3,189	3,805	7,181	6,011	3,464	1,536	1,856	1,118
Charges for services	817	1,050	921	1,894	1,906	1,475	1,672	1,150	1,651	1,392
Use of money and property	2,242	1,638	573	1,016	1,740	2,423	2,590	1,468	520	399
Contributions from property owners	-	-	-	-	-	-	-	8,199	486	41
Other	198	815	352	1,271	337	246	93	180	106	295
Total revenues	25,250	28,295	25,670	30,080	36,185	38,064	37,356	38,080	27,208	28,327
Expenditures										
General government	3,489	3,687	3,586	4,450	4,846	4,526	4,809	4,971	5,223	5,524
Public safety	5,448	6,217	6,843	7,008	7,544	8,035	8,767	9,123	9,617	10,077
Community development	1,397	1,768	1,866	2,132	2,565	2,312	2,772	2,594	2,804	2,578
Recreation and parks	1,253	1,235	1,622	2,029	3,237	3,627	3,953	4,186	4,443	4,526
Public works	2,951	4,336	4,129	5,405	5,133	5,243	5,803	6,673	5,398	5,409
Capital outlay	5,336	7,727	12,007	7,639	13,180	9,667	3,832	22,205	6,712	2,869
Debt service:										
Principal	260	270	290	305	325	2,925	-	-	-	-
Interest	264	249	232	215	196	93	-	-	-	-
Total expenditures	20,398	25,489	30,575	29,183	37,026	36,428	29,936	49,752	34,197	30,983
Excess of revenues over (under) expenditures	4,852	2,806	(4,905)	897	(841)	1,636	7,420	(11,672)	(6,989)	(2,656)
Other financing sources (uses)										
Transfers in	8,263	16,631	11,642	764	4,237	3,922	6,658	3,357	4,313	1,772
Transfers out	(8,263)	(16,631)	(11,642)	(7,964)	(4,238)	(3,922)	(6,658)	(3,357)	(4,313)	(1,772)
Total other financing sources (uses)	-	-	-	(7,200)	(1)	-	-	-	-	-
Cumulative effect of a change in accounting principle	-	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	492	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 4,852	\$ 3,298	\$ (4,905)	\$ (6,303)	\$ (842)	\$ 1,636	\$ 7,420	\$ (11,672)	\$ (6,989)	\$ (2,656)
Debt service as a percentage of noncapital expenditures	2.6%	2.0%	1.7%	1.8%	1.4%	8.3%	0.0%	0.0%	0.0%	0.0%

CITY OF DANA POINT
Program Revenues by Function/Program
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Governmental activities:										
General government	-	\$ 310	\$ 182	\$ 878	\$ 203	\$ 377	\$ 538	\$ 295	\$ 685	\$ 497
Public safety	-	713	751	943	746	930	946	737	785	670
Community development	-	2,379	1,212	1,368	2,306	1,415	1,450	1,089	1,280	1,181
Recreation and parks	-	932	800	824	470	11,211	914	456	442	359
Public works	-	3,398	2,457	5,931	14,419	6,909	4,174	10,606	48,581	2,457
Total governmental activities	<u>N/A (1)</u>	<u>\$ 7,732</u>	<u>\$ 5,402</u>	<u>\$ 9,944</u>	<u>\$ 18,144</u>	<u>\$ 20,842</u>	<u>\$ 8,022</u>	<u>\$ 13,183</u>	<u>\$ 51,773</u>	<u>\$ 5,164</u>

(1) Program revenues by function/program data prior to implementation of GASB Statement 34 is unavailable.

CITY OF DANA POINT
Tax Revenues By Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax (1)	Franchise Tax	Sales Tax (2)	Gasoline Tax (3)	Measure M Tax	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (4)	Total
2002	\$ 3,606	\$ 987	\$ 3,605	\$ 603	\$ 356	\$ -	\$ 282	\$ 7,350	\$ 16,789
2003	3,912	941	3,795	737	368	-	319	8,147	18,219
2004	4,209	936	4,015	674	373	-	498	8,478	19,183
2005	4,524	1,034	3,117	680	392	2,665	525	7,763	20,700
2006	5,009	1,076	3,447	670	407	3,119	441	9,533	23,702
2007	5,373	1,201	3,762	670	436	3,867	395	10,888	26,592
2008	6,001	1,239	3,867	655	440	4,276	374	11,298	28,150
2009	6,176	1,294	2,998	545	390	4,154	194	8,630	24,381
2010	5,227	1,255	2,909	660	337	3,719	229	7,221	21,557
2011	5,935	1,247	3,075	961	336	3,944	200	8,284	23,982

- (1) Property taxes are imposed by the County of Orange at a rate of 1% of assessed value, pursuant to Proposition 13. Refer to Direct and Overlapping Property Tax Rate schedule for distribution information.
- (2) Beginning in fiscal 2005 the State of California swapped 25% of the 1% basic sales tax levy allocated to municipalities for in-lieu sales taxes, which represent an equivalent amount of property taxes. Therefore sales tax revenues were reduced from 1.00% of gross sales to 0.75% of gross sales. The City does not impose a local sales tax.
- (3) Beginning in fiscal 2011 the State of California replaced the Proposition 42 (Transportation Congestion Relief) funds with gasoline tax funds which represents an equivalent amount.
- (4) Transient occupancy tax is imposed by the City at the rate of 10%.

CITY OF DANA POINT
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total property tax levy	\$ 3,670	\$ 3,956	\$ 4,285	\$ 4,602	\$ 5,129	\$ 5,556	\$ 6,174	\$ 6,256	\$ 6,064	\$ 6,031
Current year collections	\$ 3,579	\$ 3,876	\$ 4,181	\$ 4,501	\$ 4,973	\$ 5,338	\$ 5,908	\$ 5,985	\$ 5,910	\$ 5,848
Current year collections as % of levy	97.5%	98.0%	97.6%	97.8%	97.0%	96.1%	95.7%	95.7%	97.5%	97.0%
Current year delinquencies	\$ 91	\$ 80	\$ 104	\$ 101	\$ 156	\$ 218	\$ 266	\$ 271	\$ 154	\$ 183
Current year delinquencies as % of levy	2.5%	2.0%	2.4%	2.2%	3.0%	3.9%	4.3%	4.3%	2.5%	3.0%
City direct rate applied to base (1)	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value	\$ 5,111,519	\$ 5,516,436	\$ 5,941,465	\$ 6,250,662	\$ 6,998,388	\$ 7,693,012	\$ 8,532,709	\$ 8,879,909	\$ 8,763,402	\$ 8,687,748
Estimated actual value (see note)	\$ 5,111,519	\$ 5,516,436	\$ 5,941,465	\$ 6,250,662	\$ 6,998,388	\$ 7,693,012	\$ 8,532,709	\$ 8,879,909	\$ 8,763,402	\$ 8,687,748
Annual increase in assessed value	\$ 516,758	\$ 404,917	\$ 425,029	\$ 309,197	\$ 747,726	\$ 694,624	\$ 839,697	\$ 347,200	\$ (116,507)	\$ (75,654)
Annual % increase in assessed value	11.2%	7.9%	7.7%	5.2%	12.0%	9.9%	10.9%	4.1%	-1.3%	-0.9%

(1) The property tax rate is based upon 1% of assessed valuation. The City receives 7.6% of the 1% levy. A complete breakdown of the 1% levy can be found on the Direct and Overlapping Property Tax Rates schedule.

Note: Under Proposition 13, the real estate tax on a parcel of residential property is limited to 1% of its assessed value until the property is resold, and the assessed value may only be increased by a maximum of 2% per year. The Orange County Assessor does not provide estimates of actual value.

Source: Orange County Assessor

CITY OF DANA POINT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Distribution of Basic 1% Levy (per \$100 of assessed value)</u>										
Capistrano Unified School District	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530
City of Dana Point	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005
Total Basic 1% Levy (1)	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
<u>Tax Rate Area 28-019:</u>										
Metro Water District MWDOC Annex #4	0.0077	0.0077	0.0058	0.0052	0.0052	0.0047	0.0043	0.0043	0.0037	0.0037
Capistrano Unified ID#1 1999 Bond Fund - Series A	0.0053	0.0053	0.0034	0.0031	0.0031	0.0027	0.0028	0.0031	0.0032	0.0032
Capistrano Unified ID#1 1999 Bond Fund - Series B	0.0031	0.0031	0.0054	0.0049	0.0049	0.0043	0.0045	0.0043	0.0051	0.0051
Capistrano Unified ID#1 1999 Bond Fund - Series C	0.0000	0.0000	0.0031	0.0027	0.0027	0.0024	0.0025	0.0028	0.0028	0.0028
Combined Total Property Tax Rate (2)	<u>\$1.0161</u>	<u>\$1.0161</u>	<u>\$1.0177</u>	<u>\$1.0160</u>	<u>\$1.0160</u>	<u>\$1.0142</u>	<u>\$1.0140</u>	<u>\$1.0144</u>	<u>\$1.0148</u>	<u>\$1.0148</u>

Notes:

Property tax rates are limited to 1% of assessed valuation, pursuant to Proposition 13. Local taxes may only be increased by a majority vote of the City's residents.

The City does not impose any property taxes or special assessments.

(1) Sub-total rate represents assessments common to all Dana Point properties, and was established by Proposition 13 at a rate of \$1 per \$100 of assessed valuation.

(2) Tax Rate Area 28-019 (the largest in the City) was used in this schedule to demonstrate additional assessments (beyond the basic 1% levy), which vary by tax rate area.

There are 145 tax rate areas located within the City of Dana Point.

Source: Orange County Auditor-Controller

CITY OF DANA POINT
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2011				Fiscal Year 2002			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
MMB Management LLC	\$ 287,108,872	\$ 96,802	1	3.47%	\$ -	\$ -	-	-
SHC Laguna Niguel 1 LLC	210,421,664	65,675	2	2.36%	189,468,262	59,136	1	3.63%
Regency Laguna LP	198,766,751	61,677	3	2.21%	-	-	-	-
WH MBR LLC	183,657,856	56,901	4	2.04%	-	-	-	-
Monarch Coast I LLC	88,039,184	27,218	5	0.98%	-	-	-	-
Headlands Reserve, LLC	46,081,086	16,001	6	0.57%	22,754,521	8,183	8	0.50%
Bear Brand Partners	30,701,104	9,582	7	0.34%	26,218,804	8,446	7	0.52%
ST Apartments LLC	25,811,568	7,931	8	0.28%	21,469,047	6,596	9	0.41%
Dana Point Partners	25,682,556	8,189	9	0.29%	-	-	-	-
Sunrise IV Sea Bluffs SL LLP	25,320,212	8,816	10	0.31%	-	-	-	-
Bank Lloyds California	-	-	-	-	134,743,247	45,430	3	2.79%
CPH Monarch Hotel LLC	-	-	-	-	171,503,745	53,529	2	3.29%
Monarch Bay Two	-	-	-	-	46,516,972	14,408	5	0.89%
CPH Resorts I LLC	-	-	-	-	57,721,318	18,016	4	1.11%
Connecticut General Life Ins. Co.	-	-	-	-	36,866,227	11,474	6	0.71%
CPH Monarch Beach	-	-	-	-	20,953,632	6,540	10	0.40%
Totals	\$ 1,121,590,853	\$ 358,792		12.85%	\$ 728,215,775	\$ 231,758		14.25%

Source: HDL, Coren & Cone

CITY OF DANA POINT
 Transient Occupancy Taxes
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Lodging Facilities, listed alphabetically:</u>										
Best Western Inn by the Sea	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Blue Lantern Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Seaside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Surfside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Marina Motel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Doubletree	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Harbor Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Marina Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Holiday Inn Express	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Marriott's Laguna Cliffs Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Ritz Carlton	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Shores Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Spa	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
St. Regis Monarch Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total revenues	<u>\$7,350</u>	<u>\$8,147</u>	<u>\$8,478</u>	<u>\$7,763</u>	<u>\$9,533</u>	<u>\$10,888</u>	<u>\$11,298</u>	<u>\$8,630</u>	<u>\$7,221</u>	<u>\$8,284</u>
Transient Occupancy Tax Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

(1) California Government Code section 6254(i) prohibits the disclosure of taxpayer identifiable information in connection with the collection of local taxes (transient occupancy taxes are a locally imposed tax). Accordingly, the City may only present an alphabetical listing of the taxpayers and the gross transient occupancy tax revenues paid.

Source: City of Dana Point, Administrative Services Department

CITY OF DANA POINT
Retail Sales Tax Generation
Last Ten Calendar Years
(Amounts Expressed In Thousands)

Calendar Year	Apparel Stores	General Merchandise	Food Stores	Eating and Drinking Places	Building Materials	Auto Dealers and Supplies	Service Stations	Other Retail Stores	All Other Outlets	Total
2001	\$ 4,284	\$ 846	\$ 35,299	\$ 77,085	\$ 18,226	\$ 7,547	\$ 36,230	\$ 59,154	\$ 114,066	\$ 352,737
2002	4,430	1,435	34,683	79,986	18,648	6,544	34,493	56,336	129,823	366,378
2003	4,489	1,589	36,429	83,276	19,104	7,827	50,932	58,778	135,007	397,431
2004	5,426	1,721	30,693	88,987	22,350	7,501	57,404	66,897	131,349	412,328
2005	7,634	1,758	30,722	93,342	23,564	7,070	64,414	74,911	138,872	442,287
2006	8,168	1,946	32,527	97,999	25,485	7,294	68,014	78,394	170,948	490,775
2007	7,729	1,472	32,783	100,895	24,365	5,553	70,476	79,485	176,152	498,910
2008	7,176	1,207	32,206	95,064	20,596	4,976	73,107	68,365	154,759	457,456
2009	5,522	912	32,026	90,448	16,961	5,357	57,227	61,100	117,326	386,879
2010	4,754	1,007	31,981	88,467	16,739	5,265	62,714	60,365	126,003	397,295

Top 25 Sales Tax Producers
Fiscal Year 2011

<u>Business Name (1)</u>	<u>Business Type</u>
Albertsons	Grocery stores
AM PM Station	Service stations
Big 5	Sporting Goods/Bike Stores
Capo Beach 76	Service stations
Chart House	Restaurants
Chevron - Gasoline Sales	Service stations
Chino Hills Oil	Service stations
Circle K	Grocery Stores
Circle K 76	Service stations
CVS Pharmacy (Golden Lantern)	Drug stores
CVS Pharmacy (PCH)	Drug stores
Ganahl Lumber	Lumber/building materials
Gelson's Market	Grocery stores
Hennessey's Tavern	Restaurants
Marriott Laguna Cliffs Resort & Spa	Hotels
Mobil Oil	Service stations
Monarch Bay Chevron	Service stations
Ralphs - Del Prado	Grocery stores
Ralphs - Golden Lantern	Grocery stores
Ritz Carlton	Hotels
Salt Creek Grille	Restaurants
Smart & Final	Grocery stores
St. Regis Monarch Beach Resort	Hotels
Sun Country Marine	Boats/Motorcycles
Wind & Sea Restaurant	Restaurants

Percent of total paid by top 25 accounts = 54.92%

(1) California Revenue & Taxation Code Section 7056 prohibits release of sales tax revenue information, other than an alphabetical listing of the taxpayers.

Sources: The HdL Companies; California Board of Equalization

CITY OF DANA POINT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2002	\$ 4,115,000	\$ 4,115,000	0.303%	\$ 116
2003	3,845,000	3,845,000	0.240%	106
2004	3,555,000	3,555,000	0.214%	100
2005	3,250,000	3,250,000	0.188%	87
2006	2,925,000	2,925,000	0.175%	79
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographics and Economic Statistics for personal income and population data.

Source: City of Dana Point, Administrative Services Department

CITY OF DANA POINT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

<u>OVERLAPPING DEBT:</u>	<u>Gross Debt Balance</u>	<u>% Applicable to City</u>	<u>City Share 6/30/11</u>
Metropolitan Water District	\$ 45,704,591	2.325%	\$ 1,062,709
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	15,450,000	19.869%	3,069,837
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	18,374,930	19.869%	3,651,006
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2000A	14,625,000	19.869%	2,905,914
South Coast Water District 1998, 2010 A & B, & 2011	40,266,480	55.913%	22,514,277
Moulton Niguel Water District, I.D. #7	11,030,000	12.032%	1,327,112
Santa Margarita Water District I.D. #3 1978 Bond	21,630,000	0.200%	43,360
Total Overlapping Debt			<u><u>\$ 34,574,215</u></u>

DIRECT DEBT:

None

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule shows the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Dana Point. This process recognizes that, when considering the government'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.

Sources: HdL, Coren & Cone, Orange County Assessor

CITY OF DANA POINT
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Valuation	<u>\$ 5,111,519</u>	<u>\$ 5,516,436</u>	<u>\$ 5,941,465</u>	<u>\$ 6,250,662</u>	<u>\$ 6,998,388</u>	<u>\$ 7,693,012</u>	<u>\$ 8,530,360</u>	<u>\$ 8,879,909</u>	<u>\$ 8,761,158</u>	<u>\$ 8,687,748</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation (1)	191,682	206,866	222,805	234,400	262,440	288,488	319,889	332,997	328,543	325,791
Amount of Debt Applicable to Limit:										
Certificates of Participation/										
Capital Lease	4,115	3,845	3,555	3,250	2,925	-	-	-	-	-
Legal Debt Margin	<u>\$ 187,567</u>	<u>\$ 203,021</u>	<u>\$ 219,250</u>	<u>\$ 237,650</u>	<u>\$ 265,365</u>	<u>\$ 288,488</u>	<u>\$ 319,889</u>	<u>\$ 332,997</u>	<u>\$ 328,543</u>	<u>\$ 325,791</u>

Note:

- (1) The general laws of the State of California for municipalities provide for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY1981-82, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionately modified to 3.75% for the purposes of this calculation for consistency with the original intent of the State's debt limit.

Sources: City of Dana Point, Administrative Services Department
 Orange County Auditor-Controller

CITY OF DANA POINT
Demographic and Economic Statistics
Last Ten Fiscal Years

	2002 (1)	2003 (1)	2004 (1)	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (2)
Population	35,415	36,312	35,416	37,283	36,854	36,884	36,441	35,822	35,561	35,109
Age Distribution:										
0 - 4	1,917	1,913	1,890	1,996	1,950	1,953	1,903	1,915	1,905	1,753
5 - 14	3,897	4,020	3,837	4,079	4,026	4,049	3,757	3,734	3,657	3,794
15 - 19	1,955	1,953	1,925	1,987	1,911	1,960	1,933	1,764	1,716	2,160
20 - 24	1,763	1,980	2,106	2,216	2,181	2,097	2,029	1,852	1,805	1,419
25 - 34	4,874	4,537	4,323	4,503	4,503	4,431	4,560	4,707	4,772	4,421
35 - 44	5,929	5,935	5,639	5,812	5,587	5,568	5,179	5,034	4,849	4,606
45 - 64	10,185	10,747	10,459	11,209	11,335	11,519	11,480	11,235	11,169	11,202
65 - 74	2,709	2,848	2,816	2,861	2,777	2,753	2,939	2,992	3,078	3,105
75 - 84	1,735	1,876	1,895	2,045	1,994	1,939	1,958	1,886	1,864	1,936
85 and over	451	503	526	575	590	615	703	703	746	713
Total	35,415	36,312	35,416	37,283	36,854	36,884	36,441	35,822	35,561	35,109
Median Age	41	42	42	42	42	42	43	43	43	44
Per capita income	\$ 38,303	\$ 44,179	\$ 46,848	\$ 46,381	\$ 45,461	\$ 47,055	\$ 50,978	\$ 46,922	\$ 47,982	\$ 42,245
Personal income (,000,000)	\$ 1,357	\$ 1,604	\$ 1,659	\$ 1,729	\$ 1,675	\$ 1,736	\$ 1,858	\$ 1,681	\$ 1,706	\$ 1,816
Median household income	\$ 68,949	\$ 72,590	\$ 75,190	\$ 78,392	\$ 78,160	\$ 80,508	\$ 88,429	\$ 86,537	\$ 87,100	\$ 73,700
Average household income	\$ 90,945	\$ 106,384	\$ 111,959	\$ 111,051	\$ 110,715	\$ 114,824	\$ 124,494	\$ 113,457	\$ 115,966	\$ 101,855
Civilian unemployment rate (3)	3.6%	3.4%	3.1%	2.7%	2.4%	2.8%	3.8%	6.5%	7.0%	n/a
Number of families	9,235	9,278	9,219	9,753	9,435	9,467	9,320	9,248	9,181	9,143
Number of households	14,582	14,850	14,596	15,342	14,909	14,889	14,697	14,585	14,491	14,459
Average household size	2.42	2.43	2.42	2.42	2.46	2.47	2.47	2.44	2.44	2.42
Households, by income:										
Less than \$15,000	781	858	829	839	794	791	630	646	611	864
\$15,000 - \$24,999	933	984	912	840	829	694	604	602	702	905
\$25,000 - \$34,999	1,110	910	900	928	890	805	727	744	582	928
\$35,000 - \$49,999	1,913	2,084	1,705	1,698	1,551	1,502	1,147	1,168	1,384	1,735
\$50,000 - \$74,999	3,234	2,803	2,931	2,951	3,024	3,010	2,944	2,812	2,675	2,951
\$75,000 - \$99,999	2,051	2,077	2,038	2,346	2,224	2,308	2,136	2,452	2,309	2,022
\$100,000 - \$149,999	2,682	2,608	2,657	2,913	2,729	2,759	3,191	3,176	3,206	2,612
Over \$150,000	1,878	2,526	2,624	2,827	2,868	3,020	3,318	2,985	3,022	2,442
Total	14,582	14,850	14,596	15,342	14,909	14,889	14,697	14,585	14,491	14,459

(1) Source: ESRI Business Information Solutions

(2) Source: The Nielsen Company

(3) Reflects calendar year unemployment rate. Rate for 2011 is not available.

CITY OF DANA POINT
Principal Employers
Calendar Year 2010

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Ritz-Carlton-Laguna Niguel	970	1
St. Regis Resort & Spa	800	2
Capistrano Unified School District	350	3
Marriott-Laguna Cliffs Resort	250	4
Expert Loan Solutions	200	5
Harpoon Henry's Seafood Restaurant	150	6
Wind & Sea Restaurant Inc	125	7
Chambers Gallery	120	8
O C Lifeguards	101	9
Salt Creek Grille	100	10
Monarch Beach & Tennis Club	100	11
Albertsons	100	12
Ralphs - Golden Lantern	95	13
Chart House Restaurant	90	14
U.S. Postal Service	80	15
Cannons Seafood Grill	80	16
Ralphs - Del Prado	70	17
ERA Fine Homes	70	18
St Edward School	65	19
Luxre Realty	65	20
Total of Top Employers	<u><u>3,981</u></u>	

Source: InfoGroup

CITY OF DANA POINT
 Full-time Equivalent City Government Employees Authorized, by Function
 Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City Manager's Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	4.00	2.75	3.75	3.75	3.75	4.00	4.00	4.00	4.00	4.00
Administrative Services	4.50	5.75	5.75	5.75	6.75	6.75	7.00	7.00	7.00	7.00
Facilities	0.33	-	-	0.50	1.50	1.50	1.50	1.50	1.50	1.50
Public Safety										
Police Services	-	-	-	-	-	-	-	-	-	-
Emergency Services	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Community Development										
Planning	3.00	4.00	5.00	6.00	7.00	7.00	8.00	8.00	8.00	8.00
Building	1.50	1.50	1.50	2.50	3.50	2.50	7.50	7.50	7.50	7.50
Code Enforcement	2.50	2.50	2.50	2.50	2.50	2.50	3.50	3.50	3.50	3.50
Economic Development	-	-	-	-	-	2.00	2.00	2.00	2.00	2.00
Recreation and Parks										
Parks	1.00	0.67	1.67	1.67	3.00	3.00	3.00	3.00	3.00	3.00
Community Services	4.00	3.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00
Public Works										
Administration	3.33	4.33	4.33	4.33	2.33	2.33	2.33	2.33	2.33	2.33
Street/Drainage Maintenance	1.00	1.17	1.16	1.16	1.33	1.33	1.33	1.33	1.33	1.33
Traffic Engineering	0.50	0.50	-	-	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	0.33	0.33	0.33	0.33	0.34	0.33	0.33	0.33	0.33	0.34
Engineering	1.00	1.50	1.00	2.00	5.00	5.00	10.00	12.00	12.00	12.00
Water Quality & Natural Resources	0.50	0.50	1.50	1.50	1.00	1.00	1.00	1.00	2.00	2.00
Total	<u>30.50</u>	<u>31.50</u>	<u>35.50</u>	<u>39.50</u>	<u>46.50</u>	<u>47.75</u>	<u>61.00</u>	<u>63.00</u>	<u>64.00</u>	<u>64.00</u>

Source: City of Dana Point Budget Document

CITY OF DANA POINT
Operating Indicators by Function/Program
Fiscal Years 2006 through 2011*

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<u>Police (1)</u>						
Arrests	2,153	418	404	1,009	882	1,006
Calls for service	17,091	20,028	16,479	16,501	15,505	15,899
Parking citations issued	9,765	9,652	10,895	7,955	7,042	7,544
Traffic citations issued	6,666	6,320	5,816	6,528	1,908	1,996
<u>Fire (2)</u>						
Incidents	2,326	2,449	2,700	2,654	2,790	3,155
Unit responses	4,619	4,771	4,946	4,684	5,145	5,631
Fires	55	66	66	63	51	41
Inspections conducted	720	848	1,059	452	774	549
<u>Refuse Collection (3)</u>						
Refuse collected (tons/day)	83	86	42	53	55	55
Recyclables collected (tons/day)	82	78	44	55	60	64
<u>Community Development</u>						
Building permits issued	1,663	1,648	1,456	1,500	1,552	1,560
Value of building permits issued	\$49,420,168	\$37,818,104	\$56,799,416	\$45,852,490	\$31,413,957	\$42,400,000
Inspections conducted	7,960	8,341	7,497	7,571	7,994	8,300
New code enforcement cases opened	699	614	867	1,241	1,368	1,325
Code enforcement cases closed	687	484	956	1,187	1,369	1,330
<u>Public Works</u>						
Miles of street resurfaced	8	8	2	1	5	2
Potholes repaired	103	25	150	312	220	156
Inspections completed	300	478	575	653	274	1,071
<u>Parks and recreation</u>						
Number of classes offered	421	475	471	680	701	720
Number of activities/trips conducted	10	6	4	4	4	16
Number of participants:						
Youth classes	1,168	1,436	1,492	1,069	1,032	1,259
Adult classes	1,050	1,279	1,286	1,125	1,101	805
Sports leagues	600	402	401	446	404	720
Excursions	259	173	101	176	170	170
Total participants	<u>3,077</u>	<u>3,290</u>	<u>3,280</u>	<u>2,816</u>	<u>2,707</u>	<u>2,954</u>

* Data unavailable prior to fiscal year 2006.

(1) Police services are provided to the City via contract with County of Orange

(2) Fire services are provided by Orange County Fire Authority

(3) Refuse collection is provided via franchise with CR&R

Sources: Various City departments, Orange County Fire Authority, Orange County Sheriff, CR&R

CITY OF DANA POINT
 Capital Asset Statistics by Function/Program
 Fiscal Years 2006 through 2011*

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<u>Police (1)</u>						
Stations	1	1	1	1	1	1
Patrol units (cars)	12	12	12	12	12	13
Patrol units (motorcycles)	3	3	3	3	2	2
Fire Stations (2)	2	2	2	2	2	2
<u>Refuse Collection (3)</u>						
Collection trucks	16	13	18	15	13	13
<u>Public Works</u>						
Miles of arterial streets maintained	15	12	19	19	19	19
Miles of non-arterial streets maintained	56	63	56	56	56	56
Miles of storm drains maintained	47	18	18	18	20	20
Number of traffic signals	36	36	36	37	37	37
Number of street lights (4)	1,466	1,467	1,467	1,470	1,470	1,470
<u>Parks and Recreation</u>						
Number of parks	21	23	23	23	27	27
Total park acreage	65.7	85.4	85.4	85.4	135.0	135.0
Number of baseball/softball diamonds	7	7	7	7	7	7
Number of community centers	1	1	1	1	1	1
Number of tennis courts	8	8	8	8	8	8
Number of basketball courts	5	6	5	7	7	7

* Data unavailable prior to fiscal year 2006.

(1) Police services are provided to the City via contract with County of Orange - substation is located in Dana Point

(2) Fire stations are owned by Orange County Fire Authority

(3) Refuse collection vehicles are owned by franchisee CR&R

(4) Includes 1,335 street lights owned by San Diego Gas & Electric, energy cost paid by City

Sources: Various City departments, Orange County Fire Authority, Orange County Sheriff, CR&R